

Annual Report

2024

Our management philosophy is to contribute to regional development through a commitment to sound banking principles. We will steadfastly promote sound management based on integrated thinking and contribute to bringing vitality and qualitative abundance to regional economies and communities as an industry leader that creates a better future for the regions we serve.

Winter dawn, Utsukushigahara Highlands, Matsumoto City

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."

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## 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.



Collaborative  
Value Creation  
Guidance

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# At a Glance

An Industry Leader That Leverages Strong Domestic and Foreign Relationships and the Capabilities of Our Group Companies

## ◆Locations

Japan: **151** branches (including head office; **131** locations in Nagano Prefecture)  
Overseas: **1** branch (Singapore), **2** representative offices (Shanghai, Bangkok)  
\*Hong Kong Branch closed March 31, 2024

## ◆Employees

**3,289** (increase of 248 from previous year)

## ◆ESG Rating

CDP score: **A**

## ◆Ratings

S&P: **A-** | R&I: **A+** | JCR: **AA**

## ◆Financial Data (Consolidated)

Total assets **14.8277** trillion yen (year-on-year increase of 1.8639 trillion)

Deposits **9.4379** trillion yen (year-on-year increase of 1.2699 trillion)

Loans **6.7812** trillion yen (year-on-year increase of 668.0 billion)

Consolidated net income attributable to owners of parent **37.0** billion yen (year-on-year increase of 12.9 billion)

Consolidated capital adequacy ratio (under Basel III standards) **20.74%** (year-on-year increase of 2.38%)

## ◆Hachijuni Bank Group Subsidiaries and Affiliates

Banking	The Nagano Bank	Credit cards	Nagano Card	Car leases	Hachijuni Auto Lease
Securities	Hachijuni Securities	Credit guarantees	Hachijuni Credit Guarantee	Investment management and advising	Hachijuni Asset Management
Leasing	Hachijuni Lease	Investment	Hachijuni Capital	Investment	Hachijuni Investment
Leasing	Nagagin Lease	Staff dispatch and referral	Hachijuni Staff Service	Regional trade and electric power	Hachijuni Link Nagano
Credit cards	Hachijuni Card	Debt management and collection	Yamabiko Services		

# The Hachijuni Bank Group's Business Base

Nagano Prefecture, where The Hachijuni Bank Group's business is based, is located in the center of Japan and is easily accessible from major urban areas, including Tokyo and Nagoya which are less than 200 kilometers away. The prefecture's economy is based mainly around manufacturing and assembly industries, and it boasts a large variety of garden produce, agricultural crops, and diverse tourism resources that make use of its abundant natural environment and proximity to areas of large-scale consumption.



## ◆Market Potential

### Lifestyle

**No. 1** Prefecture in Japan that people want to move to  
\*"The Book of Country Living" (Inaka Kurashi no Hon), 2024 (published by Takarajimasha)

**No. 1** (for women) and **No. 1** (for men) nationally in healthy life expectancy  
\*\*2021 Average Time Living Independently by Prefecture" (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 area  
\*\*2022 Forest and Planted Forest Cover Ratios by Prefecture" (Forestry Agency)

### 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  
\*2022 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  
\*2021 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

## ◆Environment and Issues Facing the Region

Nagano Prefecture enjoys abundant nature, clean air and clear water, as well as the convenience of its connections to high-speed transportation networks, making it an extremely favorable environment for manufacturing and assembly industries as well as agriculture.

However, there are growing concerns about issues such as a declining and aging population due to Japan's low birth rate and the movement of people to urban areas, which will have a serious impact on the communities and economy of the region in the future.

The Hachijuni Bank Group will work to resolve the issues facing the region by strengthening its existing banking business, further expanding its business domains and the areas where it provides services, and acquiring new sources of revenue.

## Message from the President

### Masaki Matsushita

President (Representative Director)  
Executive President



We will stay committed to growing  
along with our customers and community  
as an industry leader.

### Economic Activity Recovery and New Issues

In May 2023, the Japanese government reclassified COVID-19 as a class 5 disease, thanks to which movement and travel restrictions were lifted, and economic activity is now trending upward. One notable trend is the recovery of the tourism industry, one of the main industries of Nagano Prefecture. However, due to an

increase in imported material prices caused by the weak yen, as well as high labor and energy costs, I feel that despite the recovery in sales figures, the business environment has been harsh in terms of profit. In addition, issues faced by all industries that differ from those experienced during the pandemic, such as labor shortages and

wage increases, have become more pronounced, and I believe that in the past year, the gaps between certain companies and industries have grown.

With regard to the business environment surrounding our bank, negative interest rates and yield curve controls have been lifted, and we are returning to a world with interest. Loans and deposits are both increasing, and the addition of fee income has generated moderate results in profit. Particularly in regard to investments, due to

the increase in foreign and domestic interest rates, bond yields were improved by taking measures such as an early portfolio restructuring, and loan and securities yields increased as well. Consolidated net income for fiscal year 2023 was our highest ever partly due to the recording of negative goodwill resulting from the business merger with The Nagano Bank, but even excluding that, I believe we achieved a considerable level of profit.

### Reaffirming the Importance of Our Management Philosophy amid Integration Preparations

In anticipation of our full integration with The Nagano Bank in January 2026, we established a Management Strategy Committee centered around myself and President Nishizawa of The Nagano Bank and have thoroughly discussed what the post-integration bank will aim to achieve, what its values will be, and what kind of value it will provide to regional communities and customers. Those matters were also discussed at multiple meetings of the Management Committee and the Board of Directors and were included as part of our value creation process announced in May of this year. During those discussions, I gained a new appreciation of the importance of our management philosophy of contributing to regional development through a commitment to sound banking principles. If the regions we serve do not develop, then we as a regional bank cannot develop either. When considering what we should do to support regional development,

I once again felt that sound banking principles are one means for achieving that and can be part of the goal.

I believe that our bank's role is to contribute to the sustainable development of regional communities with an awareness of the issues that need to be addressed, including environmental issues and our social responsibility. In that sense, I believe we were correct in carrying out our efforts under our Medium-term Management Vision 2021, in which we defined sustainability as the core of our business. We have been able to take most of the necessary measures, so moving forward, it will be important to see how much we can strengthen those measures and tie them in to the next process. Naturally, I recognize that our bank bears greater responsibility in Nagano following the business merger with The Nagano Bank, and I am constantly considering how to fulfill our responsibilities not only as a bank but also as an industry leader.

### A History of Taking on Challenges

In regard to the conditions faced by Nagano Prefecture at present, the population is undoubtedly continuing to age. When considering how to achieve regional development, creating new industries is one possible method, but it is better suited to large cities in which people, goods, money, and information gather, and it is rather difficult to achieve in rural regions. So what can we do in Nagano? Nagano is close to both the Tokyo and Nagoya metropolitan areas, and in terms of transportation networks, Nagano occupies

a location between the two, in addition to which it has many publicly-traded companies. I believe that if these regional companies are able to grow significantly, they will attract people and bring vitality to the region, so therefore, our bank can grow together with them by providing support. But in order for companies to grow, they need to expand outside the prefecture or even overseas and bring in outside resources. Our customers in the manufacturing industry in particular need to expand to other countries and require



## Message from the President

overseas support, so in order for our bank to grow together with our customers, I believe we need to develop the ability to address those needs. We already have branches in other prefectures and countries, but their significance will change. We have firmed up our main foundation in Nagano through the business merger with The Nagano Bank, and our next step will be to increase our focus on our efforts outside of the prefecture and overseas.

As for our environmental measures, last year we achieved one of our medium-term management targets of net zero greenhouse gas (CO<sub>2</sub>) emissions by The Hachijuni Bank individually. We will next aim to achieve net zero as a group and then finally gross zero group emissions. In order to achieve that, I believe the most important point will be how quickly we can create an environment where not only our bank but as many companies as possible measure their emissions and the whole region works together to reduce greenhouse gases. It will not be an easy task, but I believe it is our bank's duty as an industry leader to work towards that goal by utilizing the relationships we have built with our many customers over the years. Additionally, in order to protect the natural

environment, it is necessary to also consider what types of raw materials and chemicals are being used and what their environmental impact is. I want our bank to take the lead in implementing not only TCFD initiatives but also TNFD initiatives as well in order to protect and coexist with Nagano's rich natural environment.

One other area to consider is the utilization of the vast amounts of data accumulated through transactions with our customers over many years. I believe the use of that data will determine whether or not we are successful in the future. Fortunately, we already have the personnel and experience necessary to utilize that data. Our bank was the first in Japan to introduce a total online system, and because multiple other banks that participate in the Judan-kai project use our systems, we have continuously developed the personnel needed to operate those systems and currently have approximately 300 employees who do so. I believe that there are few regional banks with that number of system-related personnel. We are engaged in a variety of sales and risk management initiatives that combine our strengths in accumulated data and in personnel and experience while also making effective use of AI.



### Developing Human Resources Is the Top Priority for Management That Leverages Human Capital

We revised the way in which we set our performance targets at the same time that we commenced the Medium-term Management Vision 2021. Before that, the head office would set performance targets for the bank as a whole, which would then be divided among our branches, but we stopped using that method as we believed that it might lead to employees prioritizing the achievement of targets and giving less effort and focus to responding to our customers' true needs. We therefore adopted a new method in which each branch considers what it should do to serve its customers, sets its own targets, and takes action to achieve them. Three years have passed since then, and the new method has taken root. Thanks to the hard work of our employees, our profits have not declined. I feel that we have become a bank that serves its customers in a truer sense than before.

Furthermore, I view the business merger with The Nagano Bank as a good opportunity to enhance our human capital. I feel that employees of The Nagano Bank are skilled at working independently and are able to respond to issues quickly, while Hachijuni Bank employees are skilled at working as an organization and considering matters carefully before acting. Although our organizational environments differ, I believe we can achieve something interesting by combining the good points of each. In fact, there have already been several instances in which employees of the two banks have worked together to satisfy our customers.

I have long given constant thought to how best to operate an organization. Although a top-down approach might succeed in improving performance over the short term, it is not sustainable. On the other hand, an organization that only focuses on

cooperation will not make progress and will be slow in responding to issues. I believe the best approach is to believe in our employees' abilities and entrust responsibility to them. That means that each employee thoroughly understands the views of the management team, considers matters as though they themselves were the CEO, and takes action based on that

perspective. By acting under that mindset, employees are able to quickly make progress in a variety of directions, which becomes the strength of the company. By believing in and entrusting responsibility to employees, they are able to practice thinking for themselves, and the way in which they work will change.

### To the Capital Market: We Will Work Towards ROE and Shareholder Returns from a Long-term Perspective

We are grateful to have many shareholders who support the growth of our bank, and in order to ensure that they remain invested in us for a long time, I believe that it is essential to increase ROE. As we expand our business domains, we will enter areas with a higher amount of risk, so we will work to maintain a balance between increases and decreases in risk and make adjustments so that we maintain our consolidated CET1 ratio at around 15% at

the minimum. We are implementing strategies with increased ROE as our first goal, but I believe that achieving that aim will take time and is not something that can be accomplished this year or next.

In regard to shareholder returns, we have increased dividends and implemented 10 billion yen in stock buybacks for three consecutive years. Moving forward, we will work to maintain returns at a level that satisfies our shareholders.

## Message from the Vice President

The Hachijuni Nagano Bank will become an essential regional partner through the combined human capital of The Hachijuni Bank and The Nagano Bank.

**Shohei Hidai**

Vice President (Representative Director)  
Executive Deputy President



both banks are working together to satisfy customers by providing solutions and holding joint seminars. There have also been cases in which Nagano Bank employees who participated in internal seminars have learned of the services offered by The Hachijuni Bank and promptly succeeded in selling them to customers. I believe that as specific instances like these become more numerous, our employees' feelings towards the integration will change as well. Hachijuni Bank employees have also been stimulated by the speedy work of The Nagano Bank, and in this past year, I have strongly felt that it is indeed important

to progress with concrete initiatives. In December of last year, we announced the name of the post-integration bank and our plans for branch consolidations, and internally, we announced the personnel system of the post-integration bank this past April. Some people have asked why we made these announcements so early, but that is because we think it is important to share this information with both our customers and employees. By making these announcements without delay, we hope to receive a variety of feedback so that we can take better action moving forward.

### Steadily Implementing a Human Resources Strategy Based on the Value Creation Process

This May, we announced our new value creation process that we restructured in anticipation of the full integration with The Nagano Bank, and we have also established the outline of the human resources strategy necessary to achieve that process. For instance, we considered what types of solutions and human resources will be necessary in order to maintain and develop the industrial base of Nagano Prefecture and created a plan regarding the methods and time required for developing those human resources, based on

which we have begun implementing the specific efforts that we are currently able to. While listening to our employees' opinions, I want to clearly set out our goals for the post-integration bank and create a workplace that people are excited to be a part of. I believe that our mission is to accurately identify the issues facing society in Nagano Prefecture, determine what the post-integration bank can do, and flexibly develop human resources to accomplish that.

### Business Merger Status: Launch of New Bank Creation Project

Over a year has passed since our business merger with The Nagano Bank on June 1, 2023, and as we prepare for the full integration on January 1, 2026, we are steadily making progress on deciding matters such as the post-integration bank's name and logo, the consolidation of branches, the personnel system, and the integration of bank counters and transactions. I am impressed that so much progress has been made in such a short time, and I feel that it demonstrates the innate talent of the employees of both banks. Since the business merger, we have launched the "Integration Project" in order to achieve a smooth integration as well as the "New Bank Creation Project" in order to rapidly fuse the two banks and achieve synergies. Under the New Bank Creation Project, in addition to the initiatives of the working groups, we began the activities of the "Co-Creation Project" consisting of a Business Co-Creation Team and Financing Co-Creation Team. Based on cooperation between the employees of both banks, the Business Co-Creation team is working to demonstrate to our customers the benefits of the business merger mainly in regard to consulting services, while the Financing Co-Creation Team is

providing support for customer management reforms and business revitalization. There have already been several instances in which we have used the strengths of each bank to satisfy our customers as they see the benefits of the business merger, such as by combining the speedy, proactive approach of The Nagano Bank with the expertise accumulated by The Hachijuni Bank in order to aid in developing the businesses and resolving the issues of our customers. I want us to make the positive effects of the business merger felt by as many customers as possible by steadily implementing these types of efforts. The full integration is planned to take place on January 1, 2026 because of the amount of time required for preparing to integrate our systems, but I already consider The Hachijuni Bank and The Nagano Bank to be a single entity, and we will carry out all the measures we are able to without waiting for integration. That includes the integration of our bank counters and transactions, but I believe that our customers may have various questions and concerns in regard thereto, so we intend to listen to their requests and respond thoroughly while thinking first and foremost of our customers.

### The Transition from Competition to Co-Creation Begins with Human Capital

We have been making decisions regarding the post-integration bank's branches, products, services, systems, and procedures by comparing the situations of each bank and choosing the elements that we consider optimal. Some employees may feel that programs and systems from The Hachijuni Bank are being favored, but we have not made a single decision with the intent of choosing one bank over the other. Because of the

business merger, we are essentially the same bank, so we are choosing what we consider to be the best options for The Hachijuni Nagano Bank. But since we are human, we may feel a certain way even when we know otherwise, so I believe that I will need to just keep reiterating that we are making decisions from the perspective of the post-integration bank. Thanks to the Co-Creation Project, employees from

### Becoming a Leader in Utilizing Big Data by Dividing Roles Internally and Externally

Three years ago, we established the Digital Transformation Department, which currently has eight members who have gained experience through methods such as assignments to outside organizations, and moving forward, we will further strengthen these human resources responsible for promoting DX. Additionally, the AI Promotion Team established within the Computer Systems Department is actively using multiple models for our customer services that they created using big data. One of the distinctive characteristics of our

bank is the division of roles that we have achieved by handling core elements such as data accumulation in-house while also bringing in outside knowledge for other areas, and we are taking initiatives based on that style of collaboration. As our personnel grow further, I want to expand the scope of work performed in-house while continuing to collaborate with outside experts in order to further enhance customer services that utilize big data.

### The New Personnel System Will Be the Foundation for Our Customers-First Policies and Corporate Culture

The personnel system of the post-integration bank will take effect on January 1, 2026, and it will combine the positive features of both The Hachijuni Bank and The Nagano Bank while also including elements in response to requests that we have received from employees. We will implement any reforms that can be introduced before that date with the goal of creating a better working environment for employees of both banks, and I believe our employees will feel the merits of the new system. The most important goal for a regional bank is to benefit the regions it serves. Although there are other perspectives, I believe that the key characteristic for our employees is the ability to contribute to the region. Our employees fulfill various roles such as branch staff who interact directly with customers or main office staff who support the branches, but in addition to benefiting the region and customers,

employees who work to aid their colleagues and associates within the bank also help us contribute to our customers. That is why we require human resources who can take action based on their firm desire to help others. As I said earlier, I am impressed by the innate talent of the employees of both banks, but there are still some aspects in which we are lacking in regard to having an enterprising spirit and thinking and acting independently. If we ask ourselves whether we have achieved a level that can be considered the best for our customers, I think there are some ways in which we have not reached that point yet. If we put our customers first, we should be able to work with a greater hunger. I believe it is the management team's responsibility to firmly establish that type of culture, and I intend to continue doing all I can to achieve that goal.



# Countdown to Integration: Becoming The Hachijuni Nagano Bank

2024  
2025  
2026



In June 2023, The Hachijuni Bank and The Nagano Bank performed a business merger. We are making preparations for the full integration planned to take place on January 1, 2026 with the goal of being the most successful business merger between regional banks in Japan.

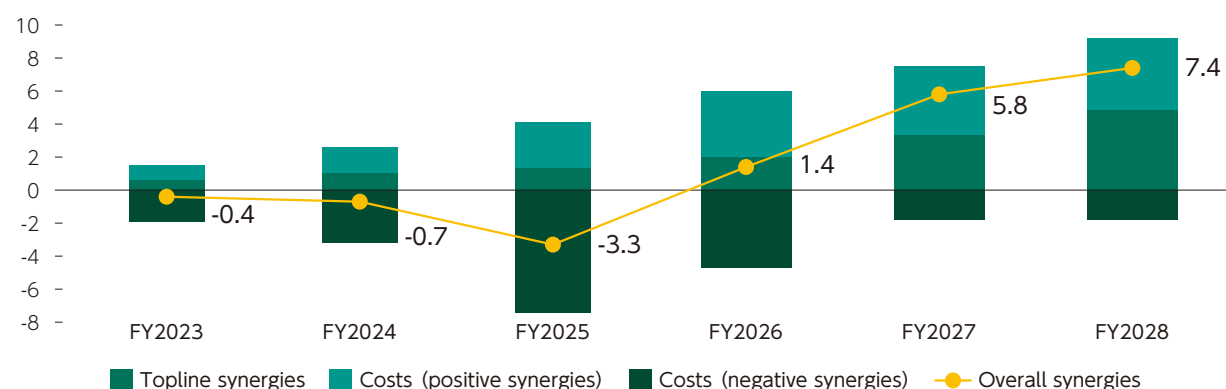
## Three Goals of Business Merger

- Increase management efficiency**
  - Unify systems and administrative tasks
  - Consolidate branches
  - Develop talent and reduce costs by increasing management efficiency
- Strategic allocation of human resources**
  - Reallocate human resources to strategic areas
  - Improve profitability through reallocation of human resources to achieve medium to long-term growth
- Improve profitability**
  - Share expertise of both banks
  - Respond to needs of customers in region
  - Strengthen growth areas (consulting, digital services, etc.)

## Business Merger Plan

- Before the integration, negative synergies relating to costs will initially outweigh positive synergies due to factors such as an increase in costs for integrating systems, but we anticipate increasing gains from overall synergies after the full integration from fiscal year 2026, when topline synergies and positive cost synergies will begin to fully take effect.
- For the six years following the business merger, we will reallocate human resources to strategic areas such as consulting and digital services while responding to the large, natural decrease in personnel due to factors such as branch consolidations and streamlined operations.

Anticipated overall synergies (Unit: billions of yen)



## Progress of Synergies

### Co-Creation

In June 2023, we began the Co-Creation Project, which supports customers by combining the consulting functions of both banks. The project consists of the Business Co-Creation Team, which provides support for issues such as business successions, M&A, and overseas business expansion, and the Financing Co-Creation Team, which provides support for management reforms, managerial personnel referrals, and other issues. Through these teams, we are strengthening our support for customers by combining the strengths of each bank.

#### ►Co-Creation Project (Achievements from June 2023 to May 2024)

**Business Co-Creation Team:** Formed 19 projects including overseas expansion support and syndicate loans (four projects have already been carried out)

**Financing Co-Creation Team:** Supported the formulation of management reform plans, developed environments for financing, and provided monitoring support to 42 business partners who received joint support from the banks

### Fusing Cultures

Both banks are undertaking a variety of both top-down and bottom-up initiatives to fuse our organizational cultures and achieve harmony among our employees as the foundation for integration.

#### ►Activities in preparation of integration (June 2023 to May 2024)

- Management Strategy Committee: held 17 meetings
- Integration Promotion Committee: held 24 meetings
- Joint branch manager meetings
- Joint employee induction ceremonies
- Integration of bank counters and transactions (trials commenced in certain areas) \*

\*We have begun joint sales activities by both banks ahead of the full integration in order to relieve the anxiety of our customers regarding the integration and rapidly demonstrate the merits of the business merger.

#### ►Active integration of employees (June 2023 to May 2024)

- Employees loaned between banks or having dual assignment to both Hachijuni Bank to Nagano Bank: 2 employees loaned, 5 employees with dual assignment
- Nagano Bank to Hachijuni Bank: 22 employees loaned, 5 employees with dual assignment, 3 employees loaned for training
- Hiring activities for 2025 graduates by joint hiring body
- Joint internal seminars: 1,390 participants from both banks
- Joint training: 237 participants from both banks
- Seisei Juku and Nagagin Doyo Juku: 643 participants from both banks
- Joint customer seminars: 327 participating customers

## Integration Preparations

We are engaged in a variety of efforts to make the synergies of the business merger felt by the regions and customers we serve.

#### ►Waiving and standardizing ATM fees

In October 2023, in order to make both banks' ATMs more convenient, we waived fees for the use of each other's ATMs and standardized Quick Card transfer fees.

#### ►Integration of home loan staff

In November 2023, we incorporated The Nagano Bank's dedicated home loan staff into The Hachijuni Bank Loan Plaza to create a joint location where we can serve our customers. By bringing together staff with expert knowledge, we will offer higher-quality solutions to our customers.

#### ►Publicizing the name of the post-integration bank (standardizing the back sides of both banks' business cards) —

In February 2024, we standardized the back sides of both banks' business cards in order to spread awareness and build familiarity towards the post-integration bank's name and logo.

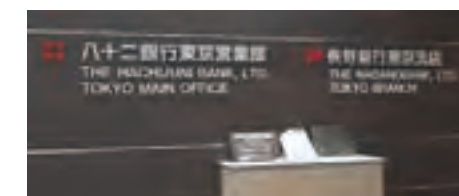


#### ►Commenced operation of joint branches

February 2024: Opened joint branch for The Hachijuni Bank Tokyo Main Office and The Nagano Bank Tokyo Branch

May 2024: Opened joint branch for The Hachijuni Bank Shinshu University Branch and The Nagano Bank Matsumoto North Branch

Employees of both banks will work together under the same roof to deepen their cooperation and provide better services to our customers.



## Message from the Finance Officer



We aim to achieve ROE that exceeds cost of capital through disciplined deployment of capital and steady profit growth, boosting value for our bank and shareholders.

**Makoto Nakamura**

Director and Managing Executive Officer

### 1 Reviewing FY2023 Performance

As an industry leader in Nagano Prefecture, The Hachijuni Bank Group is currently working to achieve a sustainable regional society while responding to changes under our Medium-Term Management Vision 2021, "Supporting our customers and regions through the combination of financial services, non-financial services, and relationships."

Against the backdrop of social and economic uncertainty during the COVID-19 pandemic, we established our Medium-Term Management Vision 2021 in June of that year because we recognized that the bank itself must change in conjunction with changes in our customers and the changing times, and we considered it necessary to be adaptable as we work to achieve our goals. We have placed emphasis on sharing that vision and are taking flexible measures by establishing and implementing a single-year plan each fiscal year. Following the end of the pandemic, we are now working to establish new management plans while taking into account changes in the economic and social environment and while looking ahead beyond our integration with The Nagano Bank.

In our consolidated financial results for fiscal year 2023, gross income was 100.4 billion yen (a year-on-year increase of 8.8 billion), ordinary income was 35.2 billion yen (a year-on-year increase of 0.3 billion), and net income attributable to owners of parent was 37.0 billion yen (a year-on-year increase of 12.9 billion). The main reason for the large increase in net income attributable to owners of

parent was that we recorded 17.3 billion yen in income from negative goodwill due to the business merger with The Nagano Bank.

In the non-consolidated fiscal year 2023 financial results for The Hachijuni Bank, which accounts for a majority of our consolidated performance, net core business income (excluding profit and loss from cancellation of investment trusts), which indicates the profitability of our main businesses, was 39.5 billion yen (a year-on-year increase of 7.2 billion) due to increases in loan interest income and securities interest and dividend income. Additionally, ordinary income was 36.2 billion yen (a year-on-year increase of 6.0 billion), and net income was 27.1 billion yen (a year-on-year increase of 5.6 billion).

Consolidated (billions of yen)	FY2022	FY2023	Year-on- year
Gross income	91.5	100.4	8.8
Ordinary income	34.8	35.2	0.3
Net income attributable to owners of parent	24.1	37.0	12.9
Non-consolidated (billions of yen)	FY2022	FY2023	Year-on- year
Net core business income	32.3	39.5	7.2
Ordinary income	30.2	36.2	6.0
Net income	21.5	27.1	5.6

### 2 FY2024 Short-Term Management Plan

In our fiscal year 2024 short-term management plan, we have set out a shared policy with The Nagano Bank of creating a foundation for The Hachijuni Nagano Bank to serve our customers and the region. In addition to continuing efforts to achieve our Medium-Term Management Vision 2021, we are aiming to rapidly create synergies from our integration with The Nagano Bank.

Under our performance forecast for fiscal year 2024, we anticipate ordinary income of 45.0 billion yen (a year-on-year increase of 9.8 billion) and net income attributable to owners of parent of 31.0 billion yen (a year-on-year decrease of 6.0 billion). The main factor in the increase in ordinary income is securities investments by The Hachijuni Bank on a non-consolidated basis, where a decrease in loss on sales of bonds is expected. Through the last fiscal year, we restructured our portfolio to control risk in anticipation of interest rate changes, and moving forward, we will aim to secure stable carry income by taking appropriate risks in response to rising interest rates. In regard to the rising yen interest rates, improvements in yen-denominated loan yields are expected in sales operations, so we will work to increase interest margins and aim to rapidly create topline synergies with The Nagano Bank for consulting and service income. We anticipate an increase of 1.0 billion yen in credit-related costs. We have already recorded sufficient allowances and expect them to remain low moving forward, but the economic situation remains unclear in some respects. Additionally, there are increasing uncertainties in regard to natural disasters and other such unexpected events, so we will do our best to support the stable management of our customers in order to prevent performance from worsening and provide aid in preparing for unforeseen circumstances.

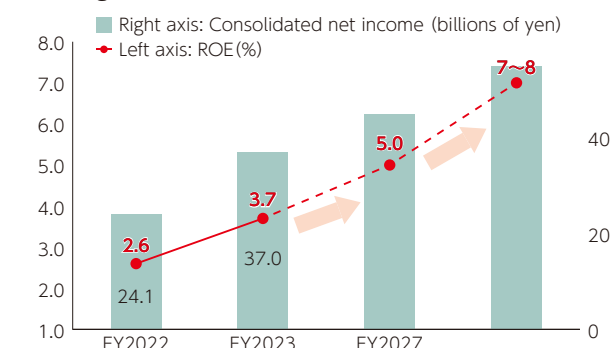
Consolidated (billions of yen)	FY2023	FY2024 forecast	Year-on- year
Ordinary income	35.2	45.0	9.8
Net income attributable to owners of parent	37.0	31.0	-6.0
Non-consolidated (billions of yen)	FY2023	FY2024 forecast	Year-on- year
Ordinary income	36.2	42.0	5.8
Net income	27.1	30.0	2.9

### 3 Increasing ROE

Since the founding of The Hachijuni Bank in 1931, we have adapted to all sorts of changes in the social and economic environment and focused our efforts on developing the economy of Nagano Prefecture and fostering human resources. As set out in our value creation process, we believe that the results achieved through our efforts across a wide range of business activities using the financial and non-financial capital that we have accumulated will tie in to achieving the value (outcome) created by our bank, which is to bring vitality and qualitative abundance to regional economies and

communities, and to the realization of our management philosophy of contributing to regional development through a commitment to sound banking principles. Our P/B ratio has long been below one, but we recognize that in order to improve it, we need to address ROE as a key driver. Our ROE has failed to exceed shareholder equity costs for many years, and we have remained in a state of negative equity spreads, but we will earnestly endeavor to increase shareholder value to meet the expectations of market participants. Therefore, our first target is to achieve an ROE of 5% by fiscal year 2027. However, we realize that is not sufficient, so we will aim for a higher level (7-8%) thereafter and work to continually increase profitability to bring an end to negative equity spreads.

#### Changes in ROE



### 4 Enhancing Profitability

The Management Strategy Committee, established in preparation of our integration with The Nagano Bank, is continuing to consider how to enhance profitability to raise ROE to our target of 5% and then further improve it, and the status of that consideration is regularly reported to the Board of Directors. The Management Strategy Committee is part of the project for the integration between The Hachijuni Bank and The Nagano Bank, and the presidents of both banks form the core of the committee members. The committee regularly holds discussions from various perspectives regarding how to create value taking into consideration the current business portfolios and personnel allocations of each bank, which both base their business in Nagano Prefecture. A specific management plan will not be announced for some time, but allow me to introduce three initiatives being discussed. We believe that the results of these initiatives will accumulate to enhance profitability, which will contribute to increasing ROE.

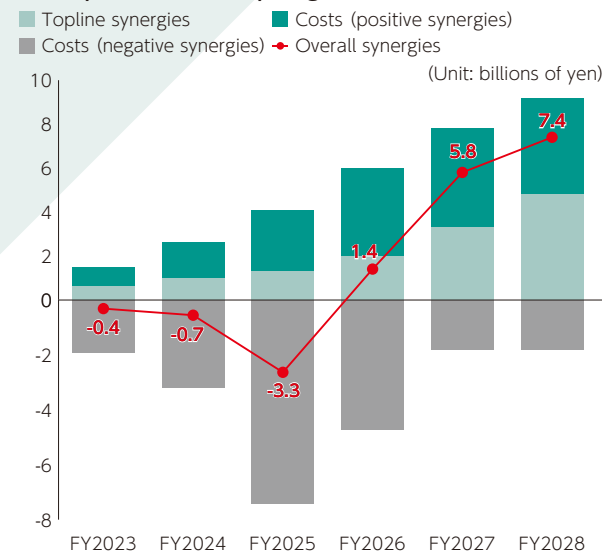
The first initiative is achieving integration synergies. We will aim to rapidly achieve the topline and cost synergies set out in the Basic Services Maintenance Plan (May 2023) and create 7.4 billion yen in synergies in fiscal year 2028. Topline synergies entail enhancing sales expertise by sharing knowledge and strengthening growth business and new business through the creation of human resources. Since fiscal year 2023, we have been providing The Hachijuni Bank's consulting services to The Nagano Bank's customers, and employees of both banks have been working together to help resolve the management issues facing our customers, so we will work to step up these types of efforts and make them part of our normal operations. In regard to cost synergies, we



## Message from the Finance Officer

will aim to increase efficiency through system integration and branch consolidations and to optimize the allocation of personnel. When conducting the integration, significant costs will be incurred, which will be a large burden until fiscal year 2025, but following that, we anticipate a positive financial effect from total synergies. All of our employees, including sales, human resources, administration, and systems personnel, are cooperating to consider how to rapidly bring about these synergies and are already working to do so.

### Anticipated overall synergies



The second initiative is to enhance profitability by reallocating the human resources produced after the integration, which is also set out in the Basic Services Maintenance Plan. As branch consolidations and operational streamlining advance, we expect to be able to position approximately 200 employees in consulting services and strategic areas, and we are considering the specific assignments for those staff, the areas on which we will focus, and the anticipated profit. We are also examining personnel strategies that take into account human capital.

Broadly speaking, there are four areas into which we are considering reallocating personnel: in-person sales, which requires a high degree of expert knowledge and attentive customer service; remote sales using digital channels; market investments, which is an area of strength for our bank; and sustainability, which works to fulfill our social mission in regard to issues such as sustainable regional development and the global environment. We will work to gradually increase profit while taking into account the amount of time required to develop the human resources who will be reassigned to these areas by means such as training and loans to outside organizations.

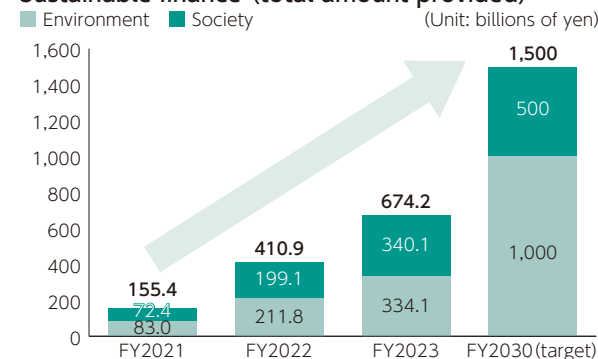
For in-person sales directed at corporate customers, we will strengthen our sales efforts for consulting services for projects such as business successions, M&A, overseas expansion support, and corporate revitalization as well as our services for structured finance such as LBOs and MBOs. For individual customers, we will enhance our total consulting capabilities for services including asset management, insurance, inheritance, and trusts.

In remote sales, we will work to achieve a steady increase in loan balance by increasing convenience

and promoting the usage of online lending that uses AI analysis and consumer loans that use digital channels. Additionally, the Customer Contact Team, a remote sales department established within the head office, will engage in sales activities through digital channels and by telephone to support and share the burden of duties with branches where in-person sales are increasingly important, and it will work to enhance profit by serving customers.

For market investments, we will build a portfolio with a medium to long-term view by utilizing Hachijuni Asset Management, our subsidiary, as well as unrealized gains from securities, and we will reinforce investment management with a focus on stability and flexibility through derivatives and diversified investments, including alternative investments. Additionally, we will step up efforts for non-Japanese loans and structured finance by our Singapore Branch. In the area of sustainability, we will further strengthen customer decarbonization support and sustainable finance. We will also reinforce investments mainly for regional companies through Hachijuni Sustainability Fund No. 1, which was launched through Hachijuni Investment, our subsidiary, and has a total limit of 30 billion yen.

