

The Future of
Regional Communities
Together with Shinkin Banks

Annual Report 2023

Shinkin Central Bank



Shinkin Central Bank, the Central Bank for Shinkin Banks

As the central financial institution for the cooperative regional financial institutions in Japan, known as shinkin banks, the Shinkin Central Bank (hereinafter the SCB) occupies a well-established position in Japan's financial services industry. Shinkin banks currently hold funds totaling some ¥160 trillion (around US\$1,200 billion).

Management Philosophy and Operational Policies

Management Philosophy

As the central bank for all shinkin banks, the SCB supports the growth of the shinkin bank industry, thereby contributing to economic development throughout Japan.

Operational Policies

1. Strengthen the corporate base, broaden operational functions, and enhance the credit standing of shinkin banks.
2. Attract stable funds from shinkin banks and diversify funding sources.
3. Upgrade market operations and develop financial services.
4. Pursue new business to reflect changing financial circumstances.
5. Contribute to regional development and revitalization hand in hand with shinkin banks.
6. Achieve sound management through efficiency, capital adequacy, and strengthened risk management.
7. Nurture professionals and create an attractive workplace.
8. Enhance public trust in the SCB.



Corporate Data (as of March 31, 2023)

Name:	Shinkin Central Bank (SCB)
Established:	June 1, 1950
Number of employees:	1,258
Domestic network:	14
Overseas network:	6
Total assets:	¥45,924 billion (\$344 billion)
Total funds:	¥44,176 billion (\$330 billion)
Paid-in capital:	¥690 billion (\$5,176 million)
Preferred shares:	¥90 billion (\$681 million)
Capital adequacy ratio (consolidated):	22.09%
Number of member shinkin banks:	254
Long-term credit ratings (as of July 31, 2023):	A1 (Moody's) A (S&P) A+ (R&I) AA (JCR)



Shinkin Central Bank

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Number of member shinkin banks:	254



Shinkin Banks

Number of member shinkin banks:	254
Total assets:	¥175,028 billion (\$1,311 billion)
Number of branches:	7,106
Number of employees:	99,083
Number of members:	8,886,797
	(As of March 31, 2023)

* The number of employees includes full-time Directors and Corporate Auditors. Our overseas network includes Shinkin International Ltd., a subsidiary in London and Shinkin Singapore Pte. Ltd., a subsidiary in Singapore.

Financial Highlights (Non-consolidated Financial Summary)

For the years ended March 31,	Millions of Yen			Millions of US Dollars*		
	2023	2022	2021	2023	2022	2021
For the Fiscal Year						
Total income	¥ 340,360	¥ 216,095	¥ 227,247	\$ 2,549	\$ 1,765	\$ 2,053
Total expenses	307,434	171,233	187,466	2,302	1,399	1,693
Net income (loss)	24,776	34,046	29,579	185	278	267
Net business profit (loss)	24,451	34,548	33,814	183	282	305
At the Year-end						
Total assets	¥45,924,710	¥43,757,754	¥43,654,176	\$344,005	\$357,585	\$394,382
Loans and bills discounted	9,514,890	7,758,748	8,451,005	71,272	63,404	76,348
Securities	13,634,845	16,163,857	17,744,905	102,133	132,090	160,311
Total liabilities	44,621,617	42,199,230	41,963,346	334,244	344,849	379,106
Deposits	34,703,462	33,165,342	33,787,924	259,951	271,025	305,248
Debentures	1,458,660	1,547,370	1,774,270	10,926	12,645	16,029
Net assets	1,303,092	1,558,523	1,690,829	9,760	12,736	15,275

* US dollar amounts are given for convenience only, converted at the rate of ¥110.69, ¥122.37, and ¥133.50 per US\$1.00, the prevailing rate as of March 31, 2021, 2022, and 2023 respectively.

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This material contains certain forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties, while actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

US dollar amounts are converted for convenience only, at ¥133.50 per US\$1.00, the prevailing rate on March 31, 2023.