### Sustainable finance (total amount provided)



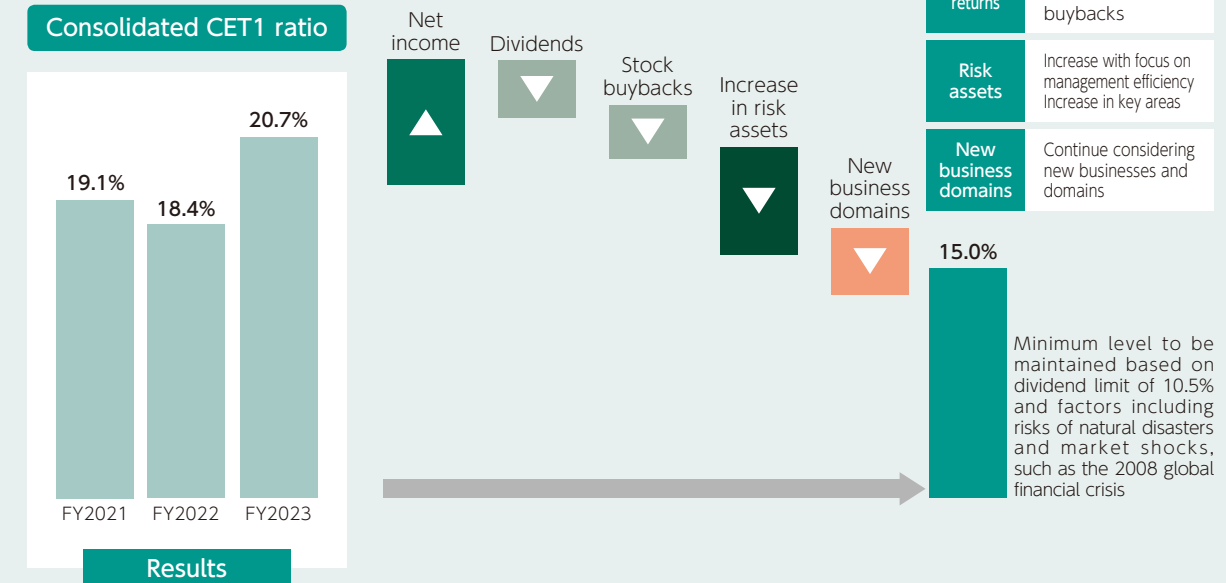
The third initiative is to expand interest margins in response to rising interest rates. In March 2024, the negative interest rate policy that had persisted since 2016 came to an end, and we are returning to a world with interest. As of the end of March 2024, The Hachijuni Bank and The Nagano Bank combined held 9.4 trillion yen in deposits, which we will use to build a quality asset portfolio with an appropriate risk-return ratio. In regard to the outlook for the near future, the two banks combined have a yen-denominated loan balance of 6.5 trillion yen, of which approximately 80% is due for interest rate revision or maturity within three years, so we expect to be able to improve loan yields in response to interest rate changes.

## 5 Capital Management

We believe that in regard to our deployment of capital, three areas of particular importance are stable shareholder returns, the maintenance of sufficient capital adequacy, and the utilization of capital in new business domains that will contribute to the enhancement of profitability.

In order to achieve shareholder returns, our dividend policy is to maintain a minimum dividend payout of five yen per share while actively returning profit to shareholders through stable dividends and stock buybacks. This policy promises our shareholders a minimum level of dividends that

### Effective capital utilization and risk asset control



will be paid regardless of the circumstances. Currently, our medium-term management target is to pay annual dividends of 20 yen or more per share through fiscal year 2025, and the annual dividend amount for fiscal year 2023 was 24 yen. When we commenced our Medium-Term Management Vision 2021, we set a target for a consolidated dividend payout ratio of 40%, but because of concerns of a temporary downturn in income due to factors such as an increase in costs for the business merger with The Nagano Bank, we set the annual dividend amount per share in fiscal year 2022, which was our highest ever at that time, as the minimum amount to be paid. We temporarily limited stock buybacks during the COVID-19 pandemic but restarted them from fiscal year 2022, and we have conducted 10 billion yen in buybacks every year since. Moving forward, we will continue providing shareholder returns by combining dividends and stock buybacks.

We have long maintained a comparatively high level of capital adequacy, which we consider one of our strengths. From the perspective of sustainability as the core of our business, we believe that high capital adequacy provides a sense of security to financial systems and our regional customers in regard to their business activities and lifestyles, so we believe it is necessary to maintain this strength moving forward. Based on that belief, we have set the minimum capital adequacy ratio to be maintained at approximately 15% from the perspectives of interest rate risk management during times of interest rate fluctuations or market shocks, such as the 2008 global financial crisis, as well as preparedness for unpredictable events such as recent natural disasters. Our consolidated CET1 ratio for fiscal year 2023 was 20.7%, and the main cause for the increase was the growth of unrealized gains on securities amid the recent favorable market environment. That growth was due to an increase in the share values of our

strategic shareholdings, despite the fact that in consideration of the intent of the Corporate Governance Code, we have steadily reduced those holdings in terms of both book value and number of companies whose shares we hold while maintaining dialogue with those companies. Our target is to reduce strategic shareholdings by 20% compared to fiscal year 2020 by fiscal year 2025, and in fiscal year 2023, we made steady progress and achieved a 14% reduction. We will continue sincere dialogue with our strategic shareholding partners to achieve our target ahead of schedule.

In regard to utilizing capital to enhance profitability, we have recently established three subsidiaries (Hachijuni Investment, Hachijuni Asset Management, and Hachijuni Link Nagano) and conducted the business merger with The Nagano Bank. We are currently prioritizing efforts to stabilize the businesses of the new subsidiaries and to prepare for integration with The Nagano Bank, but we are continuing to look for opportunities to expand our business domains, including through system reforms.

We will exercise disciplined deployment of capital to not only achieve our target of 5% ROE but also sustainably maintain that level as a driver of increased profit.

## 6 Increasing Shareholder Value

We actively work to provide opportunities for dialogue with our shareholders and other stakeholders. Based on our desire to deepen our stakeholders' understanding of The Hachijuni Bank Group's initiatives by providing abundant information, we will continue to enhance the disclosure we provide in regard to both financial and non-financial aspects. The opinions and suggestions we receive from our stakeholders are an invaluable contribution to increasing both our corporate and shareholder value, so we desire to continue meaningful exchanges of opinion in the future.

# 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.

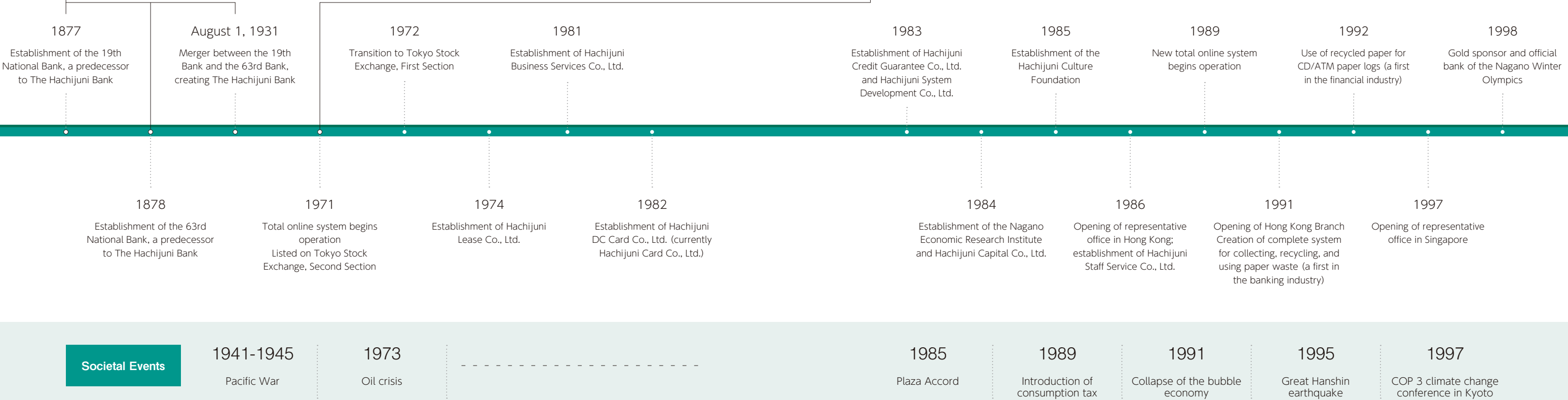
## 1971

### 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 an industry leader 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.



2023

## Maximizing Group Synergies: Business Merger with The Nagano Bank

In June 2023, The Hachijuni Bank and The Nagano Bank conducted a business merger through a share exchange in which The Hachijuni Bank became the parent company and The Nagano Bank became its wholly-owned subsidiary in order to provide better services and more convenience by combining the expertise developed by both banks and sharing their networks and information. We are now making preparations for a full integration planned to be conducted on January 1, 2026, conditional on approval by the relevant authorities.

After the integration, we will work to achieve topline synergies including the enhancement of sales expertise by sharing knowledge and strengthening growth business and new business through the creation of human resources in order to increase profitability, and we will aim to create cost synergies such as a reduction in expenses through system integration, branch consolidations, and optimizing personnel allocation.



2024

## TNFD Forum Membership: Coexisting with Nature and Growing with Communities

In March 2024, we endorsed the initiatives of the Taskforce on Nature-Related Financial Disclosures (TNFD), an international organization that aims to promote the transition to nature-positive business activities, and became a member of the TNFD Forum, an organization that supports those initiatives.

As we base our business in Nagano Prefecture, which enjoys an abundant natural environment, we have always endeavored to be the first to address environmental issues in order to coexist with nature and grow together with our regional communities. By becoming a TNFD Forum member, we will contribute to achieving a sustainable regional society by furthering our efforts to protect natural capital and biodiversity.



Sustainable management efforts to drive regional sustainability

## Our Strengths



Financial capital

**Business foundation of unrivaled strength and soundness**

Consolidated capital adequacy ratio

20.74%

Market share of loans and deposits in prefecture

No.1



Social relationship capital

**Deep connections with customers built over our 93-year history**

Unrivaled network

154 locations



Human capital

**Diverse and professional human resources**

Certification holders

Small and medium business consultants  
Hachijuni Bank: 59  
Nagano Bank: 17  
Securities analysts  
Hachijuni Bank: 52  
Nagano Bank: 1

Grade 1 financial planners/Certified financial planners  
Hachijuni Bank: 143  
Nagano Bank: 4  
IT coordinators  
Hachijuni Bank: 63  
Nagano Bank: 2



Intellectual capital

**Comprehensive financial services provided by the group as a whole**

Top-class environmental management valuation among domestic banks

Financial and non-financial business group

14 companies

CDP score

A

## Societal Events

2008

Global financial crisis

2011

Great East Japan earthquake

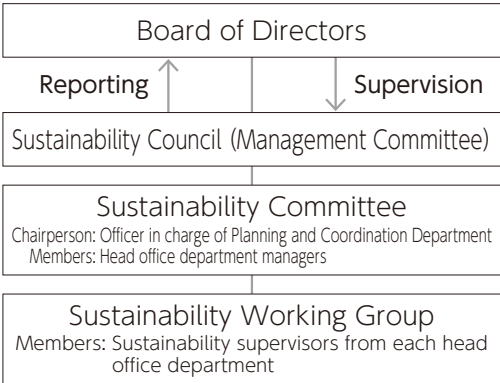
2019

COVID-19

# Achieving Sustainable Management

## Promoting Sustainable Management

We have established the Sustainability Council, Sustainability Committee, and Sustainability Working Group at our head office in order to accurately identify sustainability-related risks and opportunities and reflect them in our management strategies. Through these organizations, we will promote sustainable management based on both thorough discussions by executives and supervision by the Board of Directors.



Name	Meeting frequency and main matters discussed
Sustainability Council	<b>Meets at least twice annually in principle</b> (met six times in FY2023) <ul style="list-style-type: none"><li>• Restructuring of value creation process</li><li>• Identification of risks and opportunities based on TCFD recommendations</li><li>• Initiatives for TNFD recommendations</li><li>• Enrichment of sustainability disclosure</li></ul>
Sustainability Committee	<b>Meets whenever appropriate</b> (met seven times in FY2023) <ul style="list-style-type: none"><li>• Resolutions to issues for achieving sustainable management</li><li>• Actions in response to results of climate-related risk scenario analysis</li><li>• Initiatives based on TCFD recommendations</li><li>• Participation in TNFD Forum and future efforts</li><li>• Progress towards greenhouse gas emission reduction targets</li><li>• Status of sustainable finance efforts</li><li>• Status of efforts by the Sustainability Working Group</li></ul>
Sustainability Working Group	<b>Meets whenever appropriate</b> (met 11 times in FY2023) <ul style="list-style-type: none"><li>• Determining priority efforts for FY2023</li><li>• Sharing and discussing the status of efforts by subcommittees to address priority efforts</li><li>• Resolutions to issues for achieving sustainable management</li></ul>

## Basic Views on Sustainability

In May 2023, we publicly announced our “Basic Views on Sustainability” document, in which we set out our sustainability goals.

We will strive to achieve sustainability in both regional communities and corporate value under our management philosophy of contributing to regional development through a commitment to sound banking principles.

### 1. Resolving the issues of customers and regional communities

Through our business activities, we will do all we can to resolve the issues faced by our corporate customers, sole proprietor customers, and regional communities, such as promoting industry, handling business succession, responding to climate change, and transitioning to a decarbonized society, as well as the issues faced by our individual customers, including achieving their financial life plans.

### 2. Establishing a business model to contribute to environmental preservation

We will use the capabilities we have developed through our environmental management efforts in order to establish a business model that contributes to preserving the environment and biodiversity as well as to achieving a recycling-oriented society so that we can sustainably enjoy the benefits of the natural environment that support the prosperity of regional society, which is the foundation of our business.

### 3. Developing human resources and fostering an organizational culture that respects diversity

In addition to developing human resources that can work as partners to our customers and regional communities based on a desire to resolve their issues, we will continue fostering an environment and organizational culture in which diverse human resources can use their unique perspectives to make the best use of their skills.

### 4. Building trust with stakeholders

We will work to increase trust by strengthening corporate governance, enhancing risk management, and ensuring thorough compliance, and we will build trust with a variety of stakeholders through active information disclosure and dialogue as well as through our business activities and community service initiatives.

## Executive Officer Message

### Becoming a Leader in Sustainable Management Rooted in Our Management Philosophy

Takehiko Kimura

Executive Officer and Planning and Coordination Department Manager



### Sustainable Management Is in The Hachijuni Bank Group’s DNA

The most important goal for our bank is to serve and be depended on by our regional customers. To achieve that, it is necessary for each one of us to continue to take action based on a strong desire to contribute to sustainable regional development. As our employees serve customers in a variety of regions, I believe that “sustainability as the core of our business,” a goal we set out in our Medium-Term Management Vision 2021, is achieved by each employee thinking about, learning, and taking action to address the needs of the region where they work and the customers they serve. Fortunately, our predecessors at Hachijuni have passed down a commitment to value the region above all else, as represented by our management philosophy of contributing to regional development through a commitment to sound banking principles. Treasuring this DNA, we will confront the serious issues faced by regional society, particularly population decline, and continue demonstrating a desire to serve that does not waver in any business environment to the next generation of customers in our regions.

### Efforts to Achieve Sustainable Management and Resolve Material Issues

Our “Basic Views on Sustainability” document, announced in May 2023 following discussions by the Board of Directors, sets out four main pillars of our bank’s sustainability goals. Based on these views, we are promoting efforts to rapidly achieve synergies through the business merger with The Nagano Bank and resolve our material issues. In particular, we have been a leader in environmental initiatives for many years, and we became the first bank in Japan to obtain the highest score of A from the CDP in its 2023 climate change rating, which evaluates the efforts of major corporations throughout the world to address environmental issues.

Additionally, our new value creation process announced in May of this year details a framework for achieving our desired outcome of bringing vitality and qualitative abundance to regional economies and communities by addressing the aging and declining population. We will steadily advance our business activities and tirelessly work towards achieving this outcome.

### Promoting Sustainable Management

The issues that must be addressed in order to achieve sustainability change constantly with the times. The enterprising spirit we have inherited and each employee’s commitment to the region are the driving forces by which we accurately identify these issues and achieve sustainability for customers, regional communities, and our bank. That spirit and commitment are embodied by our sustainability efforts, at the core of which are the Sustainability Council and its subordinate organizations, the Sustainability Committee and Sustainability Working Group, as well as the sustainability supervisors at each branch. The Sustainability Supervision Office of the Planning and Coordination Department serves as the administration office of the Sustainability Working Group, which determines the themes for initiatives to resolve material issues each fiscal year. Specific initiatives are then implemented after being considered by subcommittees established for each theme. By linking customer-focused efforts at our branches with initiatives by our head office departments centered around the Sustainability Supervision Office, we aim to promote multilayered, thorough discussions at the Sustainability Council. Furthermore, through monitoring by the Board of Directors, the outside directors provide input based on their abundant experience and knowledge, which we reflect in our initiatives as we work to achieve the development of regional communities and the increase of our corporate value.

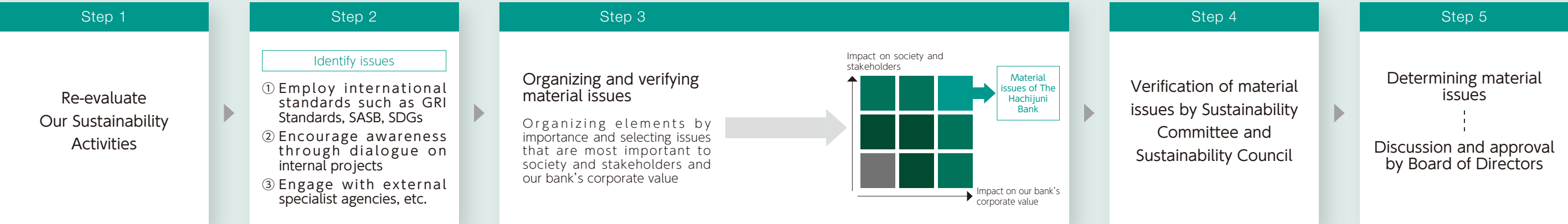
## Main Achievements in FY2023

<b>Sustainable finance</b>	<b>CDP score</b>	<b>Developing personnel with sustainability expertise</b>
674.2 billion yen (334.1 billion yen in environmental field)	A (Highest rank) *First among Japanese banks	Employees with carbon accounting advisor certification 316



# Achieving Sustainable Management

## > Process for Determining Material Issues



## > Material Issues of The Hachijuni Bank

Material Issues	Efforts to Resolve Issues	Relation to Medium-Term Management Vision 2021 (pp. 37–48)	Main Efforts in FY2023	Long-Term KPI
<div>E</div> <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. 39, 40, 49–56)</li> <li>Strengthening our measures to address climate change and decarbonization efforts (pp. 39, 40, 49–56)</li> </ul>	Theme 1	<ul style="list-style-type: none"> <li>Began offering sustainable management support service</li> <li>Cooperated with Nagano Public Corporation of Forestry to support customer decarbonization efforts and promote forest development in Nagano Prefecture</li> <li>Maintained net zero scope 1 and 2 emissions</li> <li>Introduced carbon-neutral gas</li> <li>Endorsed Taskforce on Nature-Related Financial Disclosures (TNFD)</li> <li>Joined Tokyo Stock Exchange carbon credit market</li> </ul>	<b>Greenhouse gas (CO<sub>2</sub>) emissions</b> FY2023 Net zero FY2030 60% reduction from FY2013
<div>S</div> <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)</li> <li>Enriched services to suit diverse lifestyles of individual customers (pp. 41, 42)</li> <li>Engaged in human resource development for employee growth utilizing diverse characteristics (pp. 47, 48, 59–66)</li> </ul>	Theme 2 Theme 3 Theme 4 Theme 5	<ul style="list-style-type: none"> <li>Established Customer Contact Team</li> <li>Created Asset Succession Team and securities support staff</li> <li>Began offering Hachijuni Online Business Loans</li> <li>Began accepting online applications for home loans</li> <li>Developed talent with specialized skills</li> <li>Began holding “Your Time” sessions (one-on-one meetings between managers and employees)</li> <li>Promoted flexible working styles by establishing a satellite office for the head office</li> </ul>	<b>Sustainable finance provided</b> FY2021 to FY2030 1.5 trillion yen (including 1 trillion yen in environmental field)
<div>G</div> <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. 21–24)</li> <li>Enhancing risk management and enriching disclosure based on TCFD recommendations (pp. 49–56)</li> </ul>	Theme 1 Theme 4	<ul style="list-style-type: none"> <li>Launched the Tsubasa and Judan-kai Joint Research Society*</li> <li>Held briefings about our bank (four times for individual customers, twice for institutional investors)</li> <li>Increased level of detail of transition risks for the 1.5°C scenario under the TCFD recommendations</li> <li>Calculated financed emissions and improved data quality score</li> </ul> <p><small>*A research society formed by the Tsubasa Alliance of regional banks across the country and the member banks of the Judan-kai, a framework for the shared use of the core systems developed by The Hachijuni Bank, for the purpose of researching systems, cyber security, and increased efficiency of operations such as branch management.</small></p>	

# Our Value Creation Process

## Management Philosophy

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

\*The sound banking principles to which we are committed are financial stability, profitability based on appropriate risk management, and sustainability through ESG management.

## External Environment

Aging and declining population

Aging of business owners

Climate change

Prolonged low interest rates

## Material Issues

E

Measures to address climate change, responding to decarbonization, preserving environmental resources

S

Creating new industries, promoting key industries, responding population / depopulation, promoting digitalization, promoting developing human resources

to low birthrate / aging diversity and inclusion,

G

Strengthening data security, enriching information disclosure, ensuring compliance

## Outcomes

### Value We Create

Bringing vitality and qualitative abundance to regional economies and communities

~Addressing the aging and declining population~

## Inputs

Resources used for business

### External environment capital

#### Social relationship capital

- Abundant social and economic capital of Nagano Prefecture
- Manufacturing techniques handed down from past generations
- Rich cultural and tourism resources
- Long healthy life expectancy and high rate of elderly employment

#### Natural capital

- Abundant natural environment of Nagano Prefecture
- Numerous nature parks, etc.

### Internal environment capital

#### Physical capital

- Branch network covering all of Nagano Prefecture
- Numerous locations outside prefecture (Tokyo, Osaka, Nagoya, Singapore, etc.)

#### Human capital

- Human resources with knowledge and experience that contributes to resolving issues of regional society
- Securities investment team with a wide range of expertise
- Human resources with digital technology skills who can effectively utilize big data and AI, etc.
- Human resources at subsidiaries not involved in financial services

#### Intellectual capital

- In-house system development skills and digital knowledge
- Knowledge of leading environmental initiatives and green energy
- Securities investment expertise

#### Financial capital

- Stable procurement of funds
- 8.4676 trillion yen in deposits
- High risk resilience
- 20.74% capital adequacy ratio
- High creditworthiness
- S&P: A-, R&I: A+, JCR: AA

## Business Activities



- Digitalizing and increasing efficiency of operations
- Using digital technology to develop products and increase convenience



Regions

- Active investment and business support for creating highly livable communities and promoting culture and tourism
- Expanding environment-related business

Corporations

- Effectively utilizing one of the largest sustainability funds operated by a regional banking group
- Enhancing corporate customer solutions
- Expanding areas where we provide services

Individuals

- Responding to wide range of financial needs
- Increasing customer loyalty

Markets

- Effectively utilizing unrealized gains
- Diversifying investments



- Developing human resources to create value (Loaning employees to consulting firms, business firms, banks, etc.; collaborating with external specialists)
- Firmly establishing multiple-track personnel system
- Expanding opportunities for women and young employees to contribute and grow

## Specific Solutions (Outputs)

Services provided through business activities; results of internal efforts

- Using AI for credit and loan management
- Enriching solutions and digital channels

### Regional development business

- Expanding investment, lending, and business support for growing regions; supporting revitalization of all regions
- Enhancing sustainable finance and green energy business

### Corporate customer business

- Expanding sustainability fund portfolio companies (support for startups, business successions, business revitalization, etc.)
- Enhancing structured finance
- Expanding fee-generating businesses by strengthening consulting services (support for business successions, M&A, business referrals, overseas expansion, etc.)
- Further developing and leveraging collective strengths of the group

### Individual customer business

- Enhancing total consulting services for asset management, insurance, inheritance, trusts, etc.
- Expanding lifestyle support business for elderly customers

### Market investment business

- Achieving long-term returns from stock portfolio
- Investing through diverse methods including alternative and derivative investments and marketable loans

### Organizations, people, and governance

- Increase human resources with specialist and management skills to contribute to resolving issues of regional communities
- Improve organizational strength by achieving diversity and inclusion

### Regional communities and customers

- Vitalizing regional economies
- Increasing per-person GDP and assets of Nagano residents
- Achieving growth for key companies in region, developing new companies
- Decarbonization
- Becoming a leading prefecture in green energy using the region's natural environment
- Biodiversity
- Preserving the natural environment and passing it on to future generations
- Developing the region's cultural and tourism resources and passing them on to future generations

### Shareholders

- Further increasing corporate value
- Enhancing ROE and PBR
- Effectively using high capital adequacy ratio
- Utilization in growth areas
- Maintaining capital adequacy to continue supporting regional economies
- Enhancing shareholder returns by means such as stable dividends

### Employees

- Increasing satisfaction by providing diverse opportunities to contribute and grow
- Providing pay raises based on increases in corporate value





# Value Creation Framework

## Solutions for the Region

- Expanding investment, lending, and business support for growing regions; supporting revitalization of all regions
- Enhancing sustainable finance and green energy business

## Solutions for Markets

- Achieving long-term returns from stock portfolio
- Investing through diverse methods including alternative and derivative investments and marketable loans

Bringing vitality and  
to regional economies  
Addressing the aging

qualitative abundance  
and communities  
and declining population

Taking measures  
respecting  
Enhancing child-  
and social

to address poverty,  
human rights  
raising environment  
welfare

Sustainable growth of companies

Expanding employment  
Increasing income

Vitalizing  
economies and

regional  
communities

Creating highly-livable communities  
Developing and passing down abundant  
natural and tourism resources

Achieving lifestyles of qualitative  
abundance

Increasing regional

population

## Solutions for Corporate Customers

- Expanding sustainability fund portfolio companies
- Enhancing structured finance
- Strengthening consulting services
- Further developing and leveraging collective strengths of the group

## Solutions for Individual Customers

- Enhancing total consulting services for asset management, insurance, inheritance, trusts, etc.
- Expanding lifestyle support business for elderly customers

# Stakeholder Engagement



## Regional Communities and Customers

### Customer Satisfaction Survey

Under our policy on measures for customer-first operations for fiscal year 2023, we conducted customer satisfaction surveys of some of the customers who used our financial services in order to ask them about their level of satisfaction with the customer service and explanations provided by our employees and to determine our net promoter score (NPS).

\*NPS is a metric that quantitatively evaluates the amount of customers with a strong interest in a brand or product who would recommend it to others.

### Survey Results

Satisfaction level (out of 5)							NPS
Knowledgeable	Understood requests	Offered solutions to needs	Trustworthy	Communicated well	Easy to understand	Explained costs	
4.2	4.2	4.2	4.4	4.2	4.2	4.1	10.1

● Some customers responded that they felt they could trust and ask questions to our employees because they gave clear explanations, but other customers said that they wished for regular follow-up or meetings.

Customer satisfaction in regard to how trustworthy customers felt staff were was high, scoring 4.4 out of 5, but the score for how staff explained costs was relatively low, so we will work to further improve that area. Additionally, we will undertake efforts to increase our NPS by enhancing our systems, such as by expanding follow-up communications by the Customer Contact Team.

Moving forward, we will periodically conduct customer satisfaction surveys to analyze satisfaction and NPS so that we can provide commercial services that satisfy our customers.

### Cooperation with the National and Local Governments

#### Main Achievements in FY2023

- Chosen as a business indirectly supporting the Japanese government Cabinet Office's pioneering human resources matching program
- Cooperated with Nagano Public Corporation of Forestry to support customer decarbonization efforts and promote forest development in Nagano Prefecture
- Selected together with Ueda City and other companies as a "Leading Region in Decarbonization" by the Ministry of the Environment

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.



## Shareholders and Investors

In order to ensure sound and transparent management and obtain the trust of our shareholders and investors, we will disclose all appropriate information in a timely manner and work to promote constructive dialogue, in addition to which we will aim to achieve shareholder returns that provide greater satisfaction to our shareholders.

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



Information  
Disclosure Policy  
(in Japanese)



### 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 finance officer 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.

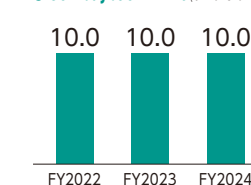
#### FY2023 Investor Relations Activities

Briefings for institutional investors	2 times (May and November; in Tokyo)
Private meetings with institutional investors	26 times (including overseas investors)
Briefings for individual investors	4 times (at four locations in Nagano Prefecture)

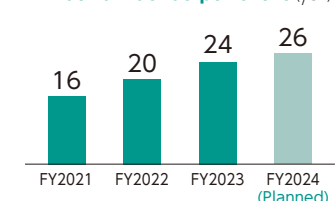
### Shareholder Returns

We are currently conducting a stock buyback of up to ten billion yen or nine million shares. The annual dividend amount for fiscal year 2024 is planned to be 26 yen, our highest ever.

Stock buyback limits (billions of yen)



Annual dividends per share (yen)



## Employees

We will strengthen investment in human capital as a source of value creation, in addition to which we will further the growth and improve the satisfaction of each employee by supporting their self-fulfillment through independent career development and promoting a workplace environment where diverse human resources can make the best use of their unique skills.

### Branch Visits by President

The President visits branches in order to engage in direct dialogue with employees. Since fiscal year 2022, he has visited a total of 61 branches and uses those visits as opportunities to further promote understanding of our management strategies and hear opinions directly from employees.

### Introduction of Employee Engagement Surveys

We began measuring the engagement of all employees, including those working part time, in fiscal year 2023. For details, please see "Increasing Engagement" on page 65.



# Challenges Undertaken by Our Group's Sustainability Business

Challenge 1 Strengthen cooperation between head office and branches  
Drastically increase communication with customers

## New Sales Framework

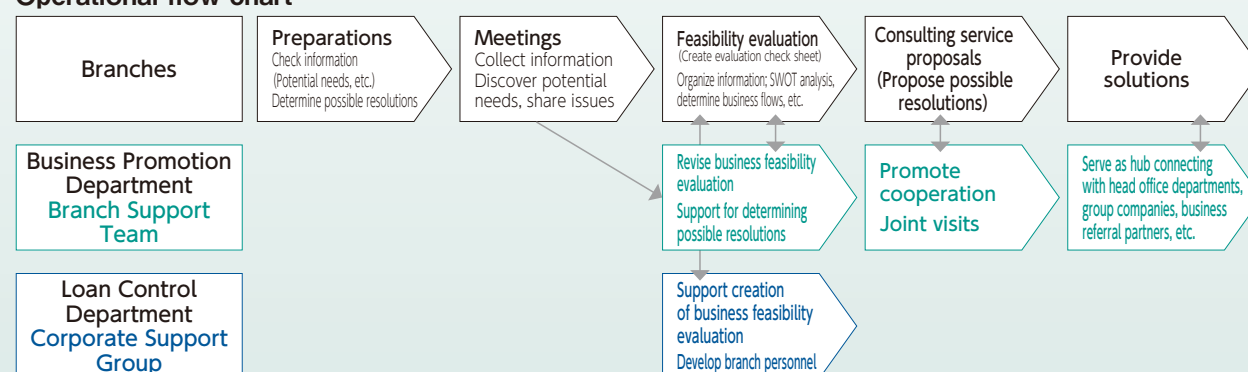
In fiscal year 2023, we established a framework under which the head office and branches cooperate to resolve customer issues through both in-person and remote sales in order to respond to the increasing diversification and sophistication of customer needs and achieve the best outcomes for customers.

### Point 1 Strengthening In-Person Sales Enhancing Branch Support Framework

#### Branch Support Framework

Department	Expected roles	Areas	
Business Promotion Department Branch Support Team	<ul style="list-style-type: none"> <li>Visit customers with sales staff to identify and resolve issues</li> <li>Identify management issues through dialogue with customers</li> <li>Support management plan creation in cooperation with external agencies</li> <li>Serve as hub connecting head office sections</li> <li>Follow up with branches to grow consulting business</li> </ul>	Human resources business	Head office area manager Branches
		DX and IT	
		Subsidies	
		Healthcare and welfare	
Loan Control Department Corporate Support Group	<ul style="list-style-type: none"> <li>Support creation of business feasibility evaluations by branches</li> <li>Support customer management reforms and business revitalization</li> <li>Provide solutions to contribute to business growth</li> </ul>	Business feasibility evaluations	Branches

#### Operational flow chart



### Point 2 Strengthening Remote Sales

#### Cooperation between Customer Contact Team, AI Promotion Team, and Marketing Team

The Customer Contact Team focuses solely on remote sales and is cooperating with the AI Promotion Team and Marketing Team, which analyze and use the big data held by our bank, to determine the best method and timing for serving each customer through big data analysis, thereby increasing opportunities to have contact with customers.

We recognize that working to resolve the issues of customers and regional communities is essential to the sustainable development of our bank. We value that mindset above all else as it has been passed down over the 93 years since our bank's founding under our management philosophy of contributing to regional development through a commitment to sound banking principles. We will continue using our knowledge and expertise to serve our customers in the region.

Challenge 2 Use our expertise to become a leader in sourcing and providing DX support within the region

## IT and DX Support

We have 63 employees who have earned the IT coordinator certification promoted by the Ministry of Economy, Trade and Industry. That number is one of the largest among regional banks, and we have assigned those employees mainly to our branches. We are focusing efforts on increasing the number of IT coordinators at our branches in order to not only provide solutions such as software but also discover needs and offer advice specific to each client company from the perspectives of both management and IT.

#### Achievements

- Participated as an affiliate organization in the FY2023 bootcamp on data utilization for small and medium businesses run by the Kanto Bureau of Economy, Trade and Industry and assisted in a DX promotion support project for two companies in Nagano Prefecture
- Merged with and absorbed Hachijuni System Development Co., Ltd. on October 1, 2023 and assigned its IT consulting personnel to the Business Promotion Department
- Chosen as a business indirectly supporting the Japanese government Cabinet Office's FY2023 regional digitalization support promotion project

### Case Study Support DX with Involvement of Partner Organizations and Companies Receiving Assistance Regional DX Promotion Support Project

#### Project Summary

The Nagano Prefecture IT Coordinator Association (ITC Nagano) oversees the project and provides support. Our bank is part of a support community formed together with the Nagano Industrial and Commercial Encouragement Organization, the Nagano Employer's Association, and the Nagano Prefecture Information Service Association that provides support for regional companies to achieve DX by means such as offering referrals to IT vendors and assisting in analyzing issues and formulating strategies.

#### Chosen as a Model Company in "DX Selection 2024" Awards (Yamasa Co., Ltd.)

A support community uniting regional businesses, governments, academic institutions, and banks worked to provide DX support to Yamasa Co., Ltd. (located in Matsumoto City, Nagano). Yamasa aimed to increase corporate value by bringing DX to existing operations in order to increase efficiency and visualize issues and information, and this project provided Yamasa with support on ten occasions, addressing topics such as considering DX strategies, establishing target values, and considering frameworks. Our employees provided support based on our perspective as a financial institution.

As a result, Yamasa obtained DX certification and was chosen as a model company in the "DX Selection 2024" awards by the Ministry of Economy, Trade and Industry, becoming a model of DX promotion for other companies in the region to follow.



Source: "Bridge" (IT Coordinator Association publication), Vol. 35, 2H 2023

#### Beginning DX Support through Regional Cooperation (Nagano Tectron Co., Ltd.)

Nagano Tectron Co., Ltd. is a manufacturer of computer input devices and display panels headquartered in Nagano City that faced significant issues in regard to sharing information internally and implementing security measures. It made a request to ITC Nagano through us as its main bank to participate in a corporate cybersecurity program, following which a project was established to resolve the company's issues. Through the DX support offered by the project, Nagano Tectron successfully obtained DX certification.



Source: "Bridge" (IT Coordinator Association publication), Vol. 34, 1H 2023

Challenge Utilize our sustainability expertise to achieve regional vitality and decarbonization

## 3 Sustainability Support

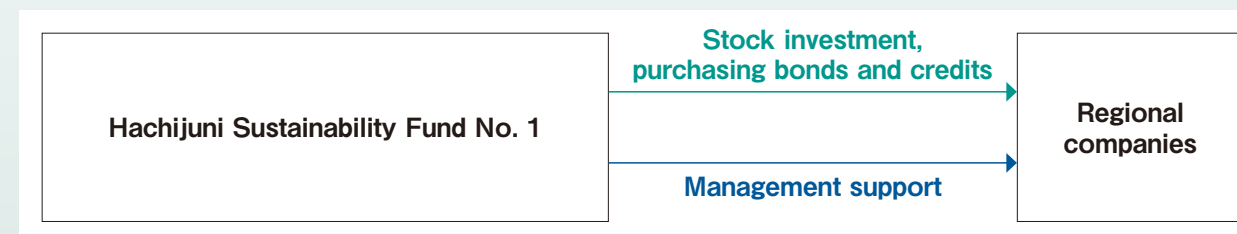
We received the highest rank of A in the 2023 rating by the CDP, a global leader in ESG evaluations, becoming the first bank in Japan to do so. We aim to utilize our sustainability expertise to enhance our sustainability business for bringing vitality to the region and preserving the natural environment.

### Case Study Contributing to Regional Vitality through Investment Efforts through Hachijuni Sustainability Fund No. 1

We established a sustainability fund through joint financial contributions with Hachijuni Investment Co., Ltd., our subsidiary engaged solely in the investment business. The fund provides support to companies facing business succession issues such as having no successors, companies with excessive debt or other poor performance, companies working to create new businesses or technologies, and companies taking initiatives in the renewable energy business or decarbonization.

#### Hachijuni Sustainability No. 1 Investment Limited Partnership

Investment targets	<ul style="list-style-type: none"> <li>Companies facing business succession issues such as having no successors</li> <li>Companies with excessive debt or other poor performance that are expected to recover due to having a profitable core business</li> <li>Companies engaged in businesses contributing to regional vitality such as by creating jobs or bringing activity to the region</li> <li>Companies that have been recently established or that work to develop new businesses or technologies</li> <li>Companies taking initiatives in the renewable energy business or decarbonization</li> <li>Companies engaged in businesses contributing to promoting regional industries such as IT or medical equipment</li> </ul>
Total fund amount	30.0 billion yen
Partnership period	25 years (January 4, 2022 to December 31, 2046)
Partners	Limited partner: The Hachijuni Bank, Ltd. General partner: Hachijuni Investment Co., Ltd.



#### FY2023 results (in Nagano Prefecture)

##### Regional vitalization

4 investments: 228 million yen

##### Startups

2 investments: 300 million yen

#### Portfolio company examples

##### Company A

This company operates a mountain lodge in Japan's Northern Alps. The lodge was no longer being used, but the company restored an abandoned road and reopened the lodge. This is expected to lead to an increase in hikers resulting in greater bus and taxi use and increased income for Omachi City at the base of the mountains.

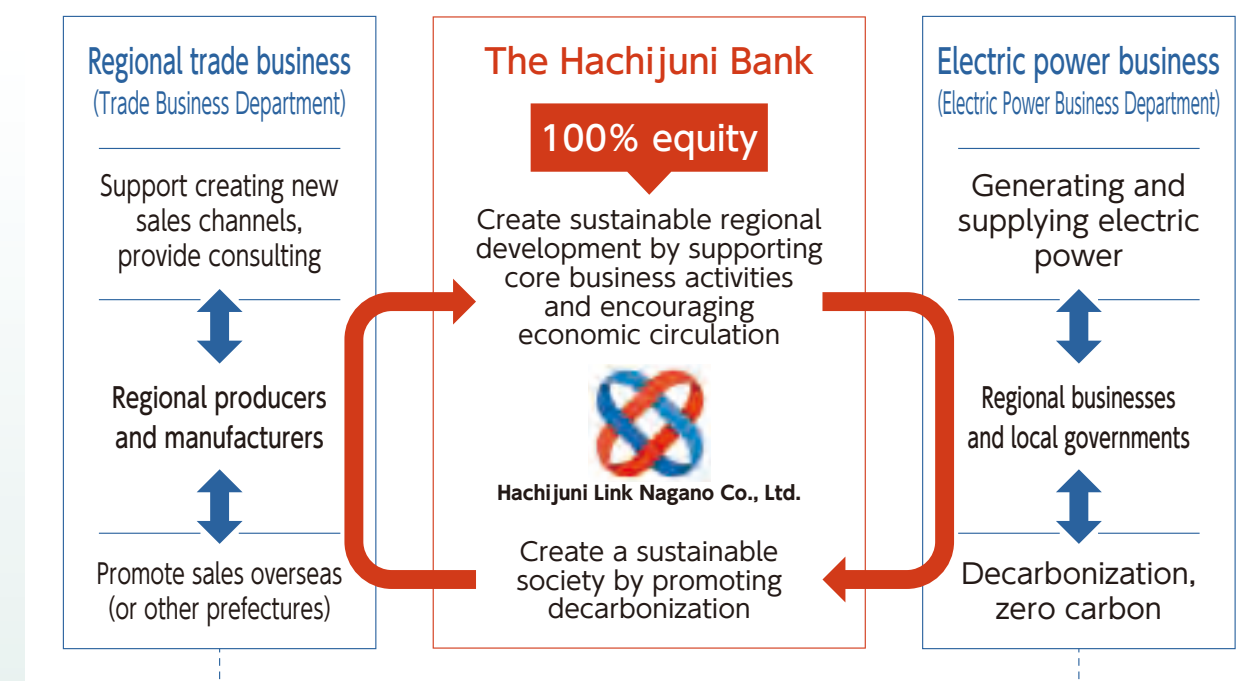
##### Company B

Founded by people from Shinshu University, this startup company is working to develop CAR T-cell therapy, a new cancer treatment using genetically modified T cells. While being located in Nagano Prefecture, the company aims to deliver an effective treatment to patients not only in Japan but throughout the world.

Challenge Take the opportunity of new business domains permitted under the amended Banking Act to expand into non-financial business

## 4 Hachijuni Link Nagano

When considering new businesses to take advantage of our approach of combining finance, non-finance, and relationships, we focused on three of our strengths: the trust we have earned from our customers, our customer network, and our financial base. In October 2022, we established a subsidiary to engage in the regional trade and electric power businesses, in which we can make maximum use of these strengths that cannot be easily imitated by other banks.



**Regional trade business**

In this business, we will focus on overseas sales channels. The domestic market will shrink due to the declining population, but exporting to overseas markets is difficult with limited resources because they are completely different from the domestic market in terms of language, payment methods, logistics, information, and customer service, so we will support exports in cooperation with our bank's international departments and overseas locations (one branch, two representative offices) as well as partners such as public agencies. We aim to provide support to at least 500 companies over the next five years.

**Electric power business**

This business will supply the green energy generated by our renewable energy generation facilities to regional companies and local governments through various supply methods such as on-site and off-site power purchase agreements. The construction and management of facilities will be contracted out mainly to businesses located in Nagano Prefecture. By ensuring a supply of renewable energy, we aim to develop the environment for procuring green energy within the prefecture and contribute to regional revitalization by attracting companies.



## Case Study Using Overseas Locations to Globally Expand Sales Channels Regional Trade Business: Supporting the Export of Regional Products

By utilizing our bank's network in Japan and overseas and through collaboration with external businesses, the regional trade business contributes to increasing sales of regional products mainly from Nagano Prefecture by providing a full range of services, including handling export negotiations and applications and creating sales channels.

### Exported Product Examples

**Sake** Sake was our most exported regional product in fiscal year 2023. Since August 2023, we have continually exported sake from six breweries in Nagano Prefecture to Hong Kong, Singapore, and the U.S. Moving forward, we will work to grow existing transactions and expand the areas to which we export.

**Produce** In 2023, we succeeded in exporting grapes, apples, peaches, strawberries, and Ichidagaki persimmons. Japanese produce is known for its freshness and sweetness and is popular as a gift particularly in Hong Kong, and most of the produce we exported was quickly sold out. We will also focus efforts on promotion to further increase transactions.



Food Japan 2023 fair in Singapore

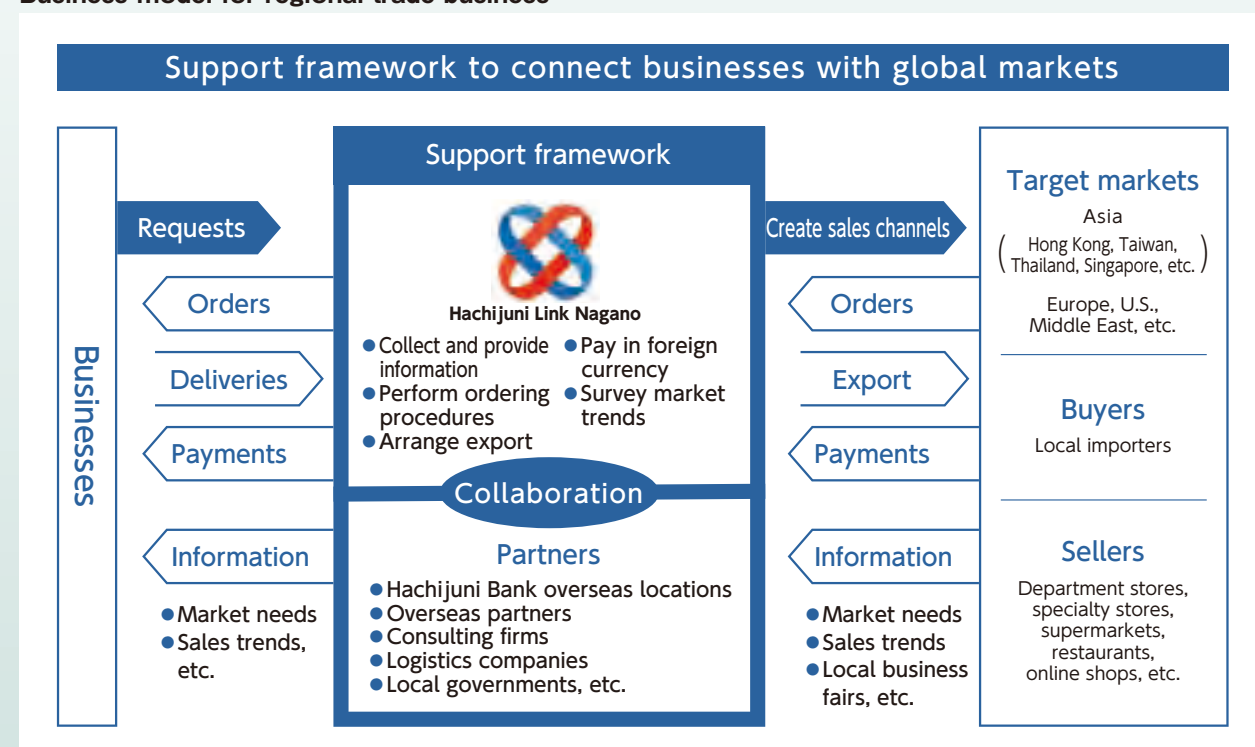
### FY2023 Achievements

Participated in:	8 overseas exhibitions
Jointly participated in overseas exhibitions with and supported negotiations for:	11 customers in Nagano
New export agreement for:	26 businesses (including 14 that were exporting for the first time)

### Breakdown of Businesses with New Export Agreements

Produce	8
Alcohol	10
Processed foods	8

### Business model for regional trade business



## Case Study Hachijuni Link Nagano Begins Supplying Power Electric Power Business: Misuzu PPA Project

In February 2024, Hachijuni Link Nagano began its first electric power project when it started supplying power to Misuzu Corporation Co., Ltd., a company located in Nagano City that produces and sells products such as freeze-dried tofu and seasoned fried tofu, under an on-site power purchase agreement (PPA).

An on-site PPA is an arrangement in which the power supplier installs solar panels on the premises of the customer to supply them with green energy. On-site PPAs are a method of obtaining renewable energy that have recently gained attention as the customer only pays for the amount of green energy they use with no initial investment or maintenance costs required, while still achieving a reduction in CO<sub>2</sub> emissions.

Misuzu Corporation set a goal of achieving zero CO<sub>2</sub> emissions from the power consumed by its factory in Omachi City built in 2021, and it had considered installing solar panels on the roof of the factory either independently or through an on-site PPA.

There were two deciding factors due to which it chose to enter into an on-site PPA arrangement with Hachijuni Link Nagano: our proposals that maximized the reduction in CO<sub>2</sub> emissions, and its trust in The Hachijuni Bank Group.

Our on-site PPA with Misuzu provides approximately 30% of the power used by the factory, and we anticipate a reduction in CO<sub>2</sub> emissions of approximately 550 tons annually.

The power generation system has been working smoothly since it was started up, and our next project with Misuzu is already underway.

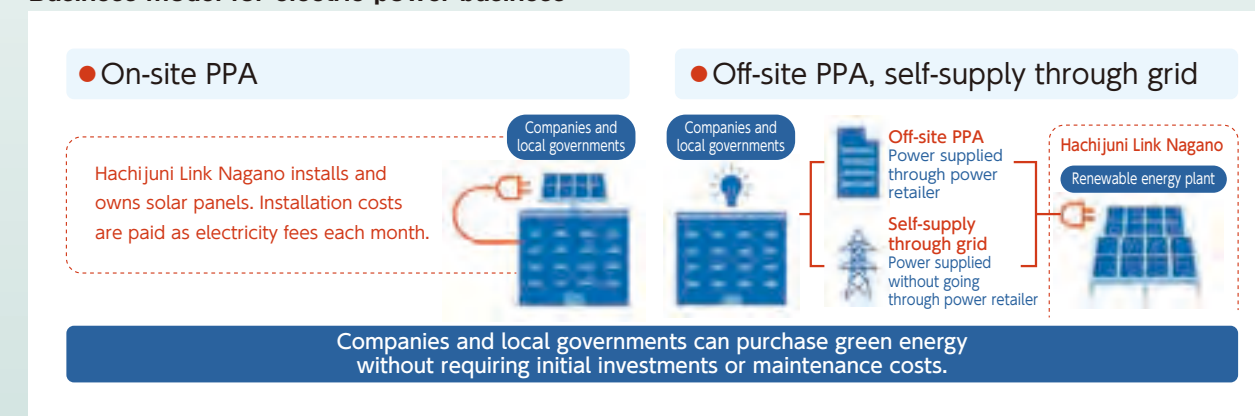
Because PPAs are a relatively new approach with few examples within Nagano Prefecture, this project has led to many inquiries from other companies and local governments.

We will continue our efforts to contribute to regional decarbonization and expand the region's circular economy through the production and consumption of green energy within the region.



Misuzu Corporation factory in Omachi City

### Business model for electric power business



# Progress of Medium-Term Management Vision 2021

Customer needs are becoming increasingly sophisticated and diverse due to changes in the structure of society and industry. Viewing these changes as an opportunity, we formulated our Medium-Term Management Vision 2021 to set out our goals in order to transition from focusing our sales activities on financial intermediary services to focusing on meeting the needs of customers and the demands of society. We will work to satisfy customer needs by enhancing our financial services and expanding our non-financial services.

## Medium-Term Management Vision 2021

### Supporting Our Customers and Regions through the Combination of Finance, Non-finance, and Relationships

#### Background to the Formulation of Our Medium-Term Management Vision 2021

##### Why We Chose to Combine Finance, Non-finance, and Relationships

Our desire is to be the first choice of the customers and regional communities we serve as an essential partner.

We will use the relationships we have built with our customers over many years to provide services that truly satisfy their financial and non-financial needs.

#### Progress to Date (FY2021 to FY2023)

	FY2021	FY2022	FY2023
Net income attributable to owners of parent	26.6 billion yen	24.1 billion yen	37.0 billion yen
Ratio of consolidated to non-consolidated net income	1.190	1.118	1.364
ROE (based on consolidated net income)	2.9%	2.6%	3.7%

#### Medium-Term Management Targets

Annual dividend target	For each fiscal year from FY2023 to FY2025 20 yen or more per share
Greenhouse gas (CO <sub>2</sub> ) emissions	FY2030: 60% reduction compared to FY2013 (Achieved) FY2023: Net zero (Achieved)

Following our business merger with The Nagano Bank, we are now preparing for full integration on January 1, 2026. Before the integration, negative synergies relating to costs will initially outweigh positive synergies due to factors such as an increase in costs for integrating systems, but we anticipate increasing gains from overall synergies after the full integration from fiscal year 2026, when topline synergies and positive cost synergies will begin to fully take effect. Due to this, we revised our medium-term management target for dividends in August 2023 to communicate to shareholders our policy of maintaining our highest-ever level of dividends.

	Key strategies	Summary of efforts	Progress in FY2023
<div>Theme 1</div> <div>Sustainability as the Core of Our Business</div>	<ul style="list-style-type: none"> <li>Actively support customer efforts to resolve environmental and social issues through sustainable finance</li> <li>Support customers by providing capital funds and consulting services through our investment subsidiary</li> <li>Promote the spread of green energy that utilizes the abundant natural environment</li> </ul>	<ul style="list-style-type: none"> <li>Supported the resolution of customers' management issues through sustainable finance</li> <li>Provided management support via capital aid and comprehensive consulting services through our investment subsidiary for business successions, business revitalization, and efforts to support revitalization of entire region, including sightseeing areas, which is a regional issue</li> <li>Took measures for net zero greenhouse gas emissions by our bank; worked to generate and supply green energy in cooperation with external partners to promote local production and consumption (circulation within region) of power</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable finance provided: 674.2 billion yen (334.1 billion in environmental field)</li> <li>Greenhouse gas (CO<sub>2</sub>) emissions: 83.7% reduction compared to FY2013</li> <li>Maintained net zero scope 1 and 2 emissions</li> <li>Employees who have obtained sustainability certifications or taken correspondence courses: 1,912</li> </ul>
<div>Theme 2</div> <div>Strengthening the Lifestyle Support Business</div>	<ul style="list-style-type: none"> <li>Enhance long-term, diversified investments using new NISA</li> <li>Strengthen asset management proposals by reviewing portfolios</li> <li>Improve asset succession consulting services</li> <li>Promote home loans together with Nagano Bank; promote online applications for home loans</li> <li>Expand non-financial services offered by lifestyle support business</li> </ul>	<ul style="list-style-type: none"> <li>Helped customers build assets by proposing investments using new NISA</li> <li>Helped customers build assets by making proposals on portfolio composition from a long-term perspective based on the stage of life of the customer</li> <li>Established Asset Succession Team dedicated to providing advice on trusts and inheritance</li> <li>Due to closing of Nagano Bank Loan Plaza, accepted temporary assignment of Nagano Bank home loan specialists, and took measures to address issue of home construction companies with which both banks have dealings</li> <li>Resolved common problems of customers by adding services for which there are significant needs</li> </ul>	<ul style="list-style-type: none"> <li>Applications for new NISA Plan: 4,500; Result: 7,056 (157% compared to plan)</li> <li>Additional investments made Plan: 250 million yen; Result: 550 million yen (220% compared to plan)</li> <li>Revenue from inheritance and trust services Plan: 10 million yen; Result: 10.002 million yen (100% compared to plan)</li> <li>Assignment of Nagano Bank home loan specialists Seven employees accepted at three locations</li> <li>Lifestyle support business applications Plan: 2,100; Result: 2,094</li> <li>Lifestyle support business partner companies New partners: 18 (53 total)</li> </ul>
<div>Theme 3</div> <div>Providing Comprehensive Financial Services and Capabilities</div>	<ul style="list-style-type: none"> <li>Conduct high value-added sales activities by responding to increasingly diverse and sophisticated customer needs and providing support</li> <li>Improve discernment and consulting skills of branch employees in cooperation with the Branch Support Team</li> <li>Enhance communication with customers who want to conduct transactions remotely</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of staff on Branch Support Team</li> <li>Improved discernment and consulting skills of branch employees through joint branch visits and seminars with Branch Support Team</li> <li>Merged with and absorbed Hachijuni System Development Co., Ltd. in October 2023 and assigned its IT consulting personnel to the Business Promotion Department; provided full range of services for IT-related requests</li> <li>Began offering overseas business consulting services from July 2023 to meet needs of customers seeking to expand overseas; supported local regulation and market research and creation of income and expenditure plans</li> <li>Established Customer Contact Team to actively approach customers who prefer to conduct transactions remotely</li> </ul>	<ul style="list-style-type: none"> <li>Consulting fees Plan: 3.648 billion yen; Result: 3.427 billion yen (94% compared to plan)</li> <li>New business referral contracts Plan: 610; Result: 889 (146% compared to plan)</li> <li>Hachijuni Online Business Loans provided Plan: 630; Result: 617 (98% compared to plan)</li> <li>Branch Support Team achievements <ul style="list-style-type: none"> <li>Consulting provided for: 316 projects</li> <li>Subsidy support for: 101 customers</li> <li>New IT consulting contracts: 12</li> </ul> </li> <li>Customer Contact Team achievements <ul style="list-style-type: none"> <li>New loan contracts: 119</li> <li>Consulting projects and other projects passed on to branches: 138</li> </ul> </li> </ul>
<div>Theme 4</div> <div>Digital Reforms to Operations and Organizations</div>	<ul style="list-style-type: none"> <li>Create added value through improved operational efficiency and service development using digital technology, data, and AI</li> <li>Organization-wide digitalization of various procedures and operations and through working style reforms using digital tools</li> <li>Human resource development for all employees on digital technology, data, and AI</li> <li>Work to achieve open innovation through co-creation with communities and outside corporations</li> </ul>	<ul style="list-style-type: none"> <li>Used AI and our large amount of transaction data spanning many years to enhance our marketing and risk management, increase the convenience of services, and provide new experience value</li> <li>Promoted the digitalization of procedures and services</li> <li>In addition to basic training and individual specialized training for specific fields through e-learning and correspondence courses, created special assignments for employees to work with outside organizations to develop specialized skills</li> <li>Aimed to create new services and businesses that customers will want to use, and worked to achieve innovation without being restricted by ordinary roles of a regional bank</li> </ul>	<ul style="list-style-type: none"> <li>Achievements of sales activities using data science and AI <ul style="list-style-type: none"> <li>Fully online credit-card loans (balance as of end of FY2023): Increase of 7.6% year-on-year</li> </ul> </li> <li>Digital tools and services introduced <ul style="list-style-type: none"> <li>Since announcement of Medium-Term Management Vision 2021: 61 tools / services (progress rate: 79.2%)</li> </ul> </li> <li>Basic training on IT and data literacy <ul style="list-style-type: none"> <li>Training completed by all employees in FY2022–2023</li> </ul> </li> <li>New services and businesses co-created with regional customers and outside corporations <ul style="list-style-type: none"> <li>One service commenced</li> </ul> </li> </ul>
<div>Theme 5</div> <div>Personnel System Reforms to Support Growth and Satisfaction</div>	<ul style="list-style-type: none"> <li>Develop a diverse set of career tracks in order to increase employee expertise to respond to customer needs and changes in the external environment</li> <li>Support self-fulfillment based on each employee's aptitude and values to create an environment where employees can put their skills to maximum use</li> <li>Fairly and appropriately evaluate each employee's work in their role regardless of seniority and assign qualified personnel to suitable positions</li> </ul>	<ul style="list-style-type: none"> <li>Introduced a multiple-track career development system in July 2022 to develop human resources with a high level of expertise who can respond to increasingly sophisticated and diverse customer needs and changes in the environment</li> <li>Supported independent employee career development to establish a workplace environment where each employee can use their strengths and characteristics to put their skills to maximum use</li> <li>Revised evaluation system and promoted flexible working styles to fairly and appropriately evaluate each employee and assign qualified personnel to suitable positions</li> </ul>	<ul style="list-style-type: none"> <li>Employees choosing diverse career tracks <ul style="list-style-type: none"> <li>Head office staff track: 132 (increase of 126 year-on-year)</li> <li>Professional track: 6 (increase of 4 year-on-year)</li> </ul> </li> <li>Employees receiving career management training or career counseling: 746 (including repeat participants)</li> <li>Total training hours: 94,521</li> <li>Total training costs: Approx. 220 million yen</li> <li>Total engagement score: 3.88 Positive response rate: 73.9%</li> <li>Ratio of experienced hires in management positions: 45.1%</li> </ul>



Theme 1

Sustainability as the Core of Our Business

Goal

Support the Sustainable Development of the Region

Group Strengths to Leverage in This Area

Through our leading market share and presence in Nagano Prefecture, The Hachijuni Bank Group is deeply familiar with the characteristics of the region and offers a wide range of solutions using our relationships with customers built over many years. Based on the enterprising spirit passed down to us from previous generations, we will contribute to achieving sustainability for regional communities and customers by utilizing the human and intellectual capital developed through our pioneering efforts to resolve environmental and other issues.

Our Mindset and Current Issues

Although Nagano Prefecture faces the same challenges as other regions in regard to the aging and declining population, we recognize the potential to resolve these issues through Nagano's geographic advantage in being located near major cities, its abundant natural environment and sightseeing resources that attract people to the prefecture, and its natural and social capital such as its excellent living environment. Our group's mission is for each of our employees to consider how to use these resources to promote the sustainable development of regional communities and take action to create regional vitality, and we must urgently work to further develop diverse human resources with specialized skills who can accomplish that mission.

Basic Strategies to Achieve Goals

- ◆ Actively support customer efforts to resolve environmental and social issues through sustainable finance
- ◆ Support customers by providing capital funds and consulting services through our investment subsidiary
- ◆ Promote the spread of green energy that utilizes the abundant natural environment

FY2023 Results

	Plan	Progress
Sustainable finance targets	Total provided from FY2021–2030: <b>1.5 trillion yen</b> (including 1 trillion yen in environmental field)	FY2021–2023 results: <b>674.2 billion yen</b> (including 334.1 billion yen in environmental field)
Greenhouse gas (CO <sub>2</sub> ) emission targets	FY2030: <b>60%</b> reduction compared to FY2013	FY2023: <b>83.7%</b> reduction compared to FY2013 (target achieved)
Employees who have obtained sustainability certifications or taken correspondence courses	FY2021–2024 total: <b>2,000</b>	Results for FY2021–2023: <b>1,912</b>

Roadmap to 2025 (FY2024 plan)

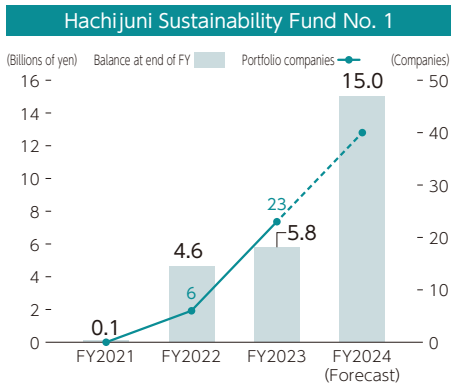
- ◆ Enhance dialogue with customers and upgrade support for resolving issues to achieve sustainability of regional communities
- ◆ Increase number of staff with specialized skills who can achieve resolutions to customer issues
- ◆ Cooperate with customers to protect biodiversity and respond to climate change

Main Efforts

Example 1

Resolving Issues of Customers and Regional Communities through One of the Largest Funds of a Regional Banking Group

Sustainable finance contributes to achieving a sustainable society. As one way of providing sustainable finance, we established the Hachijuni Sustainability Fund No. 1 through joint financial contributions with Hachijuni Investment Co., Ltd., our subsidiary engaged solely in the investment business. The total fund amount is 30 billion yen, making it one of the largest sustainability funds operated by a regional banking group. Through this fund, we provide financial support to customers such as those facing business succession issues, those working to create new businesses or technologies, and those engaged in businesses contributing to regional vitality such as by creating jobs or bringing activity to the region.



Example 2

Developing Human Resources to Achieve Sustainability Beyond Ordinary Level of Banks

We aim to be the first choice of regional communities and customers so that we can resolve their increasingly diverse issues, and to achieve that, we believe it is necessary to further develop diverse human resources with specialized skills. We are focusing our efforts on developing employee knowledge and expertise that cannot be obtained only working within our bank by encouraging employees to earn specialist qualifications, such as IT coordinator and carbon accounting advisor certification, in areas that differ from ordinary banking operations and by steadily assigning employees to overseas banks, consulting firms, general business firms, and the national and local governments.

Employees with specialist certifications

Certification	Number of employees
IT coordinator	63
Carbon accounting advisor	316

Areas where employees are assigned (excluding representative office employees)

China		Hong Kong
ASEAN		Thailand
		Vietnam

Dialogue Using My Experience on the Frontline of Overseas Business to Bring Regional Products to Foreign Markets

As the Japanese market is shrinking due to the aging and declining population, customers strongly desire to break into overseas markets. Using our bank's open application program, I transferred from a domestic branch to a special assignment at Kasikorn Bank in Thailand, where I worked to support Japanese companies in expanding to the Southeast Asia market and creating sales channels. I experienced the frontline of overseas business, where I needed to learn about new regulations and business practices and improve my

presentation skills to be more precise and persuasive than what is normally expected in Japan. I am currently working to expand overseas sales channels for regional products in the Trade Business Department of Hachijuni Link Nagano. I take pleasure in working together with customers to overcome obstacles such as language barriers, logistics issues, and regulations specific to foreign trade. I will keep giving my best with a determination to help develop outstanding products of our region into global brands.



Hachijuni Link Nagano Co., Ltd.  
Yuki Iida

Theme 2

Strengthening the Lifestyle Support Business

Goal

Support Asset Building to Achieve Abundant Lifestyles for Customers of Many Generations

### Group Strengths to Leverage in This Area

In line with our policy of customer-first operations, we will aim to achieve each customer’s unique goals based on their life stage and financial status. For in-person sales, we will take time to build relationships with customers and conduct solutions-focused sales efforts, while in remote sales, we will aim to expand business and maintain transactions by ensuring communication with a greater number of customers using AI and data.

#### Our Mindset and Current Issues

The start of the new NISA program and the government plan to double asset income for Japanese households has generated greater interest among customers in building assets, which we see as an opportunity to shift towards a business model that produces revenue on an ongoing basis. It is necessary to create a suitable way for customers to consult with us to address this increased interest, and we must also respond to diversifying needs, such as an increase in non-financial concerns regarding housing and lifestyles due to the aging population and decrease in three-generation households. Additionally, we must provide a wider range of more convenient services that make appropriate use of in-person and remote options, and it is necessary to transform bank branches into places where customers can interact with bank staff instead of places where they merely carry out transactions.

#### Basic Strategies to Achieve Goals

- ◆ Strengthen asset management proposals by reviewing portfolios
- ◆ Enhance long-term, diversified investments using new NISA
- ◆ Improve asset succession consulting services
- ◆ Promote home loans together with Nagano Bank; promote online applications for home loans
- ◆ Expand non-financial services offered by lifestyle support business

#### FY2023 Results

	Plan	Results
Applications for new NISA	H2 FY2023: <b>4,500</b>	H2 FY2023: <b>7,056</b>
Additional investments made	FY2023: <b>250</b> million yen	FY2023: <b>550</b> million yen
Lifestyle support business applications	FY2023: <b>2,100</b>	FY2023: <b>2,094</b>

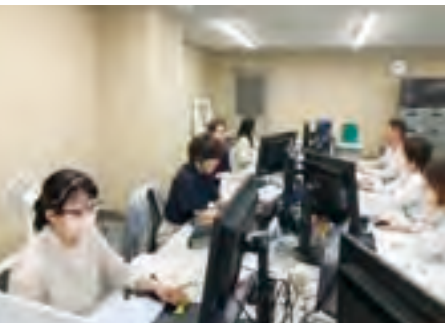
#### Roadmap to 2025 (FY2024 plan)

- ◆ Strengthen communication with customers by expanding the functions of the Customer Contact Team, our remote sales department, and diversifying the methods it uses to approach customers
- ◆ Provide comprehensive asset management proposals and asset succession consulting services through proposals on portfolio composition and proposals of possible resolutions to issues
- ◆ Enhance proposals for building assets through long-term, diversified investments using new NISA; enhance efforts to contribute to financial literacy
- ◆ Reform revenue structure by doubling the balance of investment trusts in accordance with the government plan to double asset income for Japanese households

### Main Efforts

#### Example 1 Online Consultations by the Customer Contact Team

Due to increased interest in NISA and in order to ensure communication with working customers, the Customer Contact Team conducted its first online one-on-one consultations. We set up 157 appointment slots for consultations, 152 of which were filled, mainly by working customers in their thirties to fifties and customers who cannot visit branches during weekday business hours. Through these meetings, we helped customers take the first step in building their assets by opening investment trust accounts or applying for NISA accounts or other investments. All participants who responded to a survey after their consultation said that they were satisfied or mostly satisfied, and some customers commented that they wanted to have online consultations regarding insurance coverage, inheritance, and home loans.