Message from the President and CEO

The Japanese economy is seeing positive signs as supply constraints and social restrictions due to the COVID-19 outbreak have eased. Meanwhile, risk factors are scattered in and outside Japan, such as soaring resource prices caused by the Russian invasion of Ukraine, ongoing tighter monetary policies taken by the central banks toward curbing inflation, and unstable financial systems triggered by failed U.S. banks. The outlook of the Japanese economy is extremely uncertain.

When looking at regional economies that are the operational foundation of shinkin banks, their situations are even more severe, together with conventional structural issues such as an aging and declining population.

To enable regional economies to continue development in the future, it is essential to accelerate initiatives such as DX and GX* that increase regional sustainability and thereby transform economic activities, in addition to improving additional values that are suitable for respective regional characteristics.

Shinkin banks are financial institutions that work hand-in-hand with regions. Until now, they have taken various initiatives that contribute to regional problem solving. Currently, regional economies and communities are facing a significant crossroads. The expectations for shinkin banks and the roles to be played by shinkin banks have become more critical than ever before.

Amid these circumstances, in April 2022, the SCB started the “SCB Strategy 2022,” the three-year Medium-Term Management Plan from fiscal 2022 to fiscal 2024.

Under this plan, the SCB sets the “vision” to be achieved by 2030 where “Shinkin Bank becomes the most reliable bank in every local area” and is working on various measures with shinkin banks toward realizing sustainable regional communities.

In this message, I would like to explain the measures that the SCB has taken to date and the measures and other initiatives we will take going forward to achieve the “vision.”

President and CEO *Hiroyuki Shibata*

* GX (Green Transformation): Transforming the entire economic and social system to reduce emissions and improve industrial competitiveness by viewing efforts to achieve carbon neutrality and greenhouse gas emission reduction targets as an opportunity for economic growth.

Road to 2030

**Move Forward Together
With Shinkin Banks**



► Progress in Medium-Term Management Plan

Under the Medium-Term Management Plan “SCB Strategy 2022,” the SCB plans to focus on the “4 Strategies” to be implemented steadily in order to realize the “vision” with the three-pillar including “Humans assets,” “Network” and “Digital” that can be a strength and opportunity for the industry to provide new value, thereby improving the competitiveness of the industry.

The year 2022 was the plan’s first fiscal year, which can be evaluated that the SCB Group’s officers and employees worked together to address various measures set in this plan and made a good start.

Medium-Term
Management Plan “SCB
Strategy 2022,”
P18

[Support for Customers’ Sales Channel/Overseas Business Expansion Through Utilizing the Network of the Shinkin Bank Industry]

The shinkin bank industry has a significant strength in its networks: the SCB networks with large buyers inside and outside Japan and the network that shinkin banks have for connecting among their customers nationwide. Utilizing the strength, we are working to support shinkin banks’ customers in expanding their sales channels and overseas businesses, as support for small and medium-scale enterprises (SMEs) that is suitable for their life stages.

The “Shinkin Connect” is a business matching website launched in September 2021 to support sales channel expansion. About 6,400 companies have already registered as its members. In fiscal 2022, we enhanced initiatives toward increasing the number of business negotiations and closed deals. For example, the head office assigned the “coordinators” who provide large buyers and shinkin banks with potentially matching information. Branch offices conducted matching projects with local buyers.

In supporting overseas business expansion, we utilized the network of “Shinkin Singapore Pte. Ltd.” a group company that opened in July 2021 to conduct a PR project that exhibited products of shinkin banks’ customers in restaurants in Singapore. We also held the “Singapore Shinkinkai” (or local networking) as a local interaction event among various support agencies and shinkin banks’ customers. Based on the needs of shinkin banks’ customers, we would like to continue to create local networking opportunities outside Japan, such as increasing countries where the “Shinkinkai” is held and conducting various events.

Support for Cross-
Border EC Utilization
P30

Shinkinkai (Local
Networking)
P25

[Promotion of Regional Community Innovation Through Serving as a “Hub” of Networks]

The SCB serves as a hub that connects the domestic and global networks of external specialized agencies and other organizations and the networks of regional communities and is working to promote regional community innovation, together with regionally rooted shinkin banks.