#### Example 2 Creation of Asset Succession Team and Securities Support Staff

We established the Asset Succession Team as a department dedicated to promoting cooperation with branch employees and created securities support staff in order to meet the increasingly sophisticated and diverse needs of customers. The Asset Succession Team consists of nine employees who handle requests from all of our operating areas and provide consulting services to customers referred from branches, such as elderly customers who are looking to pass down their assets or are interested in asset management that will ease their anxiety concerning dementia or other illnesses. Our securities support staff are composed of ten employees on loan from Hachijuni Securities who are assigned full-time to each of our operating areas, where they support customers in building their assets by making proposals on portfolio composition from a long-term perspective based on broad market trends.



#### Dialogue Starting Online Applications for Home Loans

To increase customer convenience, we began accepting online applications for preapproval for home loans in January 2024, making it possible for customers to easily apply whenever and wherever they want. Each customer has a personal account page where they can confirm screening results and upload documents, which helps create an efficient application process for busy working people.

To make procedures easier, we also switched from paper to tablets for the reception forms that customers fill out when they visit a branch to complete the official loan application. In addition to making procedures more efficient, we will keep working to contribute to sustainability with a focus on the environment by promoting paperless procedures.

Business Planning Department, Product Development Promotion Group  
Arisa Koike



Theme 3

Providing Comprehensive Financial Services and Capabilities

Goal

Seek Out Potential Needs and Lead Customers to Solutions

Group Strengths to Leverage in This Area

We will use the combined strength of The Hachijuni Bank Group and our partners to rapidly respond to increasingly diverse and sophisticated customers needs. The Branch Support Team, a dedicated support department established within our head office, will cooperate with branch staff to resolve customer issues through a wide range of consulting services and group functions. At the same time, we have established the Customer Contact Team, a remote sales department, to ensure communication with a greater number of customers.

Our Mindset and Current Issues

As changes in the structure of society are accelerating due to post-pandemic trends as well as the progress of digitalization and efforts for decarbonization, all corporations are required to make adjustments to ensure their survival and growth. However, many companies do not know where to begin or how to identify their bottlenecks. We must identify the issues facing customers, propose the optimal resolution method from among our broad range of services, and work with customers as a partner to contribute to their business.

Basic Strategies to Achieve Goals

- ◆ Conduct high value-added sales activities by responding to increasingly diverse and sophisticated customer needs and providing support
- ◆ Improve discernment and consulting skills of branch employees in cooperation with the Branch Support Team
- ◆ Enhance points of contact with customers who want to conduct transactions remotely

FY2023 Results

	Plan	Results
Consulting fees <small>(Total fees for M&amp;A, subsidy application support, private placement bonds, derivative investments, etc.)</small>	FY2023: <b>3.648</b> billion yen	FY2023: <b>3.427</b> billion yen
Sustainability support projects	FY2023: <b>3,000</b>	FY2023: <b>8,276</b>
New business referral contracts	FY2023: <b>610</b>	FY2023: <b>889</b>

Roadmap to 2025 (FY2024 plan)

- ◆ Increase consulting skills of sales staff by searching for consulting projects and resolving issues through support from the Branch Support Team
- ◆ Expand remote transactions through collaboration between the Customer Contact Team, Marketing Team, and AI Promotion Team
- ◆ Increase profitability through sales synergies with The Nagano Bank and high value-added sales activities

Main Efforts

Example 1

Enhancing Consulting Capabilities to Respond to Sophisticated Customer Needs through a Dedicated Team

Branch staff receive a diverse range of requests from customers every day. These requests are becoming more sophisticated each year, and there is an increasing number of cases where it is difficult for branch staff to respond to requests on their own. That is why we established a dedicated head office team to work with branches to quickly address customer issues such as subsidy applications, IT promotion, and management plan creation. We also began offering overseas business consulting services from July 2023 and provide support for researching local regulations and markets and creating income and expenditure plans. Recently, the support provided by our employees assigned to Vietnam has been particularly well received as they provide information gained thanks to their actual presence in the country. We will continue working closely with customers to support their needs.



Example 2

Drastically Increasing Contact with Customers through Efficient Sales Activities by Remote Sales Department

Customer needs are diversifying as more customers are preferring to speak to bank staff on the telephone rather than having staff visit their homes in person. To ensure that we can provide our services to all of our customers, we established the Customer Contact Team, which actively contacts customers in Nagano Prefecture by telephone. The Customer Contact Team is staffed by both young and veteran employees and serves as an opportunity for human resource development as young employees gain experience in responding to requests from many customers while veterans pass on their sales expertise. The team will quickly respond to customer requests and resolve their issues both independently and in cooperation with branches.



Dialogue

Providing the Best Service to Be a Partner to All Customers

I belong to the Customer Contact Team and work to resolve the issues of our corporate customers over the phone. I am endeavoring to increase my skills through seminars and self-study to learn how to best respond to customers' issues. Unlike in-person sales, I always feel a certain difficulty in communicating with customers only as a voice on the phone, but when it's necessary to provide follow-up in person, I cooperate with branch staff to quickly arrange a meeting for the customer. Customers sometimes say that they are grateful I called because they haven't had time to visit a branch, which makes me feel that the support I provide to them is worthwhile. I will keep working to deliver our bank's services to even more customers.

Business Planning Department,  
Customer Contact Team  
Megumi Fujisawa

Theme 4

Digital Reforms to Operations and Organizations

Goal

Contribute to Sustainable Development of Regional Communities Using Digital Technology and Data

Group Strengths to Leverage in This Area

In addition to the trust built over many years with customers in the region, our group also has a large amount of accumulated data. We will make maximum use of this data and the newest digital technologies to continue providing new added value and contribute to resolving issues and achieving sustainable development for the region and customers.

Our Mindset and Current Issues

The financial industry is undergoing unprecedented changes as it is seeing the entry of companies from other industries due to the rapid development and expansion of digital technology. Additionally, due to the diversification of values and an increase in choices for payment methods, it is no longer a given that customers will choose whichever bank is nearest to them. Our group will work to make digital reforms to its operations and organizations in order to respond to the changing needs of regional communities and customers, increase the convenience of our services, and support the resolution of customer issues by providing new experience value.

Basic Strategies to Achieve Goals

- ◆ Create added value through improved operational efficiency and service development using digital technology, data, and AI
- ◆ Organization-wide digitalization of various procedures and operations and through working style reforms using digital tools
- ◆ Human resource development for all employees on digital technology, data, and AI
- ◆ Work to achieve open innovation through co-creation with communities and outside corporations

FY2023 Results

Results and achievements		
Digital tools and services introduced	Of 77 tools and services planned under Medium-Term Management Vision 2021:	61 completed in total (progress rate: 79.2%) Introduction of remaining tools and services is in progress from FY2024
Basic training on IT and data literacy	Training completed by all employees in FY2022–2023	
Achievements of sales activities using data science and AI	Fully online credit-card loans (balance as of end of FY2023):	Increase of 7.6% year-on-year

Roadmap to 2025 (FY2024 plan)

- ◆ Continue efforts to utilize data science and AI to transition to more efficient and effective marketing and sales styles
- ◆ Change to unassigned seating at head office; switch head office operations to paperless methods
- ◆ Conduct high-level specialized training to improve digital and AI skills of head office planning staff (approximately 100 employees) and improve customer DX support skills of branch staff in charge of corporate customers (approximately 60 employees)
- ◆ Achieve open innovation aimed at creating services and businesses that customers will choose to use

Main Efforts

Example 1

Promote Digital Tools and Services to Increase Convenience for Customers and Create New Value

We have mostly completed the introduction of digital tools and services that we have been working on since announcing the Medium-Term Management Vision 2021. Through online applications for preapproval for home loans, our branch visit reservation system, and the Mikatano service series that helps streamline operations and support DX for corporate and sole proprietor customers, we will increase convenience and support the resolution of customer issues. Additionally, the increased efficiency of operations achieved through the use of digital tools and services will allow us to spend more time speaking with and offering solutions to customers to create new value.

Example 2

Human Resource Development Program to Achieve Digital Reforms and Support Customers

In order to achieve digital reforms to operations and organizations and provide customer DX support that increases corporate value, we believe that it is necessary for each employee of our group to develop a hands-on understanding of the fundamentals of digital technology, data, and AI and to obtain a high level of specialized knowledge and skills suited to their work. By the end of fiscal year 2023, all employees of our bank completed basic training to develop IT and data literacy. In order to maintain and increase their literacy level, we will continue encouraging employees to pass various certifications and tests and will work to keep employee knowledge and skills up to date. We will take initiatives for employees to develop a high level of specialized knowledge and skills suited to their work, including training for employees responsible for leading digital reforms, particularly head office planning staff, to improve business planning skills and creativity using digital technology and AI as well as training for branch staff in charge of corporate customers to improve customer DX support skills.



Certification or test name	Employees passed (As of March 2023)	Employees passed (As of March 2024)	Difference (Year-on-year)
IT Passport	302	553	+251
IT Coordinator	35	63	+28
Information Security Management	32	60	+28
JDLA Deep Learning for General	19	43	+24

Dialogue Using AI and Data to Reform Operations and Become a Data-Driven Organization

One mission of the AI Promotion Team of the Computer Systems Department is to implement operational reforms using AI technology and the large amount of data accumulated through our many years of transactions with customers. We have created and tested many models to be used for outward-looking purposes, mainly marketing, as well as internally-focused models for predicting improper transactions between accounts, and we are working to improve and streamline operations using data science. By accepting employees on loan from member

banks of the Judan-kai\* and growing together with them, the skills of both our bank and the member banks have improved, resulting in achievements such as the award we won at a data competition organized by the Financial Data Usage Promotion Association. Moving forward, we will continue promoting data-driven initiatives to contribute to the sustainable development of regional communities.

\*A project for the shared use of banking systems based on core systems developed by The Hachijuni Bank

Computer Systems Department, AI Promotion Team  
Naoki Yamada



Theme 5

Personnel System Reforms to Support Growth and Satisfaction

Goal

Support Growth and Satisfaction for Diverse Employees and Reform Personnel Systems to Encourage Thinking and Action

Group Strengths to Leverage in This Area

Under our management philosophy of contributing to regional development through a commitment to sound banking principles, each employee of our bank takes satisfaction from serving our regional communities and customers. Using this desire to serve as a strength of our group, we will contribute to the resolution of customer issues and the development of regional communities and aim to achieve growth and increased corporate value for our bank by developing human resources with a high level of expertise who can respond to changes in customer needs and the external environment and by supporting a diverse group of employees in making use of their skills.

Our Mindset and Current Issues

In endeavoring to respond to the diversification of employee values and lifestyles and to develop human resources who can adapt to increasingly sophisticated and diverse customer needs and changes in the external environment, there are limits to one-size-fits-all human resource development systems, such as our previous single-track system, and to working styles that are based on the assumption that there are no time constraints. We will create an environment where a diverse group of employees can put their skills to maximum use by developing a varied set of career tracks, supporting employees in independently developing their careers and increasing their expertise, and promoting flexible working styles.

Basic Strategies to Achieve Goals

- ◆ 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

FY2023 Results

Progress		
Employees receiving career management training or career counseling	FY2023: <b>746</b> (including repeat participants; total of 2,079 from FY2021)	
Employees choosing diverse career tracks* <small>*Multiple-track career development system introduced July 2022</small>	Head office staff track As of end of FY2023: <b>132</b> (increase of 126 year-on-year)	Professional track As of end of FY2023: <b>6</b> (increase of 4 year-on-year)
Total engagement* <small>*Measured from FY2023</small>	Score FY2023: <b>3.88</b>	Positive response rate FY2023: <b>73.9%</b>

Roadmap to 2025 (FY2024 plan)

- ◆ Continue supporting employees in independently developing their careers and increasing their expertise
- ◆ Evaluate engagement survey results and continue implementing measures to increase engagement (please see p. 65 for details)
- ◆ In preparation for integration with Nagano Bank, promote integration of personnel through joint training, acceptance of employees on loan, and open applications for employees from both banks
- ◆ Further promote flexible working styles such as working at satellite offices or from home

Main Efforts

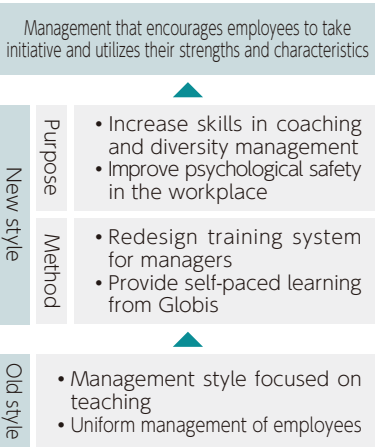
Example 1

Reforming Management Style to Utilize the Strengths and Characteristics of Each Employee

We are working to make reforms to our style of managing employees in order to create a workplace environment where each of our diverse group of employees is able to put their skills to maximum use.

In order to support independent skill and career development by employees, we redesigned our training system for managers to move away from the previous management style that focused on teaching and increase managers’ skills in coaching that encourages employees to take initiative and in diversity management that utilizes employee strengths and characteristics.

Additionally, we have also set improving psychological safety in the workplace as a key medium-term theme for our personnel strategies to serve as a foundation for a working environment where employees can make use of their skills, and we are doing all we can to support increased growth and satisfaction for our employees by focusing efforts on developing managers who can achieve those goals.



Example 2

Redesigning New Employee Development System to Foster Employees Who Can Offer Solutions That Exceed Customer Needs

In April 2023, we welcomed approximately 100 new employees to our bank.

As they are responsible for the bank’s future, in addition to one year of learning about bank operations, they also underwent a 93-day new employee training course to learn about a wide range of topics including management strategies, finance, and other business skills in order to become employees who can offer solutions that exceed the increasingly diverse and sophisticated needs of our customers. After one year of training, they are now sales staff who visit our customers every day to resolve as many customer issues as possible.



Dialogue Focus on Increasing Engagement and Improving Skills to Become an Organization Where People Think and Act Independently

In June 2023, we announced our long-term personnel policy,\*1 which forms the core of our personnel strategies and sets out the philosophy and views on which we base our initiatives related to human resources.

The key characteristic of this policy is that each employee plays a central role, and the first goal set out in the policy is to achieve employee self-fulfillment through independent career development. I believe that each employee considering what kind of working style will lead to their growth and satisfaction and receiving support for that from our personnel system will strengthen the relationship in which employees

and the organization understand each other and contribute to each other’s growth. That is why we will also place emphasis on engagement.\*2 Our human resources initiatives will not remain static but will be updated moving forward to adapt to the times. Our department will continue supporting employees in developing a versatile range of skills in order to utilize their strengths and become an organization where people think and act independently.

\*1: Please see p. 60 for details of the long-term personnel policy.  
\*2: Please see p. 65 for details on engagement initiatives.



Human Resources Department,  
Planning and Welfare Group  
Sayaka Seki

# Responding to Climate Change: Initiatives for TCFD Recommendations

We endorsed the TCFD recommendations in March 2020 and have been working to take measures and provide disclosure in accordance with the recommendations since fiscal year 2021. We will implement the cycle of accurately identifying climate-related risks and opportunities and reflecting them in our business strategies in order to fulfill our social responsibility regarding climate change and the transition to a decarbonized society and increase our resilience as a corporation.

## 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. 21 for details on these organizations.](#)

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

Sustainability Council	<ul style="list-style-type: none"><li>• Identification of risks and opportunities based on TCFD recommendations</li><li>• Enrichment of sustainability disclosure</li></ul>
Sustainability Committee	<ul style="list-style-type: none"><li>• Initiatives based on results of scenario analysis of climate-related risks</li><li>• Initiatives based on TCFD recommendations</li><li>• Progress towards greenhouse gas emission reduction targets</li><li>• Progress of sustainable finance efforts</li></ul>
Sustainability Working Group	<ul style="list-style-type: none"><li>• Sharing and discussing the status of efforts by subcommittees to address FY2023 priority efforts</li><li>• Ensuring the achievement of the target of 1.5 trillion yen in total sustainable finance provided</li><li>• Enhancing TCFD scenario analysis, considering setting targets for category 15</li><li>• Our bank's reduction of greenhouse gas emissions</li><li>• Utilization of PaperLab</li><li>• Support for customer decarbonization</li><li>• Creation of carbon credits</li></ul>

## Strategies

Every year, we conduct a scenario analysis, identify risks and opportunities through deliberation by the Sustainability Committee and Sustainability Council, and reflect those risks and opportunities in our strategies. We have identified two types of climate-related risks: transition risks, which are anticipated to arise in the process of transitioning to a decarbonized society, and physical risks, which pertain to physical damage that may occur due to natural disasters caused by climate change.

### 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 preindustrial 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 auto parts as well as trucking services) as key sectors.

### 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		
Energy	Oil and gas	8	2	High	7-9
	Coal	9	1	Medium	4-6
	Electric utilities	8	3	Low	1-3
Transportation	Automobiles and auto parts	6	3		Opportunities
	Trucking services		2	High	3
	Rail transportation			Medium	2
	Sea transportation			Low	1
	Passenger air transportation				
	Cargo air transportation				
Materials and buildings	Metals and mining	4	2		
	Chemicals	5			
	Building materials				
	Capital goods				
	Real estate management and development	3			
Agriculture, food, and forest products	Agriculture	5	2		
	Beverages				
	Processed foods and processed meat				
	Paper and forest products				

### Ratio of Our Loans by Carbon-related Asset Type to Our Total Loan Balance

Energy	Transportation	Materials and buildings	Agriculture, food, and forest products
1.88%	3.60%	20.87%	2.90%



Initiatives for TCFD Recommendations

Increased Level of Detail of Scenario Analysis

Transition Risks

We performed a qualitative analysis of each key sector, following which we conducted a scenario analysis as follows.

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

Main Transition Risks and Opportunities in the Trucking Services Sector

Category	Item	Description	Risk or opportunity	Importance
Policy and legal	Introduction of carbon tax and emissions trading	Due to the introduction of a carbon tax, companies will be required to pay taxes for greenhouse gas emissions resulting from their business activities, and costs will increase for purchasing credits through emissions trading.	Risk	High
Market and technology	Changes in fuel procurement costs	Investment in upstream development of fossil fuels will stagnate, and fossil fuel prices will increase due to a lack of supply, resulting in increased costs for procuring gasoline, diesel fuel, and other fuels, putting stress on profit. Progress will be made in introducing electric vehicles, but costs for procuring electric power will increase due to the fees associated with shifting to renewable energy. If renewable energy becomes more common and electricity prices decrease, procurement costs will also decrease.	Risk and opportunity	Medium
	Increased costs for introducing low-carbon vehicles	There will be an increased burden of capital investment for the introduction of electric and fuel cell vehicles that contribute to CO <sub>2</sub> reductions.	Risk	High
	Reduction in logistics costs from increased transportation efficiency	Transportation costs will be reduced and customer service improved due to modal shifts, the optimization of delivery routes, joint deliveries, and the establishment of large-scale processing hubs.	Opportunity	High
Reputation	Changes in customer behavior	Due to corporate customer demands for reducing CO <sub>2</sub> emissions throughout the entire supply chain and increased environmental awareness among individual consumers, the trend of customers choosing businesses that have reduced their CO <sub>2</sub> emissions will become more pronounced.	Risk and opportunity	High
	Assessment by investors and lenders	A late shift to decarbonization will result in a poorer assessment by investors and lenders and higher financing costs, while progress in decarbonization will have the opposite result.	Risk and opportunity	Medium

\*We performed a qualitative analysis of the trucking services sector for the first time this fiscal year. The results are as stated above.

Physical Risks

We expanded the regions considered in our analysis to include Niigata and Gunma prefectures.

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 and transportation (automobiles and auto parts, trucking services)
Indicator	Credit-related costs
Analysis results	Total increase in credit-related costs of up to approximately 30 billion yen by 2050
Physical risks	Details
Scenario	4°C scenario (referred to the IPCC's RCP 8.5 scenario)
Analyzed regions	Nagano, Niigata, and Gunma prefectures
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 4 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 placed limits on the scope of our analysis and made certain assumptions when establishing scenarios. We will therefore work to further increase the detail of our analysis in the future.

Risks and Opportunities Identified

Category		Impact on business	Time scale*
Transition risks	Policy and legal; market	Increase in our credit-related costs due to worsened business performance of borrowers and portfolio companies caused by changes in business activities or markets resulting from the spread of measures to address climate change  Decline in the asset value of the stocks and credits we hold due to changes in business activities or markets resulting from the spread of measures to address climate change	Medium to long term
	Reputation	Worsened reputation and loss of business opportunities due to our efforts to address climate change not meeting increased expectations from stakeholders	Short to medium term
Physical risks	Acute risks	Increase in our credit-related costs due to worsened business performance of borrowers and portfolio companies caused by an increase in natural disasters such as floods resulting from climate change  Suspension of operations and decline in asset value due to damage to our assets (such as branch buildings) caused by an increase in natural disasters such as floods resulting from climate change	Short to long term
	Chronic risks	Increase in our credit-related costs due to worsened business performance of borrowers and portfolio companies caused by an increase in infectious diseases or heat stroke resulting from climate change	Short to long term
Opportunities	Policy and legal; market	Increase in and diversification of new businesses and business styles with demand from markets due to changes in business activities or markets resulting from the spread of measures to address climate change	Short to long term
	Technology; goods and services	Increase in funds required for capital investment and product development in order to respond to climate change	Short to long term
	Reputation	Due to our efforts in response to climate change, increase in business opportunities resulting from increase in corporate value as a bank that contributes to regional decarbonization	Medium to long term

\*Time scale refers to the short term (up to five years), medium term (five to ten years), or long term (ten or more years).

Efforts in Response to Risks and Opportunities

Our Bank's Decarbonization Efforts

In addition to converting branches to net zero energy buildings (ZEBs) and using renewable energy, new initiatives that we began in fiscal year 2023 include the introduction of carbon-neutral gas (gas that effectively produces zero CO<sub>2</sub> emissions) and our participation in the carbon credit market of the Tokyo Stock Exchange opened in October 2023. Through these efforts, we maintained net zero greenhouse gas (CO<sub>2</sub>) emissions for fiscal year 2023, a goal we first achieved in fiscal year 2022.

Engagement with Customers

We spoke with 1,000 of our customers who are headquartered in Nagano or Niigata prefectures and who have the highest estimated emissions volumes and asked about their efforts to respond to climate change. From fiscal year 2023, we have strengthened our engagement with customers based on the results of those discussions and scenario analysis results. Specifically, we are supporting customer decarbonization efforts and the resolution of other management issues relating to climate change by providing consulting and solutions for formulating greenhouse gas emission reduction plans and promoting sustainable finance.

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.
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 financially support the increase or reduction of identified impacts.
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.
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	We refer customers to the J-Credits created by the Nagano Public Corporation of Forestry.
Sustainable Management Support Service	We help optimize customer efforts to achieve SDGs based on their management resources, management philosophy, and the external environment and provide support for determining material issues and formulating management policies.

Risk Management

We manage identified climate-related risks through our framework for credit and other risks. Additionally, 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

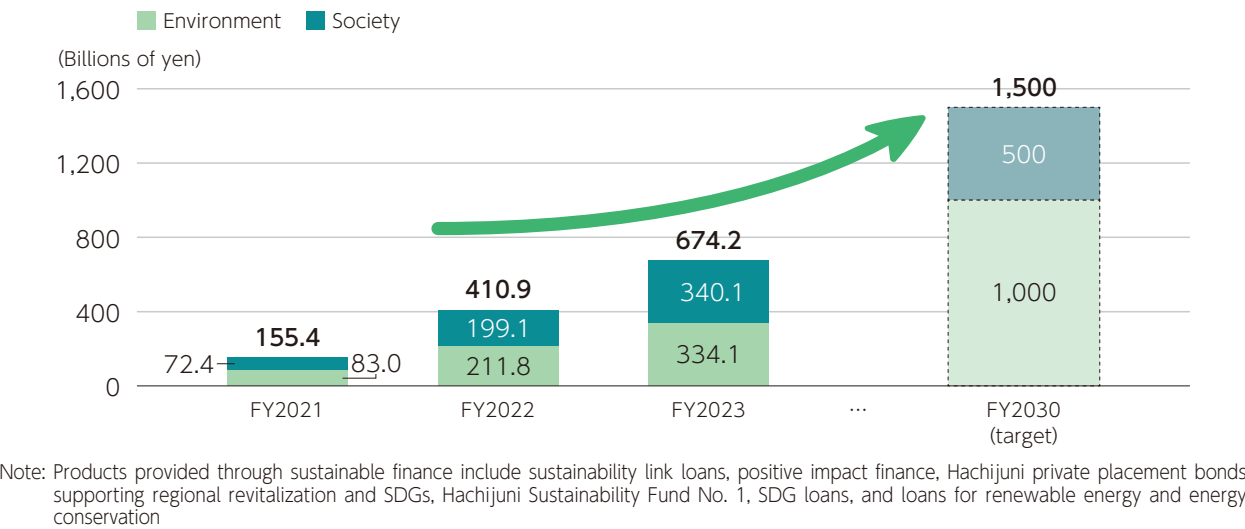
We recognize that while palm oil, lumber, and paper pulp are important resources that are essential to maintaining society and our day-to-day lives, social issues such as illegal harvesting may occur. We will carefully handle investment and lending in regard to these businesses by giving due consideration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

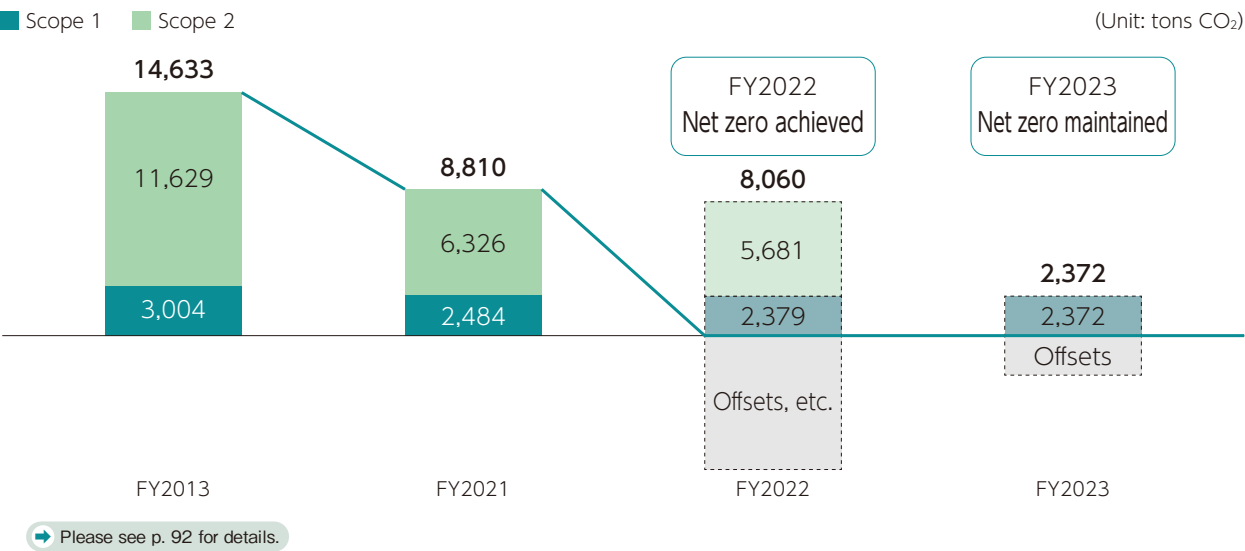


Greenhouse Gas Emission Targets and Results (Scope 1 and 2)

We set medium-term management targets for greenhouse gas emissions, but as we have achieved those targets in fiscal year 2023, we are currently considering new targets.

Targets	Results
FY2023: Net zero	Achieved in FY2022 (first in banking industry)
FY2030: 60% reduction compared to FY2013	Achieved in FY2023 (83.7% reduction compared to FY2013)

Greenhouse Gas Emissions





Initiatives for TCFD Recommendations

Calculation of Scope 3, Category 15 (Financed Emissions)

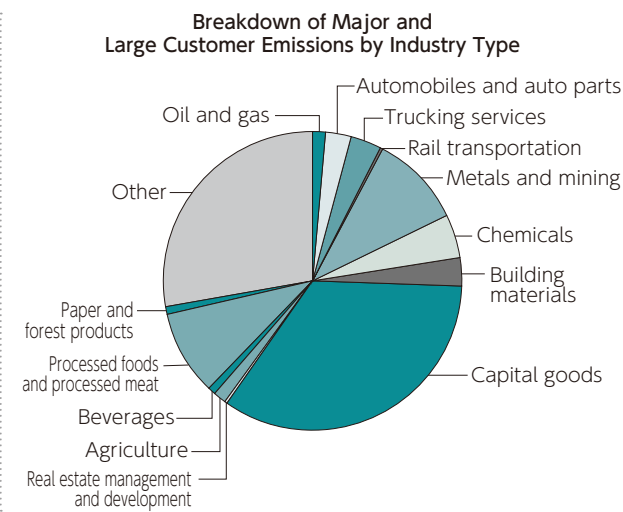
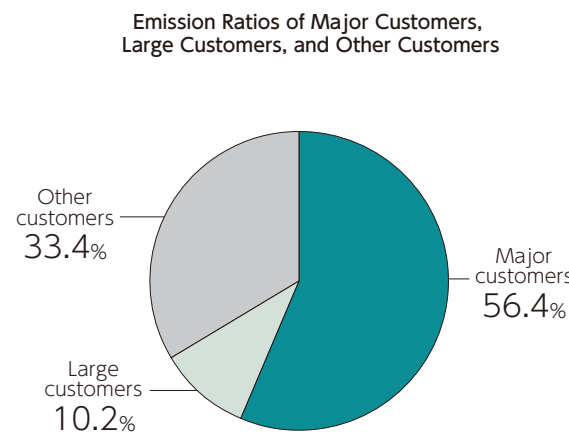
As category 15 emissions account for a large portion of a financial institution’s scope 3 emissions (CO<sub>2</sub> emissions in the supply chain), beginning in fiscal year 2021, we have calculated our scope 3 emissions based on the measurement methods set out in the PCAF Standard. For fiscal year 2023, we expanded the scope of our bottom-up analysis in order to further refine our calculations.

➡ Please see p. 88 for details of PCAF.

Emissions by Borrower Industry Type (FY2023)

Industry type		Emissions (Unit: tons CO <sub>2</sub> )	Calculation coverage ratio*
Energy	Oil and gas	210,335	99.9%
	Coal	—	—
	Electric utilities	106,617	100.0%
Transportation	Automobiles and auto parts	239,436	100.0%
	Trucking services	192,548	99.9%
	Rail transportation	56,401	100.0%
	Sea transportation	63,209	100.0%
	Passenger air transportation	8,551	100.0%
	Cargo air transportation	—	—
Materials and buildings	Metals and mining	970,109	98.8%
	Chemicals	404,429	99.6%
	Building materials	232,252	99.8%
	Capital goods	2,027,015	99.6%
	Real estate management and development	59,023	98.4%
Agriculture, food, and forest products	Agriculture	89,600	99.9%
	Beverages	39,225	98.1%
	Processed foods and processed meat	620,531	99.7%
	Paper and forest products	156,342	99.9%
Other		1,957,910	99.0%
Total		7,433,531	99.2%

\*The calculation coverage ratio is determined by dividing the amount of financing in each sector for which we were able to calculate financed emissions by the total amount of financing in that sector.



Emission Calculation Methods

Top-down analysis: Emissions calculated using average emission factor for the sector  
Bottom-up analysis: Emissions calculated based on emission volumes as identified using information disclosed by each company

Reference Date

Loan balances: March 31, 2024  
Net sales and other financial indicators of borrowers: Most recent financial information of each borrower that we held as of March 31, 2024, when the calculation was performed

Notes Regarding Calculation

We have 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 calculation methods and emission factors we used were those set out in version 2.6 of the “Basic Guidelines for Calculating an Organization’s Greenhouse Gas Emissions through the Supply Chain” (released by the Ministry of the Environment and Ministry of Economy, Trade and Industry in March 2024) and version 3.4 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 2024).

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 calculations. The weighted average data quality score for the information used in our calculation of emissions for fiscal year 2023 was approximately 2.8, indicating a significant improvement in the reliability of our data from fiscal year 2022, when our weighted average score was approximately 3.3. We will continue working to improve our data quality.

Reliability	Level		Emission calculation method	
	Score	Category	Sub-category	Description
High ↓ Low	Score 1	Emissions reported by the company	1a	Emission data of the company certified by a third party
			1b	Uncertified emission data of the company
	Score 2	Emissions from business activities	2a	Estimates based on the company’s energy consumption amount and emission factor Related process emissions also added
	Score 3		2b	Estimates based on the company’s manufacturing volume and emission factor
	Score 4	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
	Score 5		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

Issues and Future Efforts for Climate Change Responses

Based on the risks and opportunities we have identified, we recognize that all of our customers must take measures to respond to climate change. However, 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, due to which the timing for implementing those initiatives remains difficult for those customers. We will further expand the customers with whom we promote engagement and the frequency of our engagement efforts so that we can work together with a greater number of customers to advance those initiatives.

# Environmental Preservation Initiatives

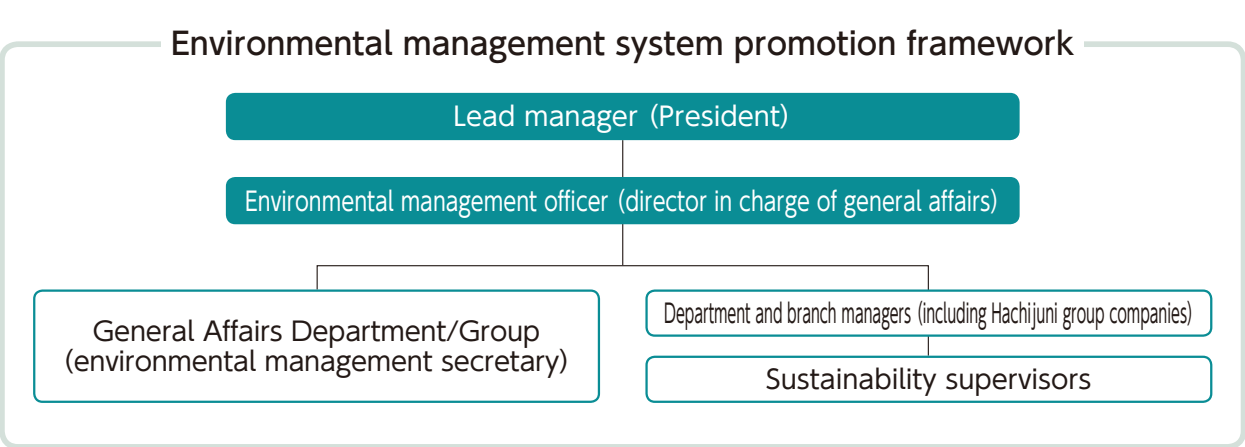
As Nagano Prefecture, where we are based, boasts an abundant natural environment, we have always endeavored to be the first to address environmental issues in order to grow together with our communities while being mindful of the environment and coexisting with nature. We are also working to address the loss of natural capital and biodiversity, an issue that has recently seen a rapid rise in global concern, by means such as our Basic Approach to Preserving Biodiversity, which we established in 2011.

## > 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.



## > TNFD Initiatives

In September 2023, the Taskforce on Nature-Related Financial Disclosures (TNFD), an international organization that aims to promote the transition to nature-positive business activities (meaning those that help stop the loss of natural capital and biodiversity and are beneficial to the environment), announced a set of recommendations that establish standards for initiatives to be taken. As those recommendations are in concordance with our policies and the efforts we have undertaken up to the present, we endorsed the TNFD recommendations and became a member of the TNFD Forum, an organization that supports the work of the TNFD. We will promote initiatives under the TNFD recommendations and aim to become a nature-positive business.

## > Hachijuni Forest

In order to protect the abundant nature of Nagano Prefecture, we conduct Hachijuni Forest activities at five locations in Nagano, where we participate in the prefecture's adopt-a-forest program (which works to bring vitality to mountain villages by promoting the maintenance of forests through cooperation between corporations, communities, and public agencies) and conduct activities such as cutting back weeds around newly planted trees and thinning forests in overcrowded areas. Through this work, we aim to foster sustainable forests by increasing their ability to fulfill their innate functions of preventing landslides and absorbing CO<sub>2</sub>. Hachijuni Forest, now in its sixteenth year, provides a valuable opportunity for many employees to directly learn the importance of natural capital and biodiversity. Additionally, while we previously only held Hachijuni Forest activities on weekends, from fiscal year 2023, we have made it possible to carry out these efforts on weekdays as well by reclassifying Hachijuni Forest as part of our operations instead of volunteer work, and we are increasing the number of people involved through the participation of Nagano Bank employees.



## > 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, and Nagano Bank employees began participating in fiscal year 2023. The rice we harvest is donated to NPO Hotline Shinshu for its volunteer-run cafeterias that use donations of food and money to provide meals for children in need.



## > History of Our Environmental Preservation Activities

First in Japanese banking industry	November 1991	Created a complete system for collecting, recycling, and using waste paper
First Japanese financial institution	November 1992	Began using recycled paper for CD/ATM paper logs
First Japanese regional bank	March 1999	Obtained ISO 14001 certification for our head office building
First in Japanese banking industry	July 2005	Introduced environmental accounting (for FY2004) and announced environmental accounting information
First in Japanese banking industry	December 2005	Awarded by Minister of the Environment for activities to prevent global warming in FY2005
	January 2009	Began Hachijuni Forest volunteer activities
First Japanese financial institution	February 2017	Conducted chemical recycling to reuse uniforms
First Japanese financial institution	February 2017	Introduced PaperLab
	July 2017	Acquired naming rights for Forest Learning Center in Togakushi Forest Botanical Gardens
Second in Japanese banking industry	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
First financial institution in Nagano Prefecture	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	Introduced carbon-free energy produced in Nagano for all three buildings of our head office
First in Japanese banking industry	June 2023	Achieved net zero greenhouse gas (CO <sub>2</sub> ) emissions in FY2022 (for scope 1 and 2 emissions) (Achieved 100% renewable energy ratio for our entire bank)
First in Japanese banking industry	February 2024	Obtained the highest score of A from the CDP in its 2023 climate change rating
	March 2024	Endorsed TNFD recommendations and became a member of the TNFD Forum



# Leveraging Human Capital

Human Capital That Supports Growth Strategies

## ▶ Message from the Human Resources Department Manager



### Managing Human Capital to Contribute to the Happiness of All Stakeholders

Human Resources Department Manager

Hiroyasu Iwabuchi

The first goal set out in our long-term personnel policy established in June 2023 is to achieve employee self-fulfillment through independent career development. We generally used to consider an employee's career as being built based on the departments and duties they were assigned to, but since we introduced the multiple-track career development system under our Medium-Term Management Vision 2021, there is a growing trend of employees independently developing their own careers. At the Human Resources Department, we are working to provide support in a variety of ways for employees to determine their career goals, and in fiscal year 2023, we began holding "Your Time" sessions (one-on-one meetings between employees and their managers) and continued providing career counseling.

One source of value creation for The Hachijuni Bank Group is the characteristics, values, and experiences of each of our employees. As customer values and needs are becoming more diversified, we will support employee self-fulfillment through independent career development and help employees develop their skills by utilizing diverse characteristics in order to foster human resources that can provide high value-added services to achieve the sustainable development of regional communities. Additionally, as there is increasing diversity within our organization as we approach our integration with The Nagano Bank, we will further promote an environment of diversity and inclusion in which employees accept each other's various values and views and help each other grow in order to achieve new ideas and value that lead to resolving the issues faced by our customers. We will continue working to achieve management that leverages human capital in the belief that these efforts will bring vitality and qualitative abundance to regional economies and communities and contribute to the happiness of our customers, our group, our employees, and all of our other stakeholders.

## Long-Term Personnel Policy

We have established a long-term personnel policy for human resources development and created a workplace environment suited to that purpose. Please see the opposite page for details of that policy.

## Efforts to Promote Personnel Strategies Linked to Our Management Strategies

### ➤ Main Efforts

#### ▶ 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 achieve 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 developing our 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.

Furthermore, we have established an alumni hiring program, which enables employees who left in the past due to reasons such as new jobs or family circumstances to return to work with us so that employees with diverse perspectives based on experiences outside our bank can provide services with an even higher level of added value. We will use the diverse experiences and perspectives of our employees to foster an organizational culture where employees help each other grow.

#### FY2023 results

Ratio of experienced hires  
in management positions

45.1%

## Strategic Staff Allocation to Increase Profitability

In order to achieve the outcomes stated in our value creation process (please see p. 25 for details), we have identified four focus areas of in-person sales, remote sales, market investments, and sustainability and are working to develop and reallocate the personnel responsible for these areas.

By using training seminars, OJT, and external assignments to develop the human resources created through the synergies from our integration with The Nagano Bank and strategically allocating those human resources to our focus areas, we will aim to expand our business domains, enhance our profitability, and increase our corporate value.

Focus areas	Example efforts
<b>In-person sales</b>	Strengthen solutions-focused sales
<b>Remote sales</b>	Reinforce transactions using digital channels
<b>Market investments</b>	Enhance structured finance
<b>Sustainability</b>	Improve decarbonization support and sustainable finance

## Long-Term Personnel Policy

### Human Resource Development

In order to achieve employee self-fulfillment through independent career development and to fulfill our corporate purpose through the execution of our management strategies, we will utilize the diverse values and characteristics of our employees and support them in developing a versatile range of skills.

### Creating an Environment for Human Resource Development

We will foster an organizational environment rich in diverse thinking and a customer-focused mindset as a foundation for developing in-demand human resources.

#### Necessary Employee Characteristics

Established strength

Enterprising spirit

Thinking and acting  
independentlyMedium-Term  
Management Vision 2021  
(Long-term management plans)Short-term  
management  
plansLinking of  
management  
strategies and  
personnel  
strategies

#### Key Medium-Term Themes

Improving versatile skills  
by using individual values  
and characteristicsStrengthening problem  
solving abilities based on  
understanding of customersImproving psychological  
safety to foster a flexible  
and outward-looking  
organizational environment

Establishment and timely review of human resources portfolio, efforts to address key themes

#### Main Personnel Systems

Multiple-track career development system  
**Utilizing strengths**Encouraging career development using  
individual characteristics and existing skills**Personnel management**Career counseling  
Personnel evaluations  
Assignments and transfersSystems for improving skills  
**Increasing strengths**Encouraging diverse learning to achieve  
career vision and increase expertiseWork systems, work-life balance support systems  
**Diverse personnel thriving**Promoting flexible working styles by expanding paid leave  
and creating systems for working from home

# Leveraging Human Capital

## ▶ Developing Employees with the Necessary Characteristics

We have identified human resource development as one of our material issues, and under our long-term personnel policy, we support employees in independently developing their careers and increasing their expertise in order to foster human resources who possess established strength, have an enterprising spirit, and think and act independently, which are the characteristics required by our customers. We will work to foster human resources who can contribute to customers and communities by creating an environment where employees can learn under their own initiative and by supporting employees in developing a versatile range of skills.

## Training System for Employee Growth

FY2023 Training System Diagram



### 1 Management Training

In order to achieve a management style where managers promote employee growth by utilizing the strengths and characteristics of the employees working under them, we support managers in learning skills such as coaching and diversity management and developing an attitude of working as a management professional.

**FY2023 participants**  
**584**  
 (including repeat participants)

### 2 Operational Skill Training

We support employees in gaining operational and specialized knowledge in specific areas in order to respond to increasingly sophisticated and diverse customer needs. Through this training and subsequent OJT, employees expand the scope of their duties and deepen their expertise.

**FY2023 participants**  
**2,779**  
 (including repeat participants)

### 3 Career Management Training

Through career management training held periodically based on career length and employee age, we provide career counseling to encourage employees to independently develop their careers and skills.

**FY2023 participants**  
**746**  
 (including repeat participants)

### 4 Sustainability, DX, and Diversity Training

Please see p. 40 regarding the development of human resources to achieve sustainability, p. 46 regarding the development of employees to promote DX, and p. 63 regarding our diversity training.

Training hours (FY2023)*		Training costs (FY2023)	
Total training hours	94,521	Total training costs	Approx. 220 million yen
Average training hours per employee	28.7	Average training costs per employee	Approx. 68,000 yen

\*Excluding voluntary training

### 5 Efforts to Promote Self-Study

We conduct voluntary training sessions through Seisei Juku and provide an outside resource of self-study videos through Your Learning to create an environment where employees can choose to further their knowledge and develop their skills. We also offer support such as subsidies and incentives of up to 500,000 yen to people who obtain certain government-recognized certifications in order to encourage employees to increase their expertise.

**FY2023 participants**  
**Seisei Juku**  
**1,963**  
 (including repeat participants)  
**Your Learning**  
**1,695**  
 (including repeat participants)

Certification holders at end of FY2023	Small and medium business consultants	Grade 1 financial planners/ Certified financial planners	Grade 2 financial planners/ Affiliated financial planners	Securities analysts	Real estate notaries	IT coordinators
	59	143	1,350	52	315	63

## Independent Career Development Support

### > Main Efforts

#### “Your Time” Sessions (One-on-One Meetings Between Employees and Managers)

In fiscal year 2023, we began holding “Your Time” sessions in which employees regularly meet with their managers in order to promote independent employee growth and create an opportunity for communication amid increasingly diverse working styles. With the help of these sessions, managers provide coaching to increase their employees’ strengths while employees work to independently improve their capabilities. Through this, we aim to bring vitality to our organization by developing the skills of each employee.



#### Personality Assessments

In order to support employees in independently developing their careers, we believe it is first necessary for employees to understand themselves, so we conducted personality assessments as a tool for employees to visualize their individual characteristics and values (such as their goals and views towards work). Through these assessments, employees gain a better understanding of their strengths and sources of motivation, and the results aid managers in identifying their employees’ strengths and values through Your Time sessions.

#### Supporting Branch Members in Taking on Challenges and Achieving Independent Growth

I try to ensure that Your Time sessions provide the members of my branch with a real sense that they have grown and that their growth is benefiting the workplace and the organization so that they believe in what they are able to accomplish. Through that, I hope to encourage them to independently take on new types of challenges and achieve growth. Through Your Time sessions, I realized that while everyone naturally wants to serve our customers, many employees also want to contribute to our organization. In order to support that desire, I will also work to improve my coaching skills and help my branch members grow independently.



Imai Branch Deputy Manager  
 (Currently Planning and Coordination Department Deputy Manager)

Mizuho Yamamoto



Imai Branch  
 Kokoro Matsuda

#### Continuing to Actively Learn to Achieve My Goals

In April 2023, I switched my career track from clerical work to general duties in order to become a financial advisor that can provide a total range of advice suited to our customers’ financial life plans. At the Your Time sessions with Mizuho, she encouraged me and helped me think about what I need to do to bridge the gap between my goals and where I currently am. One of our recent sessions prompted me to review information on our trust operations through a correspondence course. Gaining knowledge increases the range of solutions I can offer, and I feel I am slowly making progress towards my goals. I want to continue actively learning not only to serve our customers but also to broaden the possibilities of my career.



Leveraging Human Capital

Promoting Diversity and Inclusion

We have identified the promotion of diversity and inclusion as one of our material issues, 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 of 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.

Promoting a Diverse and Thriving Group of Employees

Main Efforts

Diversity Management Training

Our management training curriculum includes training on diversity management in which managers leverage the diverse people working under them by accepting their unique characteristics and drawing out their strengths.

FY2023 participants  
87  
(including repeat participants)

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.

FY2023 participants  
561  
(including repeat participants)

**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 in a variety of roles and by achieving a state in which women participate in all levels of decision-making as a matter of course.

Specifically, we are undertaking efforts to expand the areas in which women are active and promote flexible working styles. In fiscal year 2024, we established a new program to develop the next generation of female leaders, and we plan to provide mentoring for female employees by executive directors and department and branch managers and to enable female employees to participate in outside training. By creating opportunities for women to gain the experience and connections that they often lack due to factors such as unconscious expectations regarding gender roles in society, we aim to become an organization where everyone can thrive in any role.

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)

KPI		Targets		FY2023 results
①	Ratio of women in leadership positions	30% or more		20.5%
	Ratio of women in management positions	18% or more		13.3%
②	Ratio of men taking paternity leave	100%		101.9%
③	Review working styles to reduce total hours worked and support balance of work and personal life	Targets		FY2023 results
	Average days of paid leave taken annually	13 or more		16.0
	Implementing flexible working styles, such as expansion of working from home	—		Established a satellite office for the head office

Efforts to Eliminate the Gender Pay Gap

We pay employees equally based on their job levels, roles, duties, and evaluations with no difference in wages due to gender. However, because of gender imbalances in our employee composition, a pay gap exists between male and female employees. Specifically, differences in the ratio of men and women in each career track (due to reasons such as restrictions on scope of duties and work locations in each track) and the low ratio of women in management positions have led to a gap in the wages of our male and female employees. We are working to eliminate the gender pay gap by supporting independent career development by all employees, including women, promoting flexible working styles, and discouraging preconceptions of fixed roles for men and women.

Differences in pay between male and female employees* (FY2023)		
All employees	Permanent employees	Part-time and contract employees
46.2%	54.7%	56.8%

\*Calculated as the ratio of female employee pay to male employee pay.

Hiring of Employees with Disabilities

We actively hire people with disabilities and provide reasonable accommodations to promote the creation of an environment where everyone, regardless of whether or not they have a disability, can achieve greater satisfaction and desire to grow.

Efforts to Promote LGBTQ Understanding

We have created a handbook for all employees on promoting understanding to respect sexual diversity in order to prevent harassment of sexual minorities and foster an organizational culture where employees accept each other's diversity and help each other grow.

Supporting Work-Life Balance and Flexible Working Styles

Main Efforts

Supporting Balance between Work and Childcare

In order to develop a workplace environment where both male and female employees can easily balance work and childcare, we provide career development support for female employees who are also raising children and actively promote the participation of male employees in childcare. Our Human Resources Department staff hold individual meetings for all female employees who take maternity or childcare leave to discuss how to spend their time off and explain the various systems we provide for balancing work and childcare, and we support positive career development by having each of them create a medium to long-term career vision that takes into account the growth of their child. Additionally, when male employees take childcare leave, we provide support to increase the quality of their time off by requiring them to submit an action plan for their participation in childcare and housework that clearly sets out the purpose of their leave and the actions they will take.

Supporting Balance between Work and Family Care

In order to create a workplace environment where employees can continue working long-term while providing family care, we are working to develop support systems and increase employee literacy relating to the balance of work and family care. In fiscal year 2023, we spread knowledge of how to use these support systems when employees are faced with the need of providing family care by revising our work-life balance guidebook and conducting lectures at management training and Seisei Juku (voluntary training sessions).

Establishing a Satellite Office

In November 2023, we established a satellite office in Matsumoto City for head office employees. Previously, head office employees were generally required to work at the head office in Nagano City, so employees who could not commute to Nagano City could not expect to work at the head office as they built their careers. The establishment of the satellite office has resolved this problem and will contribute to supporting the development of diverse careers, promoting the use of our multiple-track career development system, assigning qualified personnel to suitable positions, and improving employee wellbeing by reducing the burden of commuting.



Leveraging Human Capital

▸ 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. In order to achieve the goals set out in our long-term personnel policy of promoting employee self-fulfillment through independent career development and developing a versatile range of skills that utilize the diverse values and characteristics of our employees, we recognize that it is particularly important to increase work engagement and will continue supporting employees in independently developing their careers and increasing their expertise.

FY2023 results	Score (out of 5)	Positive response rate*3	*1: Total engagement means that each person feels a sense of significance in their work or in working at their current workplace or company and desires to contribute. *2: Work engagement means that each person understands the innate significance of their work, feels satisfaction or pride in their day-to-day duties, and feels that they are growing or contributing. *3: Rate of employees who responded positively
Total engagement*1	3.88	73.9%	
Work engagement*2	3.79	69.7%	

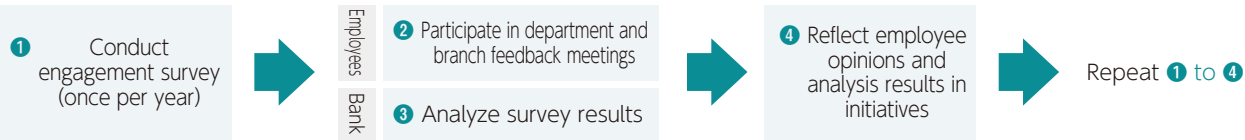
➤ Main Efforts

| Engagement Surveys

In order to strengthen the relationship in which employees and the organization contribute to each other's growth while working towards the same goals, in fiscal year 2023, we conducted a survey to measure the engagement of all employees, including part-timers. Through the survey, we obtained a total engagement score of 3.88 (out of 5) with a positive response rate of 73.9%, both of which exceed the averages of other companies. In particular, we achieved high scores of 4.17 (with a positive response rate of 85.0%) for the statement "I often learn from other workplace members" and 4.01 (with a positive response rate of 81.6%) for the statement "I want to help make progress towards achieving workplace goals," which demonstrates the unique characteristics of our bank's culture where we cultivate our employees' desire to grow and contribute.

| Department and Branch Feedback Meetings on Engagement Survey Results

In order to further increase engagement, we held feedback meetings for all employees at each department and branch to discuss organization and workplace goals and issues based on the engagement survey results. Using our annual engagement surveys as a starting point, we will aim to become an organization that can achieve growth both for itself and our employees by reflecting the results of analyses of survey responses and the opinions gained from employees at feedback meetings in our initiatives.



Increasing Team Strength through a Comfortable Environment, Job Satisfaction, and Team Cohesion

I believe the best thing about our bank is that everyone shares a basic desire to contribute to the development of the regional economy and to serve customers. At my branch, we are endeavoring to create a comfortable working environment where everyone respects each other while also working together cohesively to achieve our goals. Because I believe that it is necessary to improve the working environment and increase satisfaction in order to achieve greater employee engagement, I keep communicating to branch members the importance of helping each other and ensuring psychological safety. By creating a workplace where everyone can work comfortably and feel that they are growing and contributing, I will foster cohesion within the branch and increase our team strength so that we can share our knowledge to overcome obstacles.



Shinjuku Branch Manager  
Yasuchika Hattori

▸ 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.



Key Health Issues

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	Indicators	Targets (FY2023)	Results (FY2023)
KPI	Early detection of illness and prevention of lifestyle diseases	Employees undergoing recommended follow-up tests	90%	82.6%*
		Employees receiving specific health guidance offered	70%	76.7%
		Employees with BMI of 25 or more (indicating obesity)	19% or less	17.7%
		Employees who smoke	11% or less	11.8%
	Mental healthcare	Employees completing stress survey	100%	99.3%
	Development of a comfortable working environment	Average days of paid leave taken annually	13 or more	16.0

\*Provisional figures

➤ 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.

FY2023 results

Walking challenge participants

1,008

| 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, one of our key health issues. 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.

| Enhancing Health Consultations and Workplace Visits by Nursing Staff

In addition to periodically conducting stress surveys to help maintain and promote the mental health of our employees, we are enhancing health consultations and workplace visits by nursing staff. In order to expand our consultation capabilities, in fiscal year 2023, we added two new nursing staff members permanently assigned to the Health Management Team of the Human Resources Department, bringing the total number of nursing staff to five. Moving forward, we will work to increase employee work performance by continuing to carry out health management using the expertise of our nursing staff.

| Efforts for Financial Wellness

As we aim to achieve financial wellness for employees, meaning that they are able to work with a feeling of economic security, we are expanding the benefits paid when employees are injured or ill and providing support for building assets by means such as granting incentives through our employee stock ownership plan up to certain limits.



# Community Service Activities

## > Financial and Economic Education

Because we recognize that improving the financial literacy of our regional communities is an important duty of our bank for achieving sustainable communities by means such as supporting the building of assets, preventing financial problems, and bringing vitality to the regional economy, we offered a variety of educational programs regarding finance and the economy as part of our community service activities.



### | For Students

In fiscal year 2023, we provided lessons to improve financial literacy on topics such as financial systems and the financial and economic environment through on-site lectures in which our employees visited schools and work experience programs at our bank for elementary and junior high school students. Additionally, we worked with The Nagano Bank and Hachijuni Securities to jointly hold the Nagano qualifier for the national high school economics quiz tournament, in which high school students compete using their knowledge of economics and finance, while The Hachijuni Culture Foundation provided lessons on the history of money. Through diverse efforts such as these, our entire group is working to promote financial and economic education.

### | For Adults

We hold seminars to increase the financial knowledge of our customers online and at their offices.

#### FY2023 Results

		Number of times held	Participants
For students	On-site lectures	28	1,557
	Work experience events	19	153
For adults	Seminars to increase financial knowledge	267	3,153

## > Diversity Training

We hold seminars and training sessions as requested by local governments and corporations to share the knowledge and experiences gained from our diversity initiatives with regional communities.

In fiscal year 2023, we provided training to outside organizations particularly on the topic of unconscious bias and will continue working to increase awareness of unconscious bias to contribute to the promotion of diversity in the region. Additionally, we will use these training sessions as an opportunity to identify issues facing the region so we can expand our solutions that contribute to resolving customer issues.



## > Donations through Our Products

We are contributing to both customers and regional communities through our products.

Start date	Product name	Details
August 2018	Green car loans	These car loans are only available for green vehicles, and we donate an amount equal to 0.1% of the average loan balance for the first year to the Nagano Association for Conserving the Environment.
November 2019	Hachijuni private placement bonds supporting regional revitalization and SDGs	We donate an amount equal to 0.2% of the bond issue amount to a school, hospital, or other such organization chosen by the company issuing the bonds.
April 2021	Hachijuni Smile Bonds (bonds with a donation program included)	We donate part of the revenue to organizations working to achieve SDGs (for fiscal year 2023, we donated to NPO Foodbank Shinshu).
December 2021	SDG foreign currency deposits	We donate part of the revenue to organizations related to SDGs (for fiscal year 2023, we donated to the Japanese Red Cross Society and other organizations).

## > Volunteer Activities

Our employees independently choose to participate in volunteer activities such as environmental preservation activities, organizing events representing the region, and welfare programs such as food banks.

We encourage employees to independently and actively participate in activities by means such as providing special paid leave for volunteer work. The Nagano Bank also conducted activities such as local cleanup activities and river cleanups to protect and maintain the river environment of Nagano Prefecture.

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



#### Volunteer Activity Participants

FY2019	FY2020	FY2021	FY2022	FY2023
4,262	1,299*	2,650*	4,580	4,450

\*The number of participants in fiscal years 2020 and 2021 was low because of a reduction in volunteer activities due to the pandemic.

## > Promoting Regional Culture

The Hachijuni Culture Foundation focuses on the theme of rediscovering the uniqueness and appeal of regional culture to build connections and communication between people, and it is engaged in efforts such as publishing its “Regional Culture” bulletin and conducting research, financial support, educational courses, and other programs relating to the culture of Nagano Prefecture.

Through its financial support efforts, it provided part of the funds necessary for the activities of ten programs in fiscal year 2023 in order to pass down regional culture such as traditional arts and local cuisine to children.

The foundation is also engaged in efforts such as educational courses, exhibitions, and lobby concerts 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 cultures of our regional communities and special features on the future of our regional culture. In fiscal year 2023, we published special features on the taro plant, the sea of Nagano, the Yatsugatake mountains, and the Achi region.



#### Educational Courses and Exhibitions

We hold various exhibitions and concerts and offer courses featuring a rich range of themes and instructors throughout Nagano Prefecture. In fiscal year 2023, we held 38 educational courses, 43 exhibitions, and 7 lobby concerts.

The Hachijuni Culture Foundation  
(in Japanese)  
<https://www.82bunka.or.jp/>





# Outside Director Roundtable

Theme

**New Possibilities and Opportunities from Business Integration: Creating a Virtuous Economic Cycle by Finding Solutions to the Issues of Regional Communities from a Medium to Long-Term Perspective**

## Participants



Outside Director

**Kayo Tashita**

Resolutions to major issues require that we utilize knowledge from all fields.

Outside Director

**Miyako Hamano**

We must collaborate to bring outside vitality into the region from a medium to long-term perspective.

Outside Director

**Eiji Kanzawa**

I want us to bring together the resources of the group to take on various challenges.

Outside Director

**Takayuki Kanai**

The integration must happen with a focus on the people in the region.

**Following the business merger with The Nagano Bank, we are now making preparations for the full integration in January 2026. In consideration of the issues facing our regional communities, what are your expectations for the post-integration bank?**

**Kanzawa:** Because the two regional banks of Nagano Prefecture are becoming one, I think it's more important than ever for us to build a future based on trust and peace of mind as a good partner to regional

communities. To achieve that and resolve regional issues, I want us to bring together the resources of the group to develop not only comprehensive financial services, but also non-financial services as well.

I also run a company in Nagano, and the most pressing issue in the region is a lack of labor. The low birth rate has led to a declining working population, and the region faces an aging population and depopulation. So when we think about how we as a bank can contribute to resolving these issues, of course increasing the convenience of our financial services by means such as DX is one method, but it's also necessary to develop our non-financial

Our outside directors discussed their views regarding how the appeal of Nagano Prefecture and the strengths of The Hachijuni Bank Group can contribute to resolving the issues of regional communities.

services, such as increasing productivity and reducing the required labor for the region and customers and supporting joint operations through business referrals for corporations.

Moving forward, we will further enhance our systems, including through the use of AI, and it is likely that the volume of online operations for remote services will increase, but as depopulation advances and the population ages further, the digital divide\* will grow larger as well. People facing difficulties due to the digital divide, such as elderly people with issues relating to business succession or inheritance, could be valued customers in the future, so we need to seriously consider how to serve them.

There are efforts being made to attract entrepreneurs to Nagano Prefecture to create new businesses, which I believe is extremely important. Additionally, while the industries and communities of Nagano are very appealing, it's also vital to consider what types of efforts are necessary in order to increase the influx of people to the prefecture. If we want to attract people who were raised in the prefecture to return here, one key initiative will likely be to secure human resources from outside the prefecture through cooperation within the region, including from universities, to raise awareness of and communicate the various appeals of Nagano.

\*Digital divide: The gap in information available to people who utilize the benefits of information technology and those who do not.

**Hamano:** As the population continues to decrease throughout Japan, there are fears that municipalities in some regions will become unable to continue existing independently. In order to bring vitality to these regions, it's necessary to achieve greater collaboration with different fields and to expand our perspective outside the prefecture and even overseas. The Hachijuni Bank and The Nagano Bank each has its own networks and other strengths, so I think that the key point for vitalizing the region will be how we combine those

strengths to bring in outside vitality based on a medium to long-term perspective.

I want the post-integration bank to take on exciting challenges that will make customers feel that the integration was a positive thing for them by providing the various solutions offered by each bank.

Discussions by the Board of Directors include how we can create value, and I try to view those matters from a medium to long-term perspective. Large corporations are steadily expanding overseas in order to bring in outside vitality, but I think that many of the numerous, appealing corporations in this region have yet to begin full-fledged efforts to do so. When those corporations begin working to bring in outside vitality, we'll be able to offer a wide range of support, such as connecting small and medium enterprises with larger, more established corporations, or maximizing the value of customers' intellectual property through the consulting services offered by our bank to prepare for overseas expansion. Our bank also offers loans for startups. I believe we can play a significant role in a variety of situations. The most important point is to fully communicate the capabilities of the bank and the group that have been enhanced through the integration so that people in the region understand and make use of our services. I've had the opportunity to attend branch manager meetings and other meetings to share opinions with employees, and I truly feel that branch employees have a good understanding of the region and a passion to serve it. I may feel that more strongly as I live in Tokyo, but I'm impressed with the love that employees have for Nagano. That's a wonderful quality not found in megabanks. However, I want employees to be careful that their love for Nagano does not lead them to being focused only on resolving the issues in front of them, and instead to work with a medium to long-term perspective. I believe that providing advice from the sideline on aspects like that is one of our roles as outside directors.



## Outside Director Roundtable

**Kanai:** When we consider the fundamental roles of corporations, I think we should consider our purpose regardless of industry, without being overly focused on the fact that we're a bank. There have been various problems in society involving corporations, but what each of us must consider is not what it means for us, but why this company exists and what its purpose is.

I think that the most important point for the coming integration is to consider who we are doing it for. We must value a mindset where our discussions and deliberations at board meetings and in other situations are based on the awareness that out of all our stakeholders, the integration must happen with a focus particularly on the people in the region.

As the world is becoming more chaotic, the United Nations has set out sustainable development goals, but I think there are still many cases where day-to-day business activities are not based on those goals. If we don't think about what the purpose of the integration is and who we are doing it for, then the integration will not help us achieve SDGs or anything else, so I think that needs to be our starting point.

The redesigned 10,000 yen bill includes a portrait of Eiichi Shibusawa, and I believe the reason why he still receives attention

even after 100 years is that he operated companies with a focus on considering what purpose was served by those companies existing.

**Tashita:** President Matsushita is always saying that we'll make our business merger with The Nagano Bank the most successful business merger between regional banks in Japan, so I'm excited to see what kind of bank the post-integration bank will become. I work as an attorney in Nagano and don't have experience in running an organization or managing a company, but the main issues that I feel the region is facing are the aging population and climate change. I think the main expectations for the new bank will involve how it will contribute to resolving regional issues to protect the lifestyles of the people living here.

When I travel around the prefecture, I've seen that there are many abandoned, dilapidated houses in the hilly areas between towns and mountains. If that continues, I think it will become difficult to maintain the social infrastructure of the region. Ecosystems are also changing significantly due to climate change. Many years ago, the weather was always cool up in the mountains, but now it's hot even there. Agriculture is a major industry in Nagano, so we need to seriously consider



how to respond to climate change because of the big impact it's having on crops. Both banks have developed significant knowledge through their many years of business activities, so I expect the post-integration bank to use that knowledge to become something like a think tank for Nagano Prefecture.

**Kanzawa:** We're currently discussing the direction that the new bank should take. We're also discussing challenging topics, like how to allocate the human resources created by greatly increasing productivity through online operations and AI. In addition, to respond to climate change and other social issues, it will become even more necessary to work to develop not only financial services, but also non-financial services as well. To do that, I want the post-integration bank to make effective use of the resources of the entire group and use that strength to take on various challenges.

**What do you think The Hachijuni Bank Group should focus on to create value in order to increase the appeal of Nagano Prefecture?**

**Kanai:** When people think about Nagano,

they think of tourism resources in a broad sense. Recently, the tourism industry has been benefiting from the increase in inbound tourists, but I think that isn't just because of the weak yen, it's the result of the effort that the region has put in to promoting tourism. A few years ago, there weren't many regions focused on that, so I'm impressed that a change in thinking can produce such results.

The prefecture does face issues of declining population and depopulation, but its abundant tourism resources set it apart from other prefectures, so I think we should actively make use of that. There have been cases where hot spring towns that no longer received many visitors have been revitalized, so I think that this is a time when we can achieve rapid changes.

**Hamano:** I also think that using tourism resources will be an important point in bringing vitality to the region. Inbound tourists have increased in areas such as Hakuba and Nozawa Onsen, and Karuizawa has long been a popular area. Australian investment in the town of Niseko in Hokkaido led to an increase in inbound tourists and generated a significant economic impact for the region, and if we analyze that situation where a large amount of money is circulating among the foreign





## Outside Director Roundtable

residents who led investment in Niseko, we should be able to think of something that can be done in Nagano as well.

Finance is one method by which our bank provides support, but in a wider sense, I think we can also support our customers in a variety of ways, such as through information and consultation using our group's networks. I feel that our bank needs to play a role in creating a framework through which our region can bring in revenue from sources outside the prefecture.

Nagano Prefecture is extremely attractive because of its wonderful nature, culture, and history, and Governor Abe is promoting a five-year plan to create a more abundant society, but I think it's difficult for the people of the region to further polish these aspects and create a brand of value unique to Nagano on their own. A wide range of expertise will be required, as will networks with people outside the region to make use of their knowledge. I think our group can contribute to that as we have the human resources and networks necessary to help create that value.

**Tashita:** I think that collaboration with a variety of fields will be necessary. Population decline and climate change are not issues that can be solved through any

one area of expertise. Resolutions to major issues require that we utilize knowledge from all fields, not only by combining humanities and sciences. Even the Board of Directors benefits from having the diverse perspectives of directors with a variety of backgrounds. Considering that, I think that as a bank, it is especially necessary for us to collaborate with scientific fields.

### Including human resources development, what efforts do you think the bank should engage in to create value?

**Hamano:** The Board of Directors has the opportunity to consider a variety of issues across a wide range of areas, some of which are quite complex. When communicating the capabilities of our bank and group as I mentioned earlier, I think it's important to do so in a way that is clear and straightforward so that a variety of stakeholders can fully understand what we offer.

I also think that employees need to be able to clearly explain our bank's views and the goals we are working towards, including in regard to the integration, to customers who visit branches. We can't gain customer



support unless we are able to carry out the initiatives that we have communicated to them. I also think that is a point in regard to which we as outside directors need to work as well.

**Kanzawa:** In order to further expand not only our financial services but also our non-financial services, we need to strengthen our development of the human resources who will be responsible for those services. I think it would be outstanding if we are able to foster human resources within our group who are able to create value for the region and corporations and send those people out into the region. Although it's difficult to be well-versed in every type of industry, I want each of our employees to develop their own area of expertise and their skills in that area. Individual corporations are likely only able to develop human resources with skills relating to their particular industry, so I think our bank is uniquely able to foster personnel from the angle of providing solutions, including a broad range of general skills.

**Tashita:** Because of the chaotic times we live in, I think it's necessary for the bank to have a clear focus for its goals. Having a focus is necessary in order for employees to feel a sense of unity and security in being part of a single organization, and that is

what makes it possible to promote our services to people outside the bank. I also think it's necessary not only for lead management but also for everyone who works at our bank to communicate clearly with our customers.

I think that if employees don't understand what their own focus is, their motivation won't increase, so having that focus will become even more important moving forward.

**Kanai:** It's important to constantly consider what banks will be like in the future. I think that in five or ten years, banking operations won't necessarily be limited to processing payments. There are virtual currencies now, and other industries may take over payment services. Existing operations will likely be digitalized to increase convenience without requiring human input. On the other hand, what will happen to the role of banks in the region, especially in depopulated areas? With fewer people, the role of banks will also change. This means that if we do not further expand our business domains outside of the banking business, we will not be able to increase revenue. So I think it's particularly important to consider what role banks should fulfill while envisioning the ways in which the region will change.





# 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.



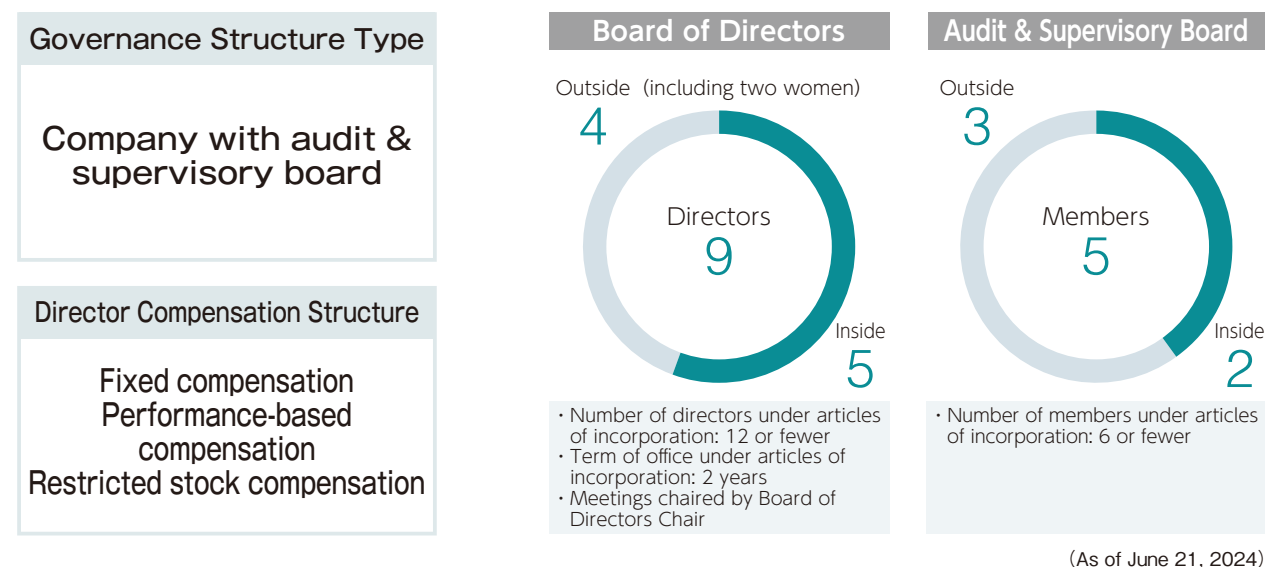
Corporate Governance Principles  
(in Japanese)



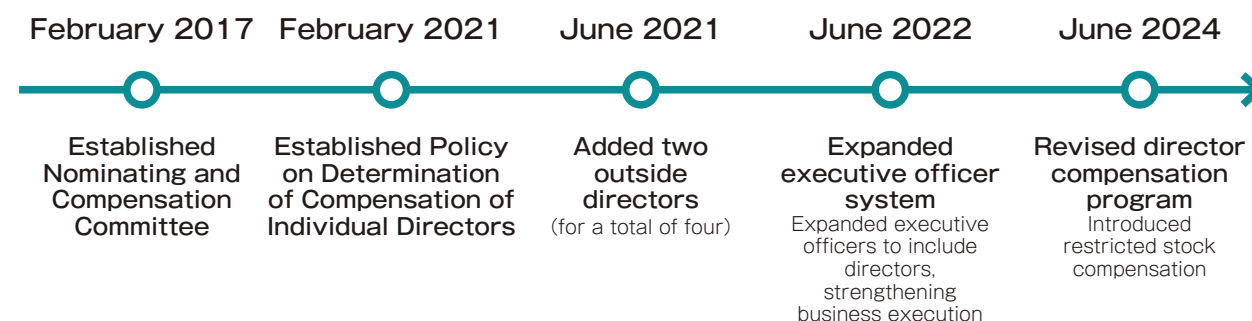
Basic Policy on the Development of Internal Control Systems  
(Systems to Ensure Proper Operations)  
(in Japanese)



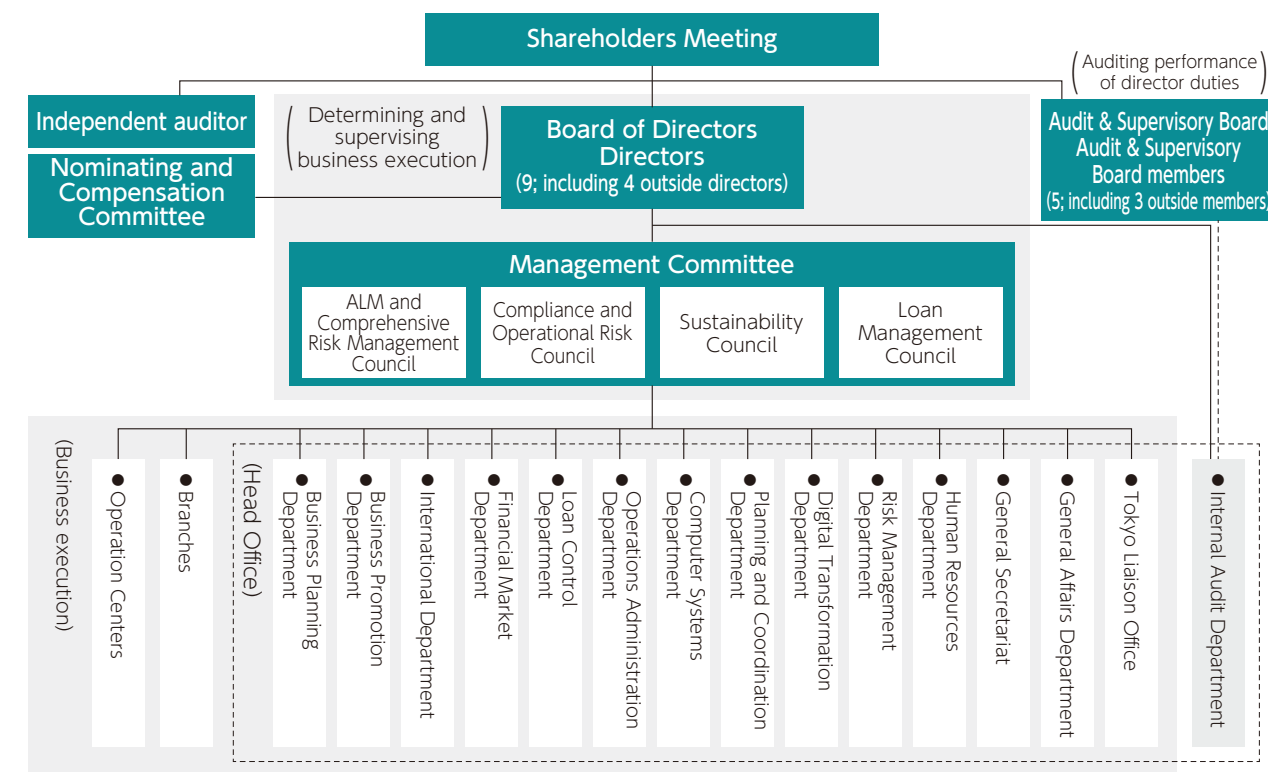
## > Governance Structure Overview



## > Main Efforts to Improve Corporate Governance



## > Corporate Governance Structure



(As of June 21, 2024)

### Board of Directors

14 meetings held in FY2023  
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

43 meetings held in FY2023  
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 & Supervisory Board

14 meetings held in FY2023  
The Audit & 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 FY2023  
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 2023, the Board of Directors mainly deliberated proposals such as the following.

**Resolutions:** Creating basic integration agreement with The Nagano Bank, determining stock buyback limits, revising medium-term management targets, selling part of strategic shareholdings, merging and closing branches, formulating risk management policies, formulating policies for providing credit to borrowers

**Reports:** Efforts to increase PBR, 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 efforts for customer-first operations, matters regarding the evaluation of the effectiveness of the Board of Directors

# Directors and Audit & Supervisory Board Members

## Directors



Takahiko AsaiMasaki MatsushitaShohei HidaiMakoto NakamuraHitoshi NishizawaKayo TashitaMiyako 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)

### 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 (left position October 2023)  
April 2014: Chairperson, Nagano Bar Association (left position March 2015)  
June 2016: Outside Director of The Hachijuni Bank (current position)  
April 2024: Vice President, Japan Federation of Bar Associations (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)

### 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)

### 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, Giosel Co., Ltd. (current position)  
June 2021: Outside Director of The Hachijuni Bank (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 2012: 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)

### 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  
June 2023: Vice President and Executive Vice President (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)

### 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)



Eiji KanzawaTakayuki Kanai

### 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)

### 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  
June 2023: Dean and Professor of School of Economics, Senshu University (current position)  
Outside Audit & Supervisory Board Member of The Hachijuni Bank (current position)

## Audit & Supervisory Board Members



Chishu MinemuraAkihiro KasaharaKiyohito YamasawaTakayuki TanakaHiroshi Hori

### 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%

## 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	Kenko Takano
Managing Executive Officer	Hideki Yoshida
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	Hidegori Dezawa
Executive Officer	Kiyomi Ito
Executive Officer	Tatsuya Akaba
Executive Officer	Takehiko Kimura
Executive Officer	Katsuya Nakamura
Executive Officer	Atsushi Shikano

(As of June 21, 2024)

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



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 2023, 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.

Main Efforts

(1) Efforts to enrich discussions focused on the business environment

Taking into consideration changes in the internal and external environment such as our business merger with The Nagano Bank on June 1, 2023 and demands from society to conduct management with an awareness of cost of capital, the board enriched its discussions on matters such as the direction of its medium-term management plan in preparation of our integration with The Nagano Bank and efforts to increase PBR, including by reducing strategic shareholdings.

(2) Efforts to expand constructive discussion at board meetings

We repeatedly held briefings, on-site observation tours, and discussions with employees for outside directors and Audit & Supervisory Board members in order to deepen their understanding of the matters deliberated by the Board of Directors. As an initiative to promote their understanding of the departments that carry out the bank's business, we promoted dialogue with employees by having outside directors and Audit & Supervisory Board members attend branch manager meetings and other internal meetings.

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 2024. We also held interviews with outside directors and Audit & Supervisory Board members and asked for their opinions and proposals on increasing the board's effectiveness. Although the results of the evaluation through these measures indicated that the board is functioning properly overall, we identified a necessity to enrich discussions on management strategies from a medium to long-term perspective and to improve board operation efficiency. We will use these results to advance measures to 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 during a branch visit

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. 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 FY2023
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.	14/14
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.	14/14
Eiji Kanzawa	Mr. Kanzawa serves as the representative director of Kissei Comtec Co., Ltd. and has extensive knowledge on promoting digitalization. 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 as a corporate executive.	14/14
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.	14/14

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	• Management of corporations, organizations, etc. • Planning management strategies with a company-wide, medium to long-term perspective	Legal affairs, risk management	• Specialized knowledge on legal systems and regulations • Risk management for general corporate activities
Global business	• Management of overseas locations or business divisions handling international finance or trade • Planning strategies with a global perspective	DX/IT, technology	• Specialized knowledge on IT, digital transformation, science, or technology • Computer system planning, operation, and management
Financial markets	• Knowledge of overall financial market; securities investment, etc. • Trends in overall financial industry and financial administration	Human resources, diversity	• General HR affairs: HR management, personnel development, payroll, employee benefits • Promoting diversity and inclusion
Sales strategy, corporate support	• Sales planning, marketing, new business development • Corporate screening, business referrals, business revitalization support, business successions and M&A	Communities, environment	• Knowledge of history, culture, and economy of regional communities • Initiatives to address environmental problems or promote environmentally sound management

# 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

## > 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.



The Hachijuni Bank  
Group Basic Policy  
on Human Rights  
(in Japanese)



# 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.



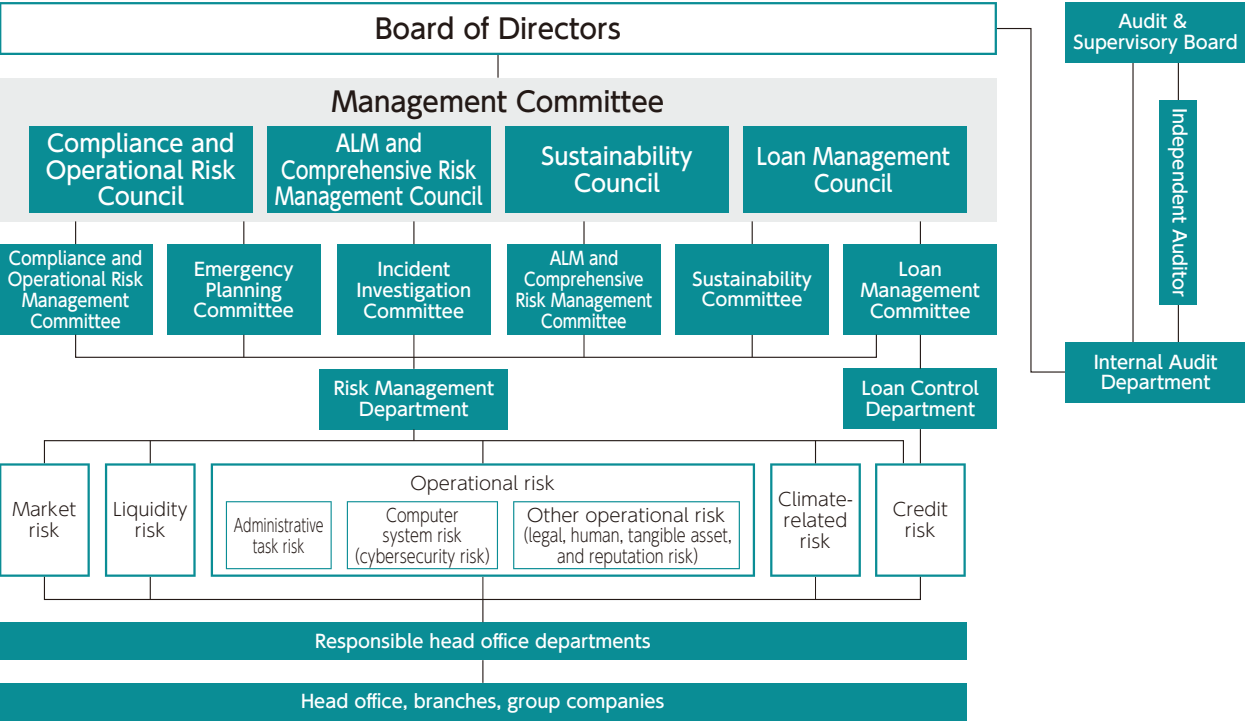
# Risk Management Systems

## > Basic Views

In order to ensure the sound management and proper operations of our bank, the Management Committee has established a basic policy on comprehensive risk management, which identifies market risk, liquidity risk, operational risk, credit risk, and climate-related risk as the main risks to be managed as shown in the diagram below. We have also created the ALM and Comprehensive Risk Management Council as a special-purpose body within the Management Committee. This council uses interest and economic forecasts to accurately identify market risks involving interest rates, price fluctuations, and exchange rates and quantitatively assess credit risks faced by our bank, and it discusses appropriate risk control measures based on that analysis. Additionally, we have established the Compliance and Operational Risk Council, the Loan Management Council, and the Sustainability Council, each of which aids us in implementing appropriate risk control measures based on our business situation as well as in creating profit plans and allocating business resources while taking into account the risks we face.

ALM and Comprehensive Risk Management Council	Compliance and Operational Risk Council	Loan Management Council	Sustainability Council
• Market risk • Liquidity risk	• Administrative task risk • Computer system risk • Other operational risk	• Credit risk	• Climate-related risk

Structure Diagram



## > Development of Business Continuity Systems

Given the importance of banking services to society, we have prepared a business continuity plan so that we are able to continue or quickly resume vital operations such as deposit withdrawals and payment processing even in the case of a financial crisis or an earthquake, typhoon, or other natural disaster. We are also systematically working to improve our business continuity plan each fiscal year based on risk assessments, and we periodically conduct emergency drills and work to increase their effectiveness.

## > Market Risk Management

In order to maintain an appropriate balance between risk and return and ensure that the risks we take are kept to a proper size, we establish a market risk management policy every six months taking into account the market environment and our business situation. This policy sets out the maximum amount of risks or loss permitted for each transaction type and transaction partner, and the departments that handle transactions carry out their operations within those limits, make daily reports on risk status to the responsible directors, and promptly take appropriate actions when necessary. Additionally, we clearly separate the front-office departments that conduct transactions, the back-office departments that perform administrative tasks for those transactions, and the middle-office departments that control and manage risk so that each group provides checks and balances on the others.

## > Liquidity Risk Management

We establish a liquidity risk management policy each fiscal year in order to control potential risks by identifying, analyzing, and evaluating factors that affect liquidity risk, such as changes in the external environment. This policy determines the limits used in managing liquidity risk, and the Risk Management Department manages liquidity risk daily so that we will not need to procure excessive amounts of funds from the market in the future. Additionally, by maintaining a certain level of assets that can be converted to cash in the short term, we have developed a robust system that will be able to smoothly manage our cashflows even in unforeseen circumstances such as sudden changes in the financial market environment.

## > Operational Risk Management

We have established a basic policy on operational risk, which we manage under the categories of administrative task risk, computer system risk, and other operational risk (including legal, human, tangible asset, and reputation risk). We perform a risk assessment each fiscal year to appropriately identify and assess the operational risks to be addressed, and the head office departments responsible for any relevant operations work to reduce operational risk. The Risk Management Department manages and supervises the status of risk management by those departments to ensure effective risk management and internal checks.

## > Credit Risk Management

We have developed a system to identify and manage credit risk for the entire Hachijuni Bank Group, both in Japan and overseas, in order to maintain and improve the soundness of assets that involve credit risk. Specifically, the Credit Risk Management Group within the Risk Management Department plans, designs, and oversees the operation of our internal rating system, including borrower ratings, and supervises portfolio management focused on avoiding excessive concentrations of credit. The Loan Planning and Assessment Group within the Loan Management Department operates the internal rating system, and the Screening Group, together with other related departments, appropriately conducts individual credit management. Additionally, the Internal Audit Department audits the operations of each department to ensure appropriate credit risk management.

Borrower rating system	Credit portfolio management	Individual credit management
Based on data such as the financial condition or cashflow management of borrowers, we rate them using 13 different categories and periodically review those ratings each year.	We manage our portfolio to prevent excessive risks by quantifying and ascertaining our credit concentration in major customers or certain industry types.	We separate the departments that perform credit screenings from the departments that promote sales to ensure that checks and balances are functioning effectively. We also work to prevent credit claims from deteriorating by conducting thorough credit monitoring on borrowers.

## > Climate-related Risk Management

We recognize the importance of climate-related risk and use our framework for handling credit and other risks to manage the impact that climate change will have on our customers. The Hachijuni Bank Group Sustainable Investment and Lending Policy sets out our policy on initiatives regarding sectors that are likely to be negatively affected by climate change.

Risk Management Systems

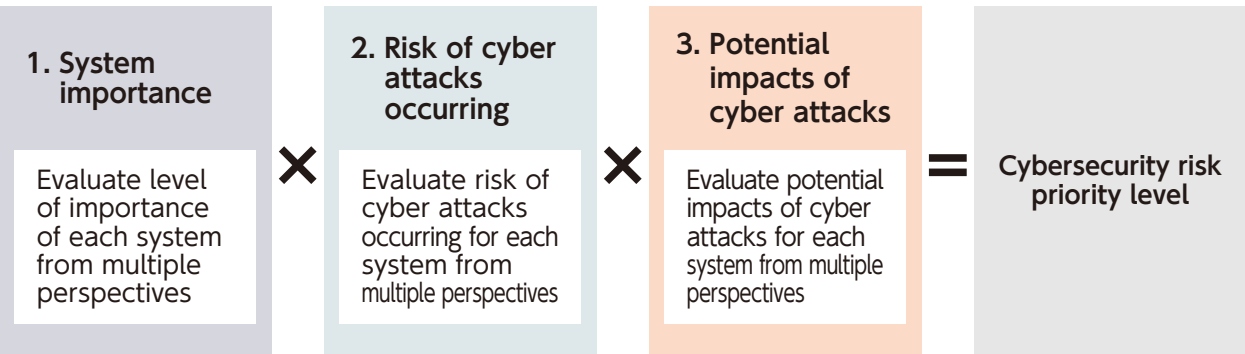
> Cybersecurity Risk Management

In order to appropriately respond to increasingly advanced and sophisticated cyber attacks, we have established our Cybersecurity Risk Management Standards and Cybersecurity Risk Countermeasure Standards, based on which we implement multilayered measures such as preventing unauthorized access and detecting viruses, and we continually review these measures to ensure their effectiveness.

| Enhancing Cybersecurity Measures through Risk Evaluations

Based on references including the security measure standards set out by the Center for Financial Industry Information Systems, we perform a risk evaluation for all systems that we operate when developing new systems and once each year, and we strengthen our security measures based on the results of those evaluations. Specifically, we determine the priority level of cybersecurity risks taking into account the importance of each system, the risk of cyber attacks occurring, and the potential impacts of cyber attacks, based on which we identify the status of technical measures being taken, evaluate the remaining risks, and consider whether additional measures are necessary.

Framework for Evaluating Cybersecurity Risks



Additionally, we engage an external security vendor to periodically conduct vulnerability assessments on our systems. We implement countermeasures such as security patches to address any vulnerabilities identified.

| Participation in Regional Cooperation for Cybersecurity

We will contribute to cybersecurity initiatives by Nagano Prefecture by means such as participating in the Nagano Prefecture Anti-Cyberterrorism Council, whose purpose is to increase awareness of risks, prevent cyberterrorism, and limit damage therefrom by sharing information among key infrastructure operators who provide services necessary to society. Additionally, in order to contribute to improving cybersecurity for all banks, we are a member of Financials ISAC Japan, an organization consisting of nearly 450 companies that promotes efforts to continue ensuring security and peace of mind for financial service users by sharing and analyzing cybersecurity information among banks and conducting joint activities to increase security.

> Developing Data Foundations and Utilizing AI

In March 2019, we began operation of our data warehouse, which plays a key role in the data analysis we perform. We centrally manage all of our data over the long term and are constantly accumulating precise data. We are developing a framework for making rapid and efficient use of AI by utilizing the large amount of data stored in our data warehouse. Additionally, we are continuing to promote increased operational efficiency by creating a secure environment in which all employees can use generative AI.

> AI Governance

While we are actively utilizing AI, we recognize that consideration must be given to ethical issues as certain methods of AI usage can lead to discriminatory evaluations or breaches of privacy. We have therefore formulated The Hachijuni Bank Group AI Policy in order for all employees to use AI appropriately based on a correct understanding of the issues that must be considered, and in May 2024, we became the first regional bank in Japan to announce an AI policy.

AI Policy

**1. Achieving Sustainable Regional Communities**  
Our group will actively utilize AI to increase corporate value and contribute to achieving customer wellbeing and sustainable regional communities while respecting human rights and valuing diversity.

**2. Fairness**  
Our group will maintain an awareness that AI can produce biased determinations and will give due consideration to ensure that certain individuals or groups are not subject to unfair discrimination.

**3. Transparency and Accountability**  
Our group will ensure transparency in the process of determinations made by AI and will work to fulfill our duty of accountability regarding the effects of the use of AI.

**4. Ensuring Safety, Privacy, and Security**  
Our group will work to ensure the security of AI while giving due consideration to the safety of stakeholder assets and the protection of stakeholder privacy.

**5. Human Resource Development**  
Our group will continually develop human resources with a correct understanding of AI who possess the knowledge and ethics necessary to use AI in a way that is suitable in society.



# External Ratings and Initiatives

## External Ratings

### CDP

We received the highest rank of A in the 2023 rating by the CDP, a global leader in ESG evaluations, becoming the first bank in Japan to do so.



### FTSE ESG Ratings

In June 2024, we received a score of 2.9 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.



### MSCI Japan Empowering Women Index (WIN)

We have been included as a constituent in the MSCI Japan Empowering Women Index (WIN), which is calculated and released by Morgan Stanley Capital International.



\*The inclusion of The Hachijuni Bank, Ltd. in any MSCI index and the use of MSCI's logos, trademarks, service marks, and index names herein do not constitute a sponsorship, endorsement, or promotion of The Hachijuni Bank, Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

### Platinum Kurumin Plus Certification

Under the Act Promoting Measures to Support the Raising of the Next Generation, we have received Platinum Kurumin Plus certification as a corporation that provides a high level of support for working parents and takes initiatives to develop a workplace environment where employees can easily balance work and infertility treatment.



### Outstanding Employer in Corporate Health

For eight consecutive years, we have been certified as an Outstanding Employer in Corporate Health (in the large corporation category) by the Ministry of Economy, Trade and Industry and the Japan Health Council (Nippon Kenko Kaigi) for being a corporation that implements excellent corporate health practices.



### Green, Social, and Sustainability Bond Framework

In October 2022, we established a green, social, and sustainability bond framework that has received the highest rating of SU1 (F) in the JCR Sustainability Bond Framework Rating conducted by Japan Credit Rating Agency, Ltd.

## 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. 49–56 for information on our initiatives for the TCFD recommendations.



### TNFD

In March 2024, we endorsed the Taskforce on Nature-Related Financial Disclosures (TNFD) recommendations, and we are working to disclose information on our risks and opportunities related to natural capital.



### 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. We calculate and disclose our financed emissions using the measurement methods set out by the PCAF.

→ Please see p. 55 for information on our financed emissions.



### 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.



### 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.



# Key Data (Main Financial Data for Past 10 Years)

## Consolidated Performance Summary

(Unit: millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Consolidated gross income	105,081	101,916	100,194	99,235	98,390	99,070	94,791	93,892	91,557	100,455
Interest income	76,709	75,295	74,073	70,219	69,004	69,018	70,954	68,497	72,737	87,773
Trust fees	2	2	2	2	2	2	2	7	10	12
Fees and commissions	15,780	14,994	13,359	13,828	13,472	14,347	13,859	16,418	17,211	18,462
Trading income	1,624	1,832	1,735	2,978	2,099	2,315	3,360	2,063	961	299
Other operating income	10,967	9,793	11,026	12,208	13,814	13,388	6,616	6,913	647	(6,080)
General and administrative expenses	63,711	60,869	66,081	62,909	60,940	59,455	59,021	54,038	56,631	66,251
Credit related expenses	(3,444)	(5,001)	(2,297)	277	1,868	1,462	9,370	1,920	4,222	1,685
Gains (losses) on stocks	1,573	1,973	2,672	3,936	1,896	(1,840)	6,632	2,199	8,708	10,956
Gains (losses) on money in trust	—	161	1,033	972	(4,146)	(1,637)	(717)	549	(338)	(953)
Other accounts	1,569	926	352	577	1,042	(1,208)	(146)	(2,620)	(4,164)	(7,277)
Ordinary income	47,870	49,023	40,421	41,507	34,354	33,447	32,147	38,047	34,893	35,217
Extraordinary gains (losses)	(637)	(387)	(798)	(2,181)	(485)	(739)	(332)	7	(145)	15,612
Income before income taxes	47,233	48,635	39,622	39,326	33,868	32,707	31,815	38,055	34,747	50,829
Total income taxes	17,644	16,656	11,827	12,199	10,058	9,483	9,290	11,204	10,533	13,791
Net income	29,587	31,979	27,794	27,127	23,810	23,224	22,524	26,850	24,214	37,038
Net income (loss) attributable to noncontrolling interests	2,402	1,807	1,482	1,286	1,317	1,146	140	182	79	(33)
Net income attributable to owners of parent	27,185	30,171	26,312	25,840	22,492	22,077	22,384	26,667	24,135	37,071

Note 1: From FY2021, we stopped including dividends received from group credit life insurance, etc. under the category of other ordinary earnings and began reflecting those dividends as a reduction to fee and commission expenses.

Note 2: From FY2023, we have changed our method of indicating gains (losses) on money in trust due to The Nagano Bank Group becoming consolidated subsidiaries of our bank.

## Consolidated Balance Sheet Summary

(Unit: millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total assets	8,014,284	8,172,508	8,703,848	9,309,043	10,451,533	10,470,547	12,160,638	13,343,796	12,963,799	14,827,752
Loans and bills discounted	4,506,883	4,635,402	4,864,144	5,040,098	5,261,946	5,395,246	5,541,154	5,931,315	6,113,178	6,781,218
Securities	2,740,758	2,680,298	2,459,732	2,510,142	2,766,017	2,911,132	3,326,241	2,801,655	2,676,695	3,643,073
Total liabilities	7,322,076	7,486,350	7,960,293	8,531,974	9,686,024	9,722,115	11,250,943	12,431,097	12,047,845	13,709,476
Deposits	6,237,343	6,229,088	6,390,778	6,586,969	6,734,847	6,975,504	7,654,318	8,049,875	8,168,035	9,437,959
Negotiable certificates of deposit	453,618	536,769	502,283	503,652	512,915	257,674	139,665	132,507	79,133	55,194
Total equity	692,208	686,158	743,555	777,068	765,509	748,432	909,694	912,698	915,953	1,118,275
Shareholders' equity	463,491	492,344	511,056	528,061	540,069	571,964	592,665	612,246	617,409	649,099
Retained earnings	386,589	408,739	427,451	446,197	462,187	477,336	492,869	512,403	519,053	546,496
Total accumulated other comprehensive income	198,481	169,307	205,758	220,370	196,313	168,023	313,354	296,680	295,427	464,797
Noncontrolling interests	29,964	24,231	26,396	28,324	28,767	8,078	3,402	3,499	2,828	4,236

## Consolidated Financial Indicators

(Unit: percentage)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Tier 1 ratio of common stock, etc. (under Basel III standards)	17.09	18.40	19.91	20.51	19.82	18.94	20.69	19.06	18.36	20.74
Tier 1 ratio (under Basel III standards)	17.30	18.55	20.08	20.51	19.82	18.94	20.69	19.06	18.36	20.74
Capital adequacy ratio (under Basel III standards)	19.79	19.99	20.62	20.51	19.82	18.94	20.69	19.06	18.36	20.74
Equity per share (in yen)	1,320.38	1,305.83	1,414.70	1,485.34	1,484.90	1,512.45	1,850.68	1,856.25	1,936.29	2,309.80
Net income per share (in yen)	54.09	59.85	51.92	51.00	45.18	44.80	45.73	54.46	49.90	76.37



Key Data (Non-Financial)

Human Capital

Diversity	FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees	3,138	3,159	3,067	3,041	3,289
Number of female employees	1,419	1,461	1,437	1,446	1,562
Ratio of female employees	45.2%	46.2%	46.9%	47.6%	47.5%
Average age	41.6	41.3	42.4	42.3	42.5
Average years of service	15.1	15.8	16.2	15.8	14.8
Average years of service of men	17.8	17.6	18.0	17.5	16.2
Average years of service of women	13.5	13.8	14.0	14.1	13.3
Ratio of women in management positions (Note 1)	9.4%	10.8%	11.5%	12.5%	13.3%
Ratio of women in leadership positions (Note 2)	17.4%	18.4%	18.6%	19.8%	20.5%
Pay difference between men and women (all employees) (Note 3)	—	—	—	43.7%	46.2%
Pay difference between men and women (permanent employees) (Note 3)	—	—	—	53.5%	54.7%
Pay difference between men and women (part-time and contract employees) (Note 3)	—	—	—	70.9%	56.8%
Ratio of experienced hires in management positions (all employees hired with previous work experience)	53.8%	53.4%	56.0%	51.2%	45.1%
Ratio of experienced hires among permanent employees	5%	6%	14%	11%	15%
Ratio of employees with disabilities	1.96%	2.03%	2.25%	2.38%	2.39%
Ratio of employees resigning voluntarily	3.2%	2.2%	3.8%	2.7%	2.6%

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	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of leave used	69.4%	72.0%	74.1%	81.5%	83.0%
Average days of paid leave taken	13.3	13.9	14.3	15.9	16.0
Ratio of men taking childcare leave, etc. (Note 4)	30.4%	35.9%	60.3%	89.5%	101.9%
Average days of childcare leave, etc. taken by men	2.1	3.1	5.3	11.4	9.6
Average statutory overtime hours (per month)	10.1	8.9	10.6	10.8	11.7

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	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of employees undergoing recommended follow-up tests	78.4%	85.7%	84.7%	84.1%	82.6% (Note 5)
Ratio of employees receiving special health guidance offered	62.7%	49.4%	86.4%	78.0%	76.7%
Ratio of employees with BMI of 25 or more (indicating obesity)	20.2%	20.5%	19.8%	18.6%	17.7%
Ratio of employees who smoke	13.0%	11.9%	12.1%	11.9%	11.8%
Ratio of employees completing stress survey	98.5%	97.9%	98.6%	99.2%	99.3%

Note 5: Provisional figures

Human resource development	FY2019	FY2020	FY2021	FY2022	FY2023
Total annual training hours (Note 6)	49,651	39,431	55,216	73,247	94,521
Average training hours per employee (Note 6)	16.6	12.5	18.0	24.1	28.7
Total annual training costs	65,049,000 yen	63,493,000 yen	101,402,000 yen	259,937,000 yen	223,770,000 yen
Average training costs per employee	20,700 yen	20,100 yen	33,100 yen	85,500 yen	68,000 yen
Employees with small and medium business consultant certification	53	51	53	57	59
Employees with grade 1 financial planner/certified financial planner certification	98	96	101	129	143

Note 6: Excluding hours of voluntary training.

Environment

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

Greenhouse gas emissions (Note 7)		FY2019 (Hachijuni Bank)	FY2020 (Hachijuni Bank)	FY2021 (Hachijuni Bank)	FY2022 (Hachijuni Bank)	FY2023 (Hachijuni Bank)	FY2023 (Hachijuni Bank Group)	
Scope 1	Direct energy consumption	Fuel oil, kerosene, town gas, gasoline, propane	2,661	2,689	2,484	2,379	2,372	3,485
Scope 2 (Note 8)	Indirect energy consumption	Electricity	7,894	7,352	6,326	5,681	0	850
Scope 3 (Note 9)	1: Purchased products and services	Stationery, printer paper, water/sewerage services, etc.	2,600	2,238	5,680	6,102	18,175	20,753
	2: Capital goods	All bank buildings, suspense accounts for buildings, other tangible fixed assets	6,985	5,426	7,987	8,209	6,622	14,751
	3: Activities related to fuel and energy not included in scope 1 and 2	Fuel oil, kerosene, town gas, gasoline, propane, electricity	1,549	1,724	1,629	1,537	1,513	1,882
	4: Shipping and delivery (upstream)	Postage fees, shipping	1,526	1,849	1,949	2,631	315	1,459
	5: Waste generated by business	All waste	41	123	71	92	204	265
	6: Energy consumption from employee transit	Business trips	522	511	481	498	710	810
	7: Employee commuting	Commuting	1,478	1,444	1,352	1,350	510	792
	15: Investment (Note 10)	Lending for domestic business corporations	—	—	10,182,924	8,656,029	7,433,531	7,433,531

Note 7: These emission volumes have received third-party certification.  
Note 8: For scope 2, we have stated our market-based emissions. Location-based scope 2 emissions for The Hachijuni Bank Group in FY2023 were 7,474 tons CO<sub>2</sub>. From FY2023, we state adjusted emissions (emissions after reflecting non-fossil-fuel energy certificates).  
Note 9: We used the scope 3 emission calculation methods and emission factors set out in version 2.6 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 2024) and version 3.4 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 2024). We had no emissions corresponding to categories 8 to 14 of scope 3.  
Note 10: We began calculating scope 3, category 15 emissions in FY2021 based on the scope 1 and 2 emissions arising from lending by The Hachijuni Bank to business corporations in Japan.

Energy consumed	FY2019 (Hachijuni Bank)	FY2020 (Hachijuni Bank)	FY2021 (Hachijuni Bank)	FY2022 (Hachijuni Bank)	FY2023 (Note 11) (Hachijuni Bank)	FY2023 (Note 11) (Hachijuni Bank Group)
Electricity (kWh)	17,311,864	16,683,586	15,610,813	13,892,438	15,372,123	17,269,325
Town gas (thousand Nm <sup>3</sup> )	254	260	249	252	234	310
Class A fuel oil (kl)	235	261	233	229	231	240
Kerosene (kl)	132	148	151	157	155	159
Liquefied petroleum gas (LPG) (t)	88	85	83	70	63	143
Gasoline (kl)	384	302	274	264	270	488
Diesel (kl)	0	0	0	0	0	1

Note 11: From FY2023, these energy consumption volumes have received third-party certification.

(Unit: billions of yen)

Sustainable finance provided	FY2021	FY2022	FY2023	Total
Results	155.4	255.5	263.2	674.2
(Amount in environmental field)	83.0	128.8	122.2	334.1

# Third-Party Statement on The Hachijuni Bank’s Sustainability Initiatives

July 10, 2024



NLI Research Institute, Visiting Researcher  
Sinc Inc. (formerly Sun Messe Innovative Network Center), 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, scenario planning, SDGs, TCFD recommendations, and responses to the Corporate Sustainability Reporting Directive and the International Sustainability Standards Board, and he has given many lectures and written numerous papers and other works.

This year, I will focus on human resources diversity in consideration of the business merger and integration between The Hachijuni Bank and The Nagano Bank.

### Leaving Homogeneity for True Diversity

#### ●A Shortage of Human Resources Blocks Our Exit from the Lost Decades

Although some believe that the Lost Decades, Japan's long-term economic stagnation that began in 1990, have finally ended, the shortage of labor is growing more severe. That is not only due to the declining population, but is the result of the failure to advance diversity in human resources as even after the collapse of the economic bubble, companies remained homogenous groups centered around male employees and the practices of hiring mainly new graduates, retaining employees until retirement, and promoting people based on seniority.

This means that Japanese corporations are facing a shortage of human resources in regard to both quality and quantity. As the structure of industry and working styles are greatly changing, companies are increasingly concerned particularly with the acquisition of young talent as an issue that can affect the company's future.

The situation is the same in the financial industry, including megabanks. This is referred to in the President's message when he says that "developing human resources is the top priority for management that leverages human capital."

#### ●The Purpose of Promoting Diversity

In order to increase human resources diversity, it is vital to understand the purpose of doing so. Under The Hachijuni Bank's long-term personnel policy, you are working to link management strategies with personnel strategies, strengthen your efforts to hire a variety of diverse talent, and establish a human resources portfolio. I must note here that there are two kinds of human resources diversity. The first is demographic diversity based on attributes such as race, nationality, gender, and age. The other is task-oriented diversity based on knowledge, skills, experience, and insights.

In Japan, people tend to think of diversity in terms of demographic diversity, but human resources should be viewed based not on their appearances or attributes but instead on the intrinsic abilities and value that each person possesses. However, it is necessary to support the active participation of women and the elderly to make up for the past 30 years of failing to do so.

### The Success of the Integration Will Be Determined by the Unification of Employee Mindsets

#### ●Combining the Integration, Personnel System Reforms, and Human Resources Diversity

I believe the topic that your bank is currently most interested in is the integration with The Nagano Bank to be conducted in January 2026. In addition

to establishing joint branches, you are working to integrate the employees of both banks through joint training, accepting employees on loan, and enabling open applications for employees from both banks. Meanwhile, you are also making reforms to your personnel systems by creating multiple career tracks, developing an environment where employees can achieve self-fulfillment and make use of their skills, fairly evaluating each employee's work regardless of seniority, and assigning qualified personnel to suitable positions. You are also actively working to promote human resources diversity by hiring not only new graduates but also experienced personnel and alumni of your bank.

The President said that the bank has revised the way in which it sets performance targets. Previously, the head office would set performance targets for the bank as a whole, which would then be divided among the branches, but you stopped using that method as you believed it might lead to employees prioritizing the achievement of targets and giving less effort and focus to responding to your customers' true needs.

This also applies to task-oriented human resources diversity, but it is vital to see the integration as an opportunity to expand your human capital and transcend your differences to integrate your corporate cultures. What will truly determine the success or failure of the integration between your banks will be whether or not you achieve the unification of employee mindsets.

#### ●Scenario Planning in Which Employees of Both Banks Consider the Future

Last year, from the perspective of human resources strategies, I recommended holding workshops to conduct scenario planning. The biggest benefit of scenario planning is that it helps overcome differing ways of thinking among employees through a sense of unity among participants from different departments and ranks by thinking together about what the business environment will be like in the future.

Your bank has set out its management policies in your Medium-Term Management Vision 2021, the key concept of which is combining financial services, non-financial services, and relationships. However, the time frame for that vision is not entirely clear, and the type of environment in which you plan to conduct your business is ambiguous. The management vision will also likely need to be revised due to the integration with The Nagano Bank.

The most important element of the integration is the unification of employee mindsets. Therefore, I again recommend that you conduct scenario planning workshops with the goal of developing a shared worldview between employees of both banks. Specifically, you should group employees together by rank and have them consider multiple versions of what future society might be like and what position the post-integration bank will occupy in those societies.

Finally, although I have discussed human resources diversity as an issue facing corporations, I also hope that your bank will promote diversity, equity, and inclusion as a social issue.

# Financial Section

## Consolidated Balance Sheet March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
ASSETS:			
Cash and due from banks (Note 5)	¥ 3,717,670	¥ 3,600,693	\$ 24,558,533
Call loans and bills bought	7,569	14,978	50,000
Monetary claims bought	127,461	126,212	841,998
Trading assets (Notes 6, 13 and 28)	45,596	18,773	301,205
Money held in trust (Notes 7 and 13)	79,993	78,877	528,427
Securities (Notes 8, 13 and 27)	3,643,073	2,676,695	24,065,749
Loans and bills discounted (Notes 9, 13, 27 and 29)	6,781,218	6,113,178	44,795,997
Foreign exchanges (Note 10)	26,812	28,255	177,117
Lease receivables and investments in leases (Note 26)	89,110	69,848	588,652
Other assets (Note 13)	196,387	147,534	1,297,315
Property, plant, and equipment—net (Note 11)	37,329	32,284	246,593
Intangible assets—net (Note 11)	4,458	4,499	29,452
Asset for employees' retirement benefits (Note 16)	70,388	45,397	464,979
Deferred tax assets (Note 25)	1,652	1,622	10,916
Customers' liabilities for acceptances and guarantees (Note 12)	53,936	49,474	356,301
Allowance for credit losses	(54,905)	(44,527)	(362,702)
TOTAL	¥ 14,827,752	¥ 12,963,799	\$ 97,950,537
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 13, 14 and 27)	¥ 9,437,959	¥ 8,168,035	\$ 62,346,144
Negotiable certificates of deposit (Note 27)	55,194	79,133	364,609
Call money and bills sold	1,179,536	1,492,164	7,791,894
Payables under repurchase agreements	174,836	102,282	1,154,952
Payables under securities lending transactions (Note 13)	323,201	332,031	2,135,034
Trading liabilities (Notes 6 and 28)	5,873	6,672	38,796
Borrowed money (Notes 13, 15 and 27)	2,105,286	1,559,655	13,907,297
Foreign exchanges (Note 10)	2,379	1,503	15,718
Borrowed money from trust account	1,181	784	7,806
Other liabilities	164,464	129,223	1,086,434
Provision for share awards for directors	97		642
Liability for employees' retirement benefits (Note 16)	12,142	11,247	80,215
Provision for reimbursement of deposits	274	271	1,814
Provision for contingent losses	1,738	1,217	11,485
Reserve under special laws	15	12	103
Provision for loss on cancellation of system contracts	2,287		15,109
Deferred tax liabilities (Note 25)	189,069	114,134	1,248,970
Acceptances and guarantees (Note 12)	53,936	49,474	356,301
Total liabilities	13,709,476	12,047,845	90,563,330
EQUITY (Notes 17 and 33):			
Common stock—authorized, 2,000,000 thousand shares; issued, 513,767 thousand shares in 2024 and 491,103 thousand shares in 2023	52,243	52,243	345,112
Capital surplus	71,074	56,960	469,507
Stock acquisition rights (Note 18)	141	288	935
Retained earnings	546,496	519,053	3,610,097
Treasury stock—at cost, 31,423 thousand shares in 2024 and 19,669 thousand shares in 2023	(20,713)	(10,848)	(136,834)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	411,889	267,636	2,720,899
Deferred gain on hedges	27,116	16,305	179,126
Defined retirement benefit plans	25,792	11,485	170,379
Total	1,114,039	913,124	7,359,223
Noncontrolling interests	4,236	2,828	27,983
Total equity	1,118,275	915,953	7,387,207
TOTAL	¥ 14,827,752	¥ 12,963,799	\$ 97,950,537

See notes to consolidated financial statements.



Consolidated Statement of Changes in Equity    Year Ended March 31, 2024

Thousands	Millions of Yen									
	Accumulated Other Comprehensive Income									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Gain on Hedges	Defined Retirement Benefit Plans	Noncon-trolling Interests
BALANCE, APRIL 1, 2022	511,103	¥ 52,243	¥ 59,176	¥ 271	¥ 512,403	¥ (11,576)	¥ 268,743	¥ 15,670	¥ 12,266	¥ 909,198
Net income attributable to owners of the parent					24,135					24,135
Cash dividends, ¥20.00 per share					(9,729)					(9,729)
Purchases of treasury stock					(10,000)					(10,000)
Disposals of treasury stock					(5)					24
Cancellation of treasury stock	(20,000)		(2,948)		(7,749)	10,698				732
Purchase of shares of consolidated subsidiaries				16			(1,107)	635	(781)	(1,236)
Net change during the period										
BALANCE, MARCH 31, 2023	491,103	¥ 52,243	¥ 56,960	288	¥ 519,053	¥ (10,848)	¥ 267,636	¥ 16,305	¥ 11,485	¥ 913,124
Net income attributable to owners of the parent					37,071					37,071
Cash dividends, ¥20.00 per share					(9,628)					(9,628)
Increase by share exchanges										14,064
Purchases of treasury stock	22,664		14,142		(9,628)	(77)				(10,003)
Disposals of treasury stock			(29)			215				186
Net change during the period				(146)			144,253	10,810	14,306	169,223
BALANCE, MARCH 31, 2024	513,767	¥ 52,243	¥ 71,074	¥ 141	¥ 546,496	¥ (20,713)	¥ 411,889	¥ 27,116	¥ 25,792	¥ 1,114,039
Thousands of U.S. Dollars (Note 1)										
Accumulated Other Comprehensive Income										
Valuation										
Common Stock										
Capital Surplus										
Stock Acquisition Rights										
Retained Earnings										
Treasury Stock										
Available-for-Sale Securities										
Deferred Gain on Hedges										
Defined Retirement Benefit Plans										
Total										
Noncon-trolling Interests										
Total Equity										

BALANCE, MARCH 31, 2023	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Gain on Hedges	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
Net income attributable to owners of the parent											
Cash dividends, \$0.13 per share											
Increase by share exchanges											
Purchases of treasury stock											
Disposals of treasury stock											
Net change during the period											
BALANCE, MARCH 31, 2024											

See notes to consolidated financial statements.

Consolidated Statement of Income    Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
INCOME (Note 19):			
Interest income:			
Interest on loans and discounts	¥ 64,732	¥ 49,701	\$ 427,616
Interest and dividends on securities	55,430	36,542	366,168
Other interest income	4,598	4,586	30,375
Fees and commissions	25,707	22,602	169,822
Trading income	302	961	1,998
Other operating income (Note 20)	47,471	70,604	313,589
Other income (Note 21)	31,482	14,742	207,972
Total income	229,725	199,738	1,517,542
EXPENSES:			
Interest expenses:			
Interest on deposits	4,644	2,842	30,682
Interest on borrowings and rediscounts	19,691	7,073	130,077
Other interest expenses	12,678	8,192	83,750
Fees and commission payments	7,245	5,390	47,862
Other operating expenses (Note 22)	53,551	69,957	353,754
General and administrative expenses (Note 23)	66,251	56,631	437,647
Provision for credit losses	1,130	4,243	7,469
Other expenses (Note 24)	13,700	10,662	90,502
Total expenses	178,895	164,991	1,181,765
INCOME BEFORE INCOME TAXES	50,829	34,747	335,777
INCOME TAXES (Note 25):			
Current	10,940	11,017	72,272
Deferred	2,851	(483)	18,835
Total income taxes	13,791	10,533	91,107
NET INCOME	37,038	24,214	244,669
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(33)	79	(221)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 37,071	¥ 24,135	\$ 244,891
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 31):			
Basic net income	¥ 76.37	¥ 49.90	\$ 0.50
Diluted net income	76.31	49.83	0.50
Cash dividends applicable to the year	24.00	20.00	0.15

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income    Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCOME	¥ 37,038	¥ 24,214	\$ 244,669
OTHER COMPREHENSIVE INCOME (LOSS) (Note 30):			
Unrealized gain (loss) on available-for-sale securities	145,229	(997)	959,368
Deferred gain on derivatives under hedge accounting	10,810	635	71,411
Defined retirement benefit plans	14,314	(781)	94,560
Total other comprehensive income (loss)	170,353	(1,143)	1,125,340
COMPREHENSIVE INCOME	¥ 207,392	¥ 23,070	\$ 1,370,009
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 206,441	¥ 22,882	\$ 1,363,732
Noncontrolling interests	950	188	6,277

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2024	2023	2024	
OPERATING ACTIVITIES:				
Income before income taxes	¥ 50,829	¥ 34,747	\$ 335,777	
Adjustments for:				
Income taxes—paid	(12,602)	(8,476)	(83,249)	
Depreciation and amortization	5,965	5,543	39,406	
Impairment losses	1,646	1,669	10,877	
Gain on bargain purchase	(17,322)		(114,428)	
Increase (decrease) in allowance for credit losses	96	3,397	639	
Interest income	(124,761)	(90,830)	(824,159)	
Interest expense	37,014	18,108	244,510	
Interest received	120,976	90,422	799,157	
Interest paid	(32,356)	(14,211)	(213,741)	
Net (increase) decrease in trading assets	(26,823)	(5,402)	(177,190)	
Net increase (decrease) in trading liabilities	(799)	2,393	(5,278)	
Net (increase) decrease in loans and bills discounted	22,908	(181,862)	151,331	
Net increase (decrease) in borrowed money	532,980	(527,979)	3,520,810	
Net increase (decrease) in deposits	206,693	118,160	1,365,394	
Net increase (decrease) in negotiable certificates of deposit	(23,939)	(53,373)	(158,138)	
Net (increase) decrease in call loans and bills bought	6,159	(4,778)	40,692	
Net increase (decrease) in call money and bills sold	(240,073)	36,544	(1,585,900)	
Net (increase) decrease in due from banks, excluding due from the Bank of Japan	6,297	3,980	41,597	
Net increase (decrease) in payables under securities lending transactions	(8,829)	9,546	(58,327)	
Other—net	(49,087)	(26,074)	(324,263)	
Total adjustments	404,143	(623,223)	2,669,729	
Net cash provided by (used in) operating activities	454,973	(588,475)	3,005,506	
INVESTING ACTIVITIES:				
Purchases of investment securities	(1,151,097)	(1,014,316)	(7,604,024)	
Proceeds from sales of investment securities	512,384	881,742	3,384,755	
Proceeds from maturities of investment securities	266,285	299,168	1,759,053	
Payments for increase in money held in trust	(4,246)	(89,552)	(28,048)	
Proceeds from decrease in money held in trust	3,133	89,785	20,698	
Purchases of fixed assets	(8,547)	(7,367)	(56,461)	
Proceeds from sales of fixed assets	1,754	3,895	11,589	
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	45,013		297,352	
Net cash provided by (used in) investing activities	(335,319)	163,355	(2,215,085)	
FINANCING ACTIVITIES:				
Payments to acquire treasury stock	(10,003)	(10,000)	(66,082)	
Dividends paid	(9,628)	(9,729)	(63,605)	
Dividends paid to noncontrolling interests	(5)	(7)	(38)	
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(118)		
Net cash used in financing activities	(19,637)	(19,855)	(129,722)	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12	8	82	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,029	(444,968)	660,781	
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	3,580,115	4,025,083	23,649,857	
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 5)	¥ 3,680,144	¥ 3,580,115	\$ 24,310,638	

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended March 31, 2024

## 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 IFRS Accounting Standards.

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 2023 consolidated financial statements to conform to the classifications used in 2024.

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 ¥151.38 to \$1, the rate of exchange at March 31, 2024. 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, 2024, include the accounts of the Bank and its 15 (13 in 2023) 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 2023) unconsolidated subsidiaries and in 1 (1 in 2023) associated company 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 company, which the Group holds voting rights of between 20% and 50%, is not an affiliate 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 2024*  
Rubicon holdings 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. Securities managed as trust assets in money held in trust, which are individually managed with the principal objective of securities portfolio management, 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 1 to 50 years for buildings and from 2 to 20 years for equipment. Depreciation of leased assets related to finance leases that are not deemed to transfer ownership of the leased property to the lessee is computed under the straight-line method over the respective lease periods. The residual value of leased assets is determined using the guaranteed residual value if provided in the lease contract; otherwise, the residual value is zero. Depreciation of leased assets related to finance leases that are deemed to transfer ownership of the leased property to the lessee is computed under the same method as applied to those owned by the consolidated subsidiaries in the banking business.

**g. Software**—Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally five years). Depreciation of leased assets related to finance leases that are not deemed to transfer ownership of the leased property to the lessee is computed using the straight-line method over the respective lease periods.

**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

De facto 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

- Loans to "Bankrupt" and "De facto Bankrupt," Loans in excess of collateral are recorded for any amounts that may not be recovered.
- 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, for loans requiring attention over the period corresponding to the average remaining life of the loans, and for loans in danger of bankruptcy over the next three years. The average remaining period for the Bank is 39 months for top level of "Need Attention," 42 months for lower level of "Need Attention" and 37 months for "Need Special Attention." The average remaining period for THE NAGANO BANK, LTD. ("Nagano Bank") is 61 months for top level of "Need Attention," 55 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 and past service costs 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 Share Awards for Directors**—A provision for share awards for directors is recorded based on the estimated amount of stock benefit obligations in order to prepare for the issuance of the Bank's stock through a trust to directors of certain consolidated subsidiaries.

**l. 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.

**m. 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.

**n. 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.

**o. Provision for Loss on Cancellation of System Contracts**—A provision for loss on cancellation of system contracts is recorded at an amount deemed necessary by reasonably estimating the amount of loss associated with the mid-term termination of the system currently in use in preparation for the merger with Nagano Bank.

**p. 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.

**q. 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.

**r. 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.

**s. 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.

**t. 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.

**u. 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 accessed 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.

**v. 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.

**w. 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.

x. New Accounting Pronouncements

"Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (ASBJ Practical Solution No. 46, March 22, 2024)

- (1) Overview  
In the 2023 tax reform, a corporate tax complying with the global minimum tax (a new tax system aimed at imposing a minimum corporate tax of 15% on county-by-country profits of multinational enterprises, where the entities generating profit that is subject to the tax and the entities paying tax can be different) was newly created. As a result, "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" was established.
- (2) Expected application date  
The Group will apply the practical solution from the beginning of the fiscal year ending March 31, 2025.
- (3) Impact of application of the accounting standard  
The Bank is currently evaluating the effects of applying the practical solution on its consolidated financial statements.

y. **Change in Presentation Method**—Previously, gains and losses on money held in trust were recorded separately on a gross basis. However, as a result of reviewing the presentation method in conjunction with the unification of the consolidated group presentation method following the consolidation of the Nagano Bank Group, the Bank has decided to offset gains and losses on money held in trust for each trust unit starting from the current fiscal year. In order to reflect this change in presentation method, the consolidated statement of income for the previous fiscal year has been reclassified. As a result, other income of ¥18,962 million and other expenses of ¥14,881 million presented in the consolidated statement of income for the previous fiscal year have been presented as other income of ¥14,742 million and other expenses of ¥10,662 million.

z. Additional Information

**Stock Benefit Trust for Directors**—Nagano Bank, a consolidated subsidiary of the Bank, has implemented a performance-based stock compensation plan for its directors, known as the "Stock Benefit Trust" (the "Plan").

- (a) Transaction overview  
The Plan is designed to provide stock-based compensation to directors based on their position, performance, and achievement of the medium-term management plan. The Bank's shares are acquired through a trust funded by Nagano Bank, and directors receive the Bank's shares or the equivalent market value in cash through the trust, in accordance with the Officer Stock Benefit Regulations. In principle, directors receive these benefits upon retirement.
- (b) Bank shares held in trust  
The Bank's shares that remain in the trust are classified as treasury stock in the equity section. As of March 31, 2024, the carrying amount of these treasury shares is ¥74 million (\$488 thousand), and the number of shares held is 96,000 shares.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Gain on bargain purchase

- (a) Gain on bargain purchase was ¥17,322 million (\$114,428 thousand) for year ended March 31, 2024.
- (b) Information that contributes to understanding the content of significant accounting estimates for the identified item  
As described in Note 4, "Business Combination," the Bank conducted a share exchange with Nagano Bank, where the Bank became the wholly-owing parent company and Nagano Bank became a wholly-owned subsidiary of the Bank. The effective date of the transaction is June 1, 2023, and the deemed acquisition

date is June 30, 2023. As a result of this business combination, the Bank recorded a gain on bargain purchase of ¥17,322 million (\$114,428 thousand). The gain on bargain purchase was calculated based on the difference between the acquisition cost and the fair value of the identifiable assets and liabilities accepted from the acquired company as of the date of the business combination. The fair value was measured based on reasonably calculated prices using observable market prices and business plans at the time of acquisition. Given that negative goodwill arose from this business combination, the Bank thoroughly assessed whether all identifiable assets and liabilities have been identified as well as the reasonableness of the market prices used in calculating the fair value and the business plans at the time of acquisition.

Allowance for Credit Losses

- (a) Allowance for credit losses was ¥54,905 million (\$362,702 thousand) and ¥44,527 million as of March 31, 2024 and 2023, respectively.  
Allowance for credit losses by "the collectible amount from cash flow method" was ¥21,397 million (\$141,348 thousand) and ¥17,402 million as of March 31, 2024 and 2023, respectively.  
Allowance for credit losses by "the discounted cash flow method" was ¥3,633 million (\$24,000 thousand) and ¥3,360 million as of March 31, 2024 and 2023, 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  
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"  
Assumptions used as a basis for sales forecast, production forecast, expense forecast and future outlook for debt repayment plan in the business plan include the following:
- Demand trends in the borrower's industry or sector
  - Effects of rising resource prices and inflation associated with the yen's depreciation in the borrower's industry or sector
  - Support of business partners and others for borrowers

4. BUSINESS COMBINATION

Business Integration between the Bank and Nagano Bank

With the effective date of June 1, 2023, the Bank conducted a share exchange with Nagano Bank (together with the Bank, the "Banks"), where the Bank became the wholly-owing parent company and Nagano Bank became a wholly owned subsidiary of the Bank.

- (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) Name of the company after the business combination  
No change to the company name after the business combination
- (6) Ratio of voting rights acquired  
Ratio of voting rights held immediately before the share exchange 1.69%  
Ratio of additional voting rights acquired on the date of the business combination 98.31%  
Ratio of voting rights after the acquisition 100%
- (7) Basis for determining the acquirer  
The Bank acquired 100% of the voting rights of the acquired company, making the Bank the acquiring company.
- (b) Period of the acquired company's operating results included in the consolidated financial statements  
July 1, 2023 to March 31, 2024
- (c) Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Market value of common stock of Nagano Bank on the date of the business combination held by the Group immediately before the share exchange	¥ 240	\$ 1,585
Market value of common stock of the Bank deemed to have been delivered by the Bank on the date of the business combination	14,142	93,421
Acquisition cost	¥ 14,383	\$ 95,013

- (d) Exchange ratio by type of shares and methods of calculating the share exchange ratio and number of shares delivered
- (1) Exchange ratio by type of shares  
Each share of common stock of Nagano Bank was exchanged for 2.54 shares of the Bank.
- (2) Methods of calculating the share exchange ratio  
To ensure fairness, the Banks each engaged independent third-party organizations to calculate the share exchange ratio. Based on the submitted reports, the share exchange ratio was determined through discussions between the parties involved.
- (3) Number of shares delivered  
Common stock of the Bank: 22,664,539 shares
- (e) Major acquisition-related costs  
Advisory fee, etc.: ¥246 million (\$1,625 thousand)
- (f) Amounts of assets acquired and the liabilities assumed on the date of business combination and their main breakdown

	Millions of Yen	Thousands of U.S. Dollars
Total assets (of which, loans and bills discounted)	¥ 1,111,194 682,340	\$ 193,655 118,915
Total liabilities (of which, deposits)	¥ 1,079,054 1,062,940	\$ 188,054 185,245

- (g) Amount of and reason for negative goodwill incurred
- (1) Amount of negative goodwill incurred  
¥17,322 million (\$114,428 thousand)
- (2) Reason for negative goodwill incurred  
Since the acquisition cost was lower than the net amount allocated to the assets acquired and liabilities assumed, the difference is recognized as a gain on bargain purchase.
- (h) Approximate amounts of impact of the business combination on the consolidated statement of income for the fiscal year and its calculation method, assuming that the business combination had been completed at the beginning of the fiscal year  
Information is not disclosed due to difficulties in calculating the approximate amounts for the fiscal year.

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, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Cash and due from banks	¥ 3,717,670	¥ 3,600,693	\$ 24,558,533
Due from banks, excluding amounts due from the Bank of Japan	(37,526)	(20,578)	(247,894)
Cash and cash equivalents	¥ 3,680,144	¥ 3,580,115	\$ 24,310,638

6. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Trading assets:			
Trading securities	¥ 357	¥ 680	\$ 2,362
Financial derivatives	6,253	7,094	41,311
Other trading assets	38,985	10,998	257,531
Total	¥ 45,596	¥ 18,773	\$ 301,205
Trading liabilities			
—Financial derivatives	¥ 5,873	¥ 6,672	\$ 38,796

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, 2024 and 2023, is as follows:

	Fair Value		
	Millions of Yen	Thousands of U.S. Dollars	
	2024	2023	2024
Money held in trust—Trading	¥ 79,993	¥ 78,877	\$ 528,427

8. SECURITIES

Securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Securities:			
National government bonds	¥ 660,184	¥ 546,802	\$ 4,361,107
Local government bonds	490,696	341,933	3,241,487
Corporate bonds	837,977	592,816	5,535,590
Equity securities	769,410	526,133	5,082,646
Other securities	884,803	669,008	5,844,917
Total	¥ 3,643,073	¥ 2,676,695	\$ 24,065,749

The securities placed under unsecured lending agreements are included in the above national government bonds in the amount of ¥86,661 million (\$572,476 thousand) and ¥79,354 million as of March 31, 2024 and 2023, respectively.

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in securities were ¥55,898 million (\$369,256 thousand) and ¥53,636 million as of March 31, 2024 and 2023, 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, 2024 and 2023, are as follows:

March 31, 2024	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 106,290	¥ 651,195	¥ 329	¥ 757,156
Debt securities	2,043,523	3,738	58,402	1,988,858
Other securities	912,252	21,442	23,687	910,007
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, 2024	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 702,143	\$ 4,301,730	\$ 2,176	\$ 5,001,697
Debt securities	13,499,293	24,695	385,803	13,138,186
Other securities	6,026,242	141,649	156,477	6,011,414
Proceeds from sales of available-for-sale securities for the years ended March 31, 2024 and 2023, were ¥396,211 million (\$2,617,329 thousand) and ¥843,498 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥13,015 million (\$85,978 thousand) and ¥21,566 million (\$142,463 thousand), respectively, for the year ended March 31, 2024, and ¥19,739 million and ¥36,958 million, respectively, for the year ended March 31, 2023.				

### 9. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Bills discounted	¥ 15,666	¥ 13,713	\$ 103,493
Loans on bills	88,118	113,345	582,100
Loans on deeds	5,892,773	5,284,635	38,927,028
Overdrafts	784,659	701,483	5,183,374
Total	¥ 6,781,218	¥ 6,113,178	\$ 44,795,997

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥ 14,419 million (\$95,254 thousand) and ¥6,382 million as of March 31, 2024 and 2023, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥109,557 million (\$723,726 thousand) and ¥82,786 million as of March 31, 2024 and 2023, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥1,350 million (\$8,921 thousand) and ¥714 million as of March 31, 2024 and 2023, respectively.

Of total loans, restructured loans amounted to ¥22,791 million (\$150,555 thousand) and ¥18,725 million as of March 31, 2024 and 2023, 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, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets:			
Due from foreign banks	¥ 24,525	¥ 25,427	\$ 162,011
Foreign exchange bills bought	1,979	2,528	13,075
Foreign exchange bills receivable	307	299	2,030
Total	¥ 26,812	¥ 28,255	\$ 177,117
Liabilities:			
Overdrafts from foreign banks		¥ 1	
Foreign exchange bills sold	¥ 318	223	\$ 2,106
Foreign exchange bills payable	2,060	1,278	13,612
Total	¥ 2,379	¥ 1,503	\$ 15,718

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

Property, plant, and equipment as of March 31, 2024 and 2023, net of accumulated depreciation of ¥85,733 million (\$566,344 thousand) and ¥72,698 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Land	¥ 11,493	¥ 9,131	\$ 75,926
Buildings	13,015	12,349	85,980
Construction in progress	45	95	297
Other tangible fixed assets	12,774	10,707	84,388
Software	3,791	3,889	25,048
Other intangible fixed assets	666	610	4,403
Total	¥ 41,787	¥ 36,784	\$ 276,046

As of March 31, 2024 and 2023, deferred gains for tax purposes of ¥8,254 million (\$54,529 thousand) and ¥7,702 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, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets pledged:			
Due from banks	¥ 2		\$ 13
Trading assets	5,999	¥ 10,999	39,631
Cash (other assets)	409	408	2,702
Securities	1,496,976	1,092,458	9,888,868
Loans and bills discounted	1,717,444	1,662,271	11,345,256
Total	¥ 3,220,832	¥ 2,766,137	\$ 21,276,472
Related liabilities:			
Deposits	¥ 18,241	¥ 43,333	\$ 120,503
Payables under repurchase agreements	174,836	102,282	1,154,952
Payables under securities lending transactions	323,201	332,031	2,135,034
Borrowed money	2,092,784	1,546,409	13,824,707
Other liabilities	266		1,760
Total	¥ 2,609,330	¥ 2,024,057	\$ 17,236,958

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
	2024	2023	2024
Due from banks	¥ 250		\$ 1,651
Securities	8,144	¥ 1,187	53,798
Cash (other assets)	5,025	25	33,194
Cash collateral received for financial instrument liabilities (other assets)	22,700	9,018	149,959
Deposits to central counterparty (other assets)	50,000	50,648	330,294

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
	2024	2023	2024
Guarantee deposits on office space	¥ 686	¥ 615	\$ 4,532

### 14. DEPOSITS

Deposits as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current deposits	¥ 445,382	¥ 375,018	\$ 2,942,146
Ordinary deposits	5,982,436	5,223,714	39,519,335
Savings deposits	70,486	58,825	465,627
Time deposits	2,821,194	2,373,244	18,636,509
Other deposits	118,458	137,232	782,526
Total	¥ 9,437,959	¥ 8,168,035	\$ 62,346,144

### 15. BORROWED MONEY

As of March 31, 2024 and 2023, the weighted-average annual interest rates applicable to borrowed money were 0.31% and 0.37%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 773,078	\$ 5,106,873
2026	478,671	3,162,055
2027	442,101	2,920,472
2028	408,233	2,696,747
2029	159	1,053
2030 and thereafter	3,041	20,094
Total	¥ 2,105,286	\$ 13,907,297

### 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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥ 48,426	¥ 51,225	\$ 319,900
Current service cost	1,860	1,880	12,292
Interest cost	344	172	2,276
Actuarial gains (losses)	661	(1,794)	4,372
Benefits paid	(2,892)	(3,175)	(19,107)
Effects of transition from the simplified method to the principle method due to merger	547		3,613
Increase due to new consolidation	2,820		18,628
Others	118	116	779
Balance at end of year	¥ 51,887	¥ 48,426	\$ 342,763

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥ 82,556	¥ 82,464	\$ 545,356
Expected return on plan assets	1,303	1,263	8,610
Actuarial gains (losses)	23,745	(79)	156,862
Contributions from the employer	851	729	5,623
Benefits paid	(1,789)	(1,939)	(11,820)
Increase due to new consolidation	3,234		21,363
Others	118	116	779
Balance at end of year	¥ 110,020	¥ 82,556	\$ 726,781

(3) The changes in liability for employees' retirement benefits calculated by the simplified method for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥ (20)	¥ 90	\$ (135)
Net periodic benefit cost	723	270	4,776
Benefits paid	(249)	(327)	(1,647)
Effects of transition from the simplified method to the principle method due to merger	(547)		(3,613)
Increase due to new consolidation	(29)		(191)
Others	9	(52)	59
Balance at end of year	¥ (113)	¥ (20)	\$ (746)

(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
	2024	2023	2024
Funded defined benefit obligation	¥ 42,106	¥ 40,993	\$ 278,148
Plan assets	(112,159)	(86,390)	(740,911)
Total	(70,053)	(45,397)	(462,763)
Unfunded defined benefit obligation	11,807	11,247	77,998
Net asset arising from defined benefit obligation	¥ (58,245)	¥ (34,150)	\$ (384,764)
Liability for employees' retirement benefits	¥ 12,142	¥ 11,247	\$ 80,215
Asset for employees' retirement benefits	(70,388)	(45,397)	(464,979)
Net asset arising from defined benefit obligation	¥ (58,245)	¥ (34,150)	\$ (384,764)

(5) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥ 1,860	¥ 1,880	\$ 12,292
Interest cost	344	172	2,276
Expected return on plan assets	(1,303)	(1,263)	(8,610)
Recognized actuarial gains	(2,551)	(2,840)	(16,858)
Net periodic benefit costs calculated by the simplified method	723	270	4,776
Others	114	127	758
Net periodic benefit costs (gains)	¥ (812)	¥ (1,653)	\$ (5,364)

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Actuarial gains (losses)	¥ 20,532	¥ (1,126)	\$ 135,632

(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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized actuarial gains	¥ (36,975)	¥ (16,443)	\$ (244,253)

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2024 and 2023, consisted of the following:

	2024	2023
Debt investments	13.01%	14.29%
Equity investments	65.11	57.45
General account assets of life insurance companies	12.82	17.27
Cash and cash equivalents	3.85	3.87
Others	5.21	7.12
Total	100.00%	100.00%

Employee pension trusts for the years ended March 31, 2024 and 2023, are 52.53% and 46.36%, 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, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rates	0.5%–1.1%	0.2%–0.8%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	9.0%	9.0%

## 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 ¥36 million (\$240 thousand) and ¥40 million for the years ended March 31, 2024 and 2023, respectively.

The stock options outstanding as of March 31, 2024, 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
2023 Stock Option	4 directors	54,800 shares	July 18, 2023	¥1 (\$0.01)	From July 19, 2023, to July 18, 2048

The stock option activity is as follows:

	Stock Option				
	2011	2012	2013	2014	2015
	(Shares)				
<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					
<u>Year Ended March 31, 2024</u>					
<u>Nonvested</u>					
March 31, 2023—Outstanding	15,200	15,200	28,800	26,900	23,500
Granted					
Canceled					
Vested	15,200	15,200	28,800	26,900	15,800
March 31, 2024—Outstanding					7,700
<u>Vested</u>					
March 31, 2023—Outstanding	15,200	15,200	28,800	26,900	15,800
Vested					
Exercised					
Canceled					
March 31, 2024—Outstanding					
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥610 (\$4.02)	¥610 (\$4.02)	¥610 (\$4.02)	¥610 (\$4.02)	¥610 (\$4.02)
Fair value price at grant date	¥374 (\$2.47)	¥410 (\$2.70)	¥602 (\$3.97)	¥628 (\$4.14)	¥927 (\$6.12)
	2016	2017	2018	2019	2020
	(Shares)				
<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					
Exercised					
Canceled					
March 31, 2023—Outstanding					
<u>Year Ended March 31, 2024</u>					
<u>Nonvested</u>					
March 31, 2023—Outstanding	44,600	42,000	51,800	82,500	115,000
Granted					
Canceled					
Vested	30,000	24,400	30,100	45,600	71,300
March 31, 2024—Outstanding	14,600	17,600	21,700	36,900	43,700
<u>Vested</u>					
March 31, 2023—Outstanding	30,000	24,400	30,100	45,600	71,300
Vested					
Exercised					
Canceled					
March 31, 2024—Outstanding					
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥610 (\$4.02)	¥610 (\$4.02)	¥610 (\$4.02)	¥610 (\$4.02)	¥610 (\$4.02)
Fair value price at grant date	¥455 (\$3.00)	¥689 (\$4.55)	¥443 (\$2.92)	¥413 (\$2.72)	¥391 (\$2.58)



	Stock Option		
	2021	2022	2023
	(Shares)		
<u>Year Ended March 31, 2023</u>			
<u>Nonvested</u>			
March 31, 2022—Outstanding	130,700		
Granted		83,700	
Canceled			
Vested	14,100		
March 31, 2023—Outstanding	116,600	83,700	
<u>Vested</u>			
March 31, 2022—Outstanding			
Vested	14,100		
Exercised			
Canceled			
March 31, 2023—Outstanding			
<u>Year Ended March 31, 2024</u>			
<u>Nonvested</u>			
March 31, 2023—Outstanding	116,600	83,700	
Granted			54,800
Canceled			
Vested	52,500	29,400	
March 31, 2024—Outstanding	64,100	54,300	54,800
<u>Vested</u>			
March 31, 2023—Outstanding			
Vested	52,500	29,400	
Exercised			
Canceled			
March 31, 2024—Outstanding			
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	
Average stock price at exercise	¥610 (\$4.02)	¥610 (\$4.02)	
Fair value price at grant date	¥336 (\$2.21)	¥474 (\$3.13)	¥643 (\$4.24)

The Assumptions Used to Measure the Fair Value of the 2023 Stock Option

Estimate method: Black-Scholes option pricing model  
Volatility of stock price: 25.03%  
Estimated remaining outstanding period: 16 months  
Estimated dividend: ¥20 per share  
Risk-free interest rate: (0.103)%

## 19. REVENUE RECOGNITION

Information about disaggregation is as described in Note 34, "Segment Information."

## 20. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gains on foreign exchange transactions	¥ 2,131	¥ 1,699	\$ 14,077
Gains on sales of bonds	10,986	35,780	72,573
Income on lease transaction and installment receivables	33,599	32,539	221,956
Other	754	585	4,982
Total	¥ 47,471	¥ 70,604	\$ 313,589

## 21. OTHER INCOME

Other income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gains on sales of equity securities	¥12,328	¥11,392	\$81,441
Gains on money held in trust	127	239	844
Gain on bargain purchase	17,332		114,428
Other	1,704	3,111	11,258
Total	¥31,482	¥14,742	\$207,972

## 22. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Loss on redemption of bonds	¥ 136	¥ 4,983	\$ 899
Loss on sales of bonds	20,388	35,488	134,681
Cost of lease transaction and installment receivables	30,094	29,430	198,803
Other	2,932	55	19,369
Total	¥ 53,551	¥ 69,957	\$ 353,754

## 23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Salaries and related expenses	¥ 28,750	¥ 24,483	\$ 189,922
Other	37,500	32,148	247,725
Total	¥ 66,251	¥ 56,631	\$ 437,647

## 24. OTHER EXPENSES

Other expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Charge-off of loans	¥ 80	¥ 1	\$ 532
Losses on sales of equity securities	1,162	2,647	7,678
Valuation losses on equity securities	210	37	1,387
Losses on money held in trust	1,081	577	7,145
Losses on sales of real estate	261	208	1,730
Impairment losses	1,646	1,669	10,877
Other	9,256	5,520	61,149
Total	¥ 13,700	¥ 10,662	\$ 90,502

## 25. INCOME TAXES

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2024 and 2023, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Valuation difference on available-for-sale securities	¥ 23,721	¥ 17,073	\$ 156,702
Allowance for credit losses	15,697	13,069	103,695
Liability for employees' retirement benefits	9,993	9,761	66,018
Tax loss carryforwards	4,115	118	27,185
Deferred losses on hedges	3,815	3,297	25,207
Depreciation	3,746	2,914	24,752
Impairment losses	3,349	1,932	22,128
Valuation losses on equity securities	1,166	1,176	7,707
Accrued enterprise tax	375	523	2,477
Other	5,233	2,592	34,574
Total of tax loss carryforwards and temporary differences	71,216	52,458	470,449
Less valuation allowance for tax loss carryforwards	(4,113)	(111)	(27,171)
Less valuation allowance for temporary differences	(9,313)	(3,385)	(61,524)
Total valuation allowance	(13,426)	(3,497)	(88,696)
Total deferred tax assets	57,789	48,961	381,752
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	203,341	133,181	1,343,251
Asset for employees' retirement benefits	21,968	14,684	145,121
Deferred losses on hedges	15,631	10,402	103,261
Gain on contribution of securities to employee retirement benefit trust	1,665	1,665	11,002
Other	2,599	1,539	17,169
Total deferred tax liabilities	245,206	161,473	1,619,806
Net deferred tax liabilities	¥ (187,416)	¥ (112,511)	\$ (1,238,053)

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2024 and 2023, were as follows:

	Millions of Yen						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
March 31, 2024							
Deferred tax assets relating to tax loss carryforwards	¥ 1					¥ 4,113	¥ 4,115
Less valuation allowances for tax loss carryforwards						(4,113)	(4,113)
Net deferred tax assets relating to tax loss carryforwards	1						2
March 31, 2023							
Deferred tax assets relating to tax loss carryforwards	¥ 6	¥ 1				¥ 108	¥ 118
Less valuation allowances for tax loss carryforwards	(2)					(108)	(111)
Net deferred tax assets relating to tax loss carryforwards	3	1					6
	Thousands of U.S. Dollars						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
March 31, 2024							
Deferred tax assets relating to tax loss carryforwards	\$ 6					\$ 27,170	\$ 27,183
Less valuation allowances for tax loss carryforwards						(27,170)	(27,170)
Net deferred tax assets relating to tax loss carryforwards	6						13

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2024, with the corresponding figures for 2023, is as follows:

	2024
Normal effective statutory tax rate	30.35%
Change in valuation allowance	12.71
Gain on bargain purchase	(10.34)
Consolidation adjustments for assets measured at fair value	(4.23)
Income not taxable for income tax purposes	(2.86)
Prior-year income taxes	0.52
Expenses not deductible for income tax purposes	0.21
Other	0.77
Actual effective tax rate	27.13%

Reconciliation is not presented for the year ended March 31, 2023, because the difference was immaterial (less than 5% of the normal statutory tax rate).

## 26. LEASES

### Lessee

Leased assets related to finance leases that are not deemed to transfer ownership of the leased property to the lessee consist of buildings, movable properties and software.

Depreciation method of leased assets is described in "f. Property, plant, and equipment" and "g. Software" in Note 2, "Summary of Significant Accounting Policies."

### Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gross lease receivables	¥ 76,467	¥ 59,596	\$ 505,136
Estimated residual values	8,430	7,595	55,688
Estimated maintenance cost	(1,720)	(1,540)	(11,367)
Unearned interest income	(5,541)	(3,929)	(36,603)
Investments in leases	¥ 77,635	¥ 61,721	\$ 512,854

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
March 31			
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
Total	¥ 8,210	¥ 9,012	\$ 61,492

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:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
March 31			
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
Total	¥ 59,596	¥ 57,007	\$ 446,346

The minimum rental commitments under noncancelable operating leases as of March 31, 2024 and 2023, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within 1 year	¥ 3,514	¥ 3,305	\$ 23,213
Due after 1 year	4,171	3,907	27,557
Total	¥ 7,685	¥ 7,213	\$ 50,771

## 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 3,750 days; and holding period of 120 days both for financial instruments held for trading purpose (the Bank's trading business) and for those held for other

than trading purpose (the Bank's banking business)) has been adopted.

The VaRs in the Bank's trading business are ¥3,741 million (\$24,712 thousand) and ¥1,004 million and the VaRs in the Bank's banking business are ¥504,719 million (\$3,334,119 thousand) and ¥424,237 million as of March 31, 2024 and 2023, respectively.

The Bank conducts back testing 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, 2024	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Available for sale	¥ 3,571,107	¥ 3,571,107	
Loans and bills discounted	6,781,218		
Allowance for credit losses	(47,614)		
Loans after deduction of allowance for credit losses	6,733,603	6,735,390	¥ 1,787
Total	¥ 10,304,710	¥ 10,306,498	¥ 1,787
Deposits	¥ 9,437,959	¥ 9,437,082	¥ (876)
Borrowed money	2,105,286	2,092,995	(12,290)
Total	¥ 11,543,245	¥ 11,530,078	¥ (13,167)
Derivative transactions:			
Hedge accounting not applied	¥ (59)	¥ (59)	
Hedge accounting applied	38,457	38,457	
Total	¥ 38,397	¥ 38,397	
March 31, 2023			
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)
Total	¥ 8,689,671	¥ 8,689,424	¥ (247)
Deposits	¥ 8,168,035	¥ 8,167,285	¥ (750)
Borrowed money	1,559,655	1,552,997	(6,657)
Total	¥ 9,727,691	¥ 9,720,282	¥ (7,408)
Derivative transactions:			
Hedge accounting not applied	¥ 214	¥ 214	
Hedge accounting applied	23,275	23,275	
Total	¥ 23,489	¥ 23,489	
Thousands of U.S. Dollars			
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Available for sale	\$ 23,590,352	\$ 23,590,352	
Loans and bills discounted	44,795,997		
Allowance for credit losses	(314,538)		
Loans after deduction of allowance for credit losses	44,481,458	44,493,266	\$ 11,808
Total	\$ 68,071,811	\$ 68,083,619	\$ 11,808
Deposits	\$ 62,346,144	\$ 62,340,353	\$ (5,790)
Borrowed money	13,907,297	13,826,105	(81,192)
Total	\$ 76,253,441	\$ 76,166,458	\$ (86,982)
Derivative transactions:			
Hedge accounting not applied	\$ (395)	\$ (395)	
Hedge accounting applied	254,047	254,047	
Total	\$ 253,652	\$ 253,652	

(b) Financial instruments whose fair value cannot be reliably determined

March 31	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investments in equity instruments that do not have a quoted market price in an active market	¥ 70,745	¥ 61,177	\$ 467,337

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2024	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	¥ 188,375	¥ 642,405	¥ 459,073	¥ 124,296	¥ 110,879	¥ 1,039,735
Available for sale	188,375	642,405	459,073	124,296	110,879	1,039,735
National government bonds	9,500	131,200	4,000	16,000	31,000	521,500
Local government bonds	28,888	181,326	143,626	25,203	30,493	86,826
Corporate bonds	102,159	239,140	248,386	63,538	23,841	160,411
Loans and bills discounted	1,426,383	1,292,014	967,646	582,810	545,030	1,112,077
Total	¥ 1,614,758	¥ 1,934,419	¥ 1,426,720	¥ 707,107	¥ 655,909	¥ 2,151,813
March 31, 2023						
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	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
Total	¥ 1,572,238	¥ 1,537,360	¥ 1,237,321	¥ 627,010	¥ 507,879	¥ 1,768,175
Thousands of U.S. Dollars						
March 31, 2024	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	\$ 1,244,387	\$ 4,243,658	\$ 3,032,591	\$ 821,086	\$ 732,456	\$ 6,868,380
Available for sale	1,244,387	4,243,658	3,032,591	821,086	732,456	6,868,380
National government bonds	62,755	866,693	26,423	105,694	204,782	3,444,972
Local government bonds	190,833	1,197,824	948,783	166,493	201,437	573,569
Corporate bonds	674,857	1,579,736	1,640,815	419,728	157,494	1,059,661
Loans and bills discounted	9,422,532	8,534,910	6,392,170	3,849,986	3,600,411	7,346,265
Total	\$ 10,666,920	\$ 12,778,568	\$ 9,424,762	\$ 4,671,073	\$ 4,332,867	\$ 14,214,646

(6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2024	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	¥ 8,504,380	¥ 834,422	¥ 54,638	¥ 10,861	¥ 22,074	¥ 11,582
Borrowed money	773,078	920,773	408,393	3,034	7	
Total	¥ 9,277,458	¥ 1,755,195	¥ 463,031	¥ 13,896	¥ 22,082	¥ 11,582
March 31, 2023						
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	
Total	¥ 7,589,587	¥ 1,630,282	¥ 475,444	¥ 6,580	¥ 15,031	¥ 10,765
Thousands of U.S. Dollars						
March 31, 2024	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	\$ 56,179,020	\$ 5,512,102	\$ 360,935	\$ 71,752	\$ 145,820	\$ 76,511
Borrowed money	5,106,873	6,082,527	2,697,801	20,043	50	
Total	\$ 61,285,894	\$ 11,594,630	\$ 3,058,737	\$ 91,795	\$ 145,871	\$ 76,511

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

Millions of Yen				
March 31, 2024	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
National government bonds	¥ 659,050	¥ 1,133		¥ 660,184
Local government bonds		490,696		490,696
Corporate bonds		781,766	¥ 56,210	837,977
Equity securities	757,156			757,156
Other	160,864	614,357	40	775,262
Total assets	¥1,577,072	¥1,887,954	¥ 56,250	¥3,521,277
Derivative transactions:				
Interest rate swaps		¥50,961		¥50,961
Currency derivatives		(12,563)		(12,563)
Total derivative transactions		¥38,397		¥38,397
March 31, 2023	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
Thousands of U.S. Dollars				
March 31, 2024	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
National government bonds	\$ 4,353,617	\$ 7,490		\$ 4,361,107
Local government bonds		3,241,487		3,241,487
Corporate bonds		5,164,268	\$ 371,322	5,535,590
Equity securities	5,001,697			5,001,697
Other	1,062,653	4,058,380	265	5,121,299
Total assets	\$10,417,968	\$12,471,626	\$ 371,587	\$23,261,182
Derivative transactions:				
Interest rate swaps		\$ 336,645		\$ 336,645
Currency derivatives		(82,993)		(82,993)
Total derivative transactions		\$ 253,652		\$ 253,652

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

Millions of Yen				
March 31, 2024	Level 1	Level 2	Level 3	Total
Loans and bills discounted			¥ 6,735,390	¥ 6,735,390
Total assets			¥ 6,735,390	¥ 6,735,390
Deposits		¥ 9,437,082		¥ 9,437,082
Borrowed money		2,086,239	¥ 6,756	2,092,995
Total liabilities		¥11,523,321	¥ 6,756	¥11,530,078
March 31, 2023	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
Thousands of U.S. Dollars				
March 31, 2024	Level 1	Level 2	Level 3	Total
Loans and bills discounted			\$44,493,266	\$44,493,266
Total assets			\$44,493,266	\$44,493,266
Deposits		\$62,340,353		\$62,340,353
Borrowed money		13,781,471	\$ 44,633	13,826,105
Total liabilities		\$76,121,825	\$ 44,633	\$76,166,458

(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 Net Asset Value method ("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," "De facto 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 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. When material unobservable inputs are used, transactions are categorized as Level 3.

(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, 2024	Principal Valuation Technique	Significant Unobservable Valuation Input	Range of Valuation Input	Weighted Average
Securities—				
Available-for-sale—	Discounted	Default rate	0.0%–7.8%	0.3%
bonds	cash flow	Loss rate at the	30.2%–100.0%	78.1%
	method	time of default		

March 31, 2023	Principal Valuation Technique	Significant Unobservable Valuation Input	Range of Valuation Input	Weighted Average
Securities—				
Available-for-sale—	Discounted	Default rate	0.0%–8.0%	0.3%
bonds	cash flow	Loss rate at the	30.2%–100.0%	75.9%
	method	time of default		

(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
	2024	2023	2024
Beginning balance	¥ 53,417	¥ 53,022	\$ 352,867
Recorded to gains for the period			
Recorded to other comprehensive income	(56)	11	(370)
Net amount of purchase, sale, settlement	2,849	382	18,825
Transfer to fair values of Level 3			
Transfer from fair values of Level 3			
Ending balance as of period	¥ 56,210	¥ 53,417	\$ 371,322
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	¥ (309)	¥ (279)	\$ (2,042)

(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, Articles 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
	2024	2023	2024
Beginning balance	¥ 24,959	¥ 20,550	\$ 164,882
Recorded to gains for the period	755	519	4,991
Recorded to other comprehensive income	1,302	(640)	8,607
Net amount of purchase, sale and settlement	(2,543)	4,530	(16,804)
Ending balance as of period	¥ 24,474	¥ 24,959	\$ 161,676
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	¥ 1,033	¥ 153	\$ 6,828

	Investment Trusts Article 24-9 Applied		
	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Beginning balance	¥ 24,877	¥ 23,563	\$ 164,338
Recorded to gains for the period			
Recorded to other comprehensive income	477	514	3,154
Net amount of purchase, sale and settlement		800	
Ending balance as of period	¥ 25,355	¥ 24,877	\$ 167,493
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	¥ 5,863	¥ 5,385	\$ 38,731

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, 2024

	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)
Interest Rate-Related Transactions								
Listed— interest-rate futures: Selling Buying								
Over the counter— interest rate swaps: Receipt fixed— payments floating	¥ 68,697	¥ 61,546	¥ (573)	¥ (573)	\$ 453,806	\$ 406,566	\$ (3,791)	\$ (3,791)
Receipt floating— payments fixed	78,980	71,843	596	596	521,733	474,593	3,939	3,939
Receipt floating— payments floating								
Over the counter— interest rate options: Selling Buying								
Currency-Related Transactions								
Over the counter— currency swaps								
Over the counter— currency futures: Selling	68,007	437	(1,913)	(1,913)	449,250	2,889	(12,642)	(12,642)
Buying	73,329	278	1,852	1,852	484,407	1,839	12,238	12,238
Over the counter— currency options: Selling	164,115	118,419	(1,902)	2,492	1,084,131	782,266	(12,566)	16,462
Buying	164,115	118,419	1,881	(1,176)	1,084,131	782,266	12,426	(7,775)
Foreign exchange swaps								
Stock-Related Transactions								
Listed— stock index futures: Selling Buying								
Listed— stock index options: Selling Buying								
Bond-Related Transactions								
Listed—bond futures: Selling Buying								
Listed— bond futures options: Selling Buying								
Other Transactions								
Over the counter— earthquake derivatives Selling	1,590		(13)	(13)	10,503		(91)	(91)
Buying	1,590		13	13	10,503		91	91

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, 2024

	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
Interest Rate-Related Transactions							
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥ 301,600	¥ 301,600	¥ 371	\$ 1,992,337	\$ 1,992,337	\$ 2,456
Receipt floating—payments fixed		756,111	735,442	50,567	4,994,788	4,858,250	334,041
Receipt floating—payments floating							
Currency-Related Transactions							
Deferral hedge method: Currency swaps	Foreign currency loans and deposits	68,137	22,707	(9,006)	450,110	150,000	(59,496)
Foreign exchange swaps		1,291		(98)	8,534		(647)
Fair value hedge method—Currency swaps	Foreign currency securities	27,248	27,248	(3,376)	180,000	180,000	(22,305)

Bond-Related Transactions

Listed—bond futures—selling	Available-for-sale securities
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			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
Interest Rate-Related Transactions							
Interest rate swaps—Receipt fixed—payments floating	Loans, deposits and borrowed money	¥ 78,832	¥ 78,832		\$ 520,757	\$ 520,757	
Interest rate swaps—Receipt floating—payments fixed		11,668	11,276		77,079	74,490	
Interest rate swaps—Receipt floating—payments floating							

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2023

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)
Interest Rate-Related Transactions				
Listed—interest-rate futures: Selling				
Buying				
Over the counter—interest rate swaps: Receipt fixed—payments floating	¥ 103,514	¥ 72,255	¥ (338)	¥ (338)
Receipt floating—payments fixed	87,378	85,411	174	174
Receipt floating—payments floating				
Over the counter—interest rate options: Selling				
Buying				
Currency-Related Transactions				
Over the counter—currency swaps				
Over the counter—currency futures: Selling	82,742	1,921	(1,203)	(1,203)
Buying	86,302	1,602	1,715	1,715
Over the counter—currency options: Selling	106,964	85,748	(1,800)	1,655
Buying	106,964	85,748	1,666	(718)
Foreign exchange swaps				

Stock-Related Transactions

Listed—stock index futures: Selling
Buying
Listed—stock index options: Selling
Buying

Bond-Related Transactions

Listed—bond futures: Selling
Buying
Listed—bond futures options: Selling
Buying

Other Transactions

Over the counter—earthquake derivatives
Selling
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.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2023

	Hedged Item	Millions of Yen		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥ 50,000	¥ 50,000	¥ 425
Receipt floating—payments fixed		650,892	626,953	33,103
Receipt floating—payments floating				
Currency-Related Transactions				
Deferral hedge method: Currency swaps	Foreign currency loans and deposits	61,717	33,411	(8,768)
Foreign exchange swaps		2,157		(13)
Fair value hedge method—Currency swaps	Foreign currency securities	10,681	10,681	(1,313)
Bond-Related Transactions				
Listed—bond futures—selling	Available-for-sale securities			
Over the counter—bond options: Selling	Available-for-sale securities	11,066		(158)
Buying		11,066		

Bond-Related Transactions

Listed—bond futures—selling
Over the counter—bond options: Selling
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
Interest Rate-Related Transactions				
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	¥ 24,825	¥ 24,825	
Interest rate swaps—Receipt floating—payments fixed		13,490	6,453	
Interest rate swaps—Receipt floating—payments floating				

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 ¥1,738,339 million (\$11,483,286 thousand) and ¥1,666,480 million as of March 31, 2024 and 2023, 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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 197,781	¥ (27,788)	\$ 1,306,526
Reclassification adjustments to profit or loss	10,958	26,267	72,392
Amount before income tax effect	208,740	(1,521)	1,378,918
Income tax effect	(63,511)	523	(419,550)
Subtotal	145,229	(997)	959,368
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	22,839	24,953	150,875
Reclassification adjustments to profit or loss	(7,318)	(24,041)	(48,346)
Amount before income tax effect	15,520	912	102,529
Income tax effect	(4,710)	(276)	(31,117)
Subtotal	10,810	635	71,411
Defined retirement benefit plans:			
Adjustments arising during the year	23,084	1,714	152,490
Reclassification adjustments to profit or loss	(2,551)	(2,840)	(16,858)
Amount before income tax effect	20,532	(1,126)	135,632
Income tax effect	(6,217)	344	(41,072)
Subtotal	14,314	(781)	94,560
Total other comprehensive income (loss)	¥ 170,353	¥ (1,143)	\$ 1,125,340

### 31. PER SHARE DATA

(1) Basic EPS for the years ended March 31, 2024 and 2023, is as follows:

Year Ended March 31, 2024	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	¥37,071	485,390	¥ 76.37	\$ 0.50
Effect of dilutive—stock acquisition rights		395		
Diluted EPS—net income for computation	¥37,071	485,785	¥ 76.31	\$ 0.50
Year Ended March 31, 2023				
Basic EPS—net income available to common shareholders	¥24,135	483,625	¥ 49.90	
Effect of dilutive—stock acquisition rights		639		
Diluted EPS—net income for computation	¥24,135	484,265	¥ 49.83	

### 32. RELATED PARTY TRANSACTIONS

Related party transactions of the Bank with its directors or major individual shareholders for the year ended March 31, 2024 (no significant related party transactions to be disclosed for the year ended March 31, 2023), were as follows:

Type	Name	Nature of Transaction	Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars
			Transaction Amount		Year-End Balance		
			(Average Balance)				
Director of the Bank	Makoto Nakamura	Lending of funds	¥16	\$105	Loans and bills discounted	¥16	\$105

Related party transactions of consolidated subsidiaries of the Bank with their directors or major individual shareholders for the year ended March 31, 2024 (no significant related party transactions to be disclosed for the year ended March 31, 2023), were as follows:

Type	Name	Nature of Transaction	Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars
			Transaction Amount		Year-End Balance		
			(Average Balance)				
Audit & Supervisory Board member of Nagano Bank	Shinji Horikawa	Lending of funds	¥18	\$118	Loans and bills discounted	¥15	\$99

(2) Net assets per share for the years ended March 31, 2024 and 2023, were as follows:

	Yen		U.S. Dollars
	2024	2023	2024
Net assets per share	¥ 2,309.80	¥ 1,936.29	\$ 15.25

The net assets per share figure is calculated on the basis of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Net assets	¥1,118,275	¥ 915,953	\$7,387,207
Less stock acquisition rights	141	288	935
Less noncontrolling interests	4,236	2,828	27,983
Net assets attributable to common shareholders	¥1,113,897	¥ 912,836	\$7,358,288

	Thousands of Number of Shares	
	2024	2023
Number of common stock at fiscal year-end used for calculation of net assets per share	482,247	471,433

### 33. SUBSEQUENT EVENTS

#### a. Dividends

The following appropriations of retained earnings at March 31, 2024, were approved at the Bank's shareholders' meeting held on June 21, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥14.00 (\$0.09) per share	¥ 6,752	\$ 44,608

#### b. Acquisition of Treasury Stock

The Bank resolved at the meeting of the Board of Directors held on May 10, 2024, to repurchase its own shares in accordance with Article 156 of the Companies Act, as applied pursuant to Paragraph 3 of Article 165 of the Companies Act.

##### (a) Reason for acquisition

The purpose of the Bank's repurchase of its own shares is to implement a capital policy that responds to changes in the business environment and to improve shareholder returns.

##### (b) Details of acquisition

- (1) Type of shares to be repurchased  
Common stock
- (2) Total number of shares to be repurchased  
Up to 9,000,000 shares
- (3) Total repurchase amount  
Up to ¥10,000 million (\$66 million)
- (4) Acquisition period  
From May 13, 2024 to March 31, 2025

### 34. 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							
2024							
Reportable Segment			Other	Total	Reconciliations	Consolidated	
Banking	Leasing	Total					
Ordinary income:							
Revenue from contracts with customers	¥ 23,222		¥ 2,794	¥ 26,016		¥ 26,016	
Other revenue	151,972	¥ 33,689	522	186,184		186,184	
Outside customers Intersegment	175,194	33,689	3,316	212,201		212,201	
	602	351	30	983	¥ (983)		
Total	¥ 175,796	¥ 34,040	¥ 3,347	¥ 213,184	¥ (983)	¥ 212,201	
Segment profit (loss)	¥ 33,392	¥ 1,621	¥ 35,014	¥ 201	¥ 35,215	¥ 1	¥ 35,217
Segment assets	14,746,434	121,014	14,867,449	34,757	14,902,206	(74,454)	14,827,752
Segment liabilities	13,684,813	76,757	13,761,571	18,862	13,780,433	(70,956)	13,709,476
Other:							
Depreciation	3,813	2,097	5,911	53	5,965		5,965
Interest income	124,727	49	124,777	199	124,976	(215)	124,761
Interest expense	36,971	246	37,217	14	37,231	(217)	37,014
Gain on bargain purchase	17,322		17,322		17,322		17,322
Loss on disposal of assets	261		261		261		261
Impairment losses of assets	1,646		1,646		1,646		1,646
Income taxes	13,188	503	13,691	96	13,787	4	13,791
Increase in property, plant, and equipment and intangible assets	4,785	3,855	8,641	137	8,778		8,778
Millions of Yen							
2023							
Reportable Segment			Other	Total	Reconciliations	Consolidated	
Banking	Leasing	Total					
Ordinary income:							
Revenue from contracts with customers	¥ 21,272		¥ 1,767	¥ 23,040		¥ 23,040	
Other revenue	141,333	¥ 32,646	989	174,968		174,968	
Outside customers Intersegment	162,605	32,646	2,756	198,009		198,009	
	576	314	34	926	¥ (926)		
Total	¥ 163,182	¥ 32,960	¥ 196,143	¥ 2,791	¥ 198,935	¥ (926)	¥ 198,009
Segment profit	¥ 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

Thousands of U.S. Dollars							
2024							
Reportable Segment			Other	Total	Reconciliations	Consolidated	
Banking	Leasing	Total					
Ordinary income:							
Revenue from contracts with customers	\$ 153,404		\$ 18,460	\$ 171,865		\$ 171,865	
Other revenue	1,003,911	\$ 222,550	3,450	1,229,912		1,229,912	
Outside customers Intersegment	1,157,315	222,550	21,911	1,401,777		1,401,777	
	3,978	2,319	200	6,498	\$ (6,498)		
Total	\$ 1,161,294	\$ 224,869	\$ 22,111	\$ 1,408,275	\$ (6,498)	\$ 1,401,777	
Segment profit (loss)	\$ 220,590	\$ 10,713	\$ 1,329	\$ 232,633	\$ 7	\$ 232,640	
Segment assets	97,413,360	799,409	229,603	98,442,373	(491,835)	97,950,537	
Segment liabilities	90,400,404	507,053	124,605	91,032,063	(468,733)	90,563,330	
Other:							
Depreciation	25,193	13,859	353	39,406		39,406	
Interest income	823,938	327	1,316	825,582	(1,422)	824,159	
Interest expense	244,227	1,625	93	245,946	(1,436)	244,510	
Gain on bargain purchase	114,428			114,428		114,428	
Loss on disposal of assets	1,730			1,730		1,730	
Impairment losses of assets	10,875		2	10,877		10,877	
Income taxes	87,119	3,325	635	91,079	27	91,107	
Increase in property, plant, and equipment and intangible assets	31,613	25,468	907	57,989		57,989	

(4) Information about Services

Millions of Yen					
2024					
Lending Operations	Investment Operations	Leasing Operations	Other	Total	
Sales to external customers	¥ 64,732	¥ 83,932	¥ 33,689	¥ 29,846	¥212,201
Millions of Yen					
2023					
Lending Operations	Investment Operations	Leasing Operations	Other	Total	
Sales to external customers	¥ 49,701	¥ 88,323	¥ 32,646	¥ 27,337	¥198,009
Thousands of U.S. Dollars					
2024					
Lending Operations	Investment Operations	Leasing Operations	Other	Total	
Sales to external customers	\$ 427,616	\$ 554,448	\$ 222,550	\$ 197,162	\$1,401,777

(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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Edited by: Planning and Coordination Department, The Hachijuni Bank, LTD.

178-8 Okada, Nakagosho, Nagano City, 380-8682

Tel.: (026) 227-1182

<https://www.82bank.co.jp/>

The Hachijuni Bank Annual Report 2024 is a disclosure document (a document explaining the state 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 operations consist of yen based transactions for domestic branches, while international operations consist of 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 operations.



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