“Shinkin Regional Innovation Co., Ltd.” a group company that established in July 2021, operates a regional trading business and innovation consulting business. The company is also implementing many projects under collaboration with shinkin banks. Taking the recent G7 summit as an opportunity, we contracted with Hiroshima Prefecture for a food material matching business. We collaborated with four shinkin banks in the prefecture. We took activities such as events that communicated the attractiveness of the prefectural food materials to restaurant business operators in and outside Japan.

The regional innovation promotion scheme “SCB *Furusato Ouen Dan*” utilizes a corporate version of the *Furusato Nozei* (or hometown tax) donation program and others to donate to local governments and supports regional innovation projects with shinkin banks. The “SCB *Furusato Ouen Dan*” donated a total of ¥2.435 billion to the 246 regional innovation projects of 47 prefectures nationwide, which were recommended by shinkin banks nationwide over the three years from fiscal 2020.

In addition, in January 2023, as a comprehensive compilation of this scheme, we held the online talk event “SCB *Furusato Ouen Taikai*,” which aimed to introduce case studies and communicate to create opportunities for

regional shinkin banks and local governments to obtain new perspectives and knowledge from pioneering case studies and others of other regions.

Through following up on the projects donated by the “SCB *Furusato Ouen Dan*” and rolling out excellent case examples, we will continue to promote and share knowledge and know-how toward conducting a region-driven innovation business in more expansive areas.

[Support for Business Succession That Stays Closer to Regions]

More and more support institutions are handling business succession and M&As. However, many of them focus on large-scale deals and are located in Tokyo. Therefore, support for regional SMEs is currently insufficient. Amid these circumstances, to ensure that the shinkin bank industry is familiar and stays closer to regions in business succession and M&As, the group company “Shinkin Capital Co., Ltd.” opened seven new branches (in Hokkaido, Tohoku, Hokuriku, Tokai, Kinki, Chugoku, and Fukuoka) from fiscal 2021. The company established a structure that can respond to the needs of shinkin banks’ customers more flexibly and effectively than ever before.

As a result, the number of consultations on business succession and M&As has been increasing dramatically. We want to continue support activities in the future to improve regional sustainability.

Measures for Business
Succession Issues
P25

► Expectations for the Shinkin Bank Industry Toward 2030

Regional economies have been facing great difficulties, such as the declining birthrate, aging population, and depopulation. Under these circumstances, shinkin banks are focused on issues tackled by each region and work on attentive problem solving every day that is suitable for respective regional characteristics.

Meanwhile, digitalization, such as emerging advanced generative AIs, has been accelerated, giving us an indicative sign of significant lifestyle changes. For shinkin and shinkin banks’ customers, responding to these trends exactly and building sustainable business models become an issue.

In addition, toward achieving the SDGs in the targeted year 2030, importance is also given to initiatives toward realizing a sustainable society. Shinkin banks are required to improve the sustainability of regional communities where each shinkin bank is based.



► DX Driving for SMEs

Currently, SMEs are confronting severe labor shortages due to factors such as the declining labor force. They are urgently required to drive DX from the standpoint of improving productivity.

Amid these circumstances, the SCB considers shinkin banks as appropriate DX drivers for SMEs because shinkin banks are usually supporting the managerial challenges of their SMEs. The SCB will work together with shinkin banks to support digitalization for SMEs.

[Digitalization of SMEs' Daily Operations]

In August 2022, to promote DX in SMEs across Japan, we entered into business alliances with NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION. We will combine the solid relations among shinkin banks and SMEs with the high expertise and solutions of both companies to work on realizing DX for each SME.

As a concrete initiative based on the business alliances, we launched “Kei Yell (Coinage of “Corporate Management” and “Support” in Japanese),” a portal service for SMEs, in October 2022. “Kei Yell” is a digital service developed under the concept of “sending a yell to every management person” and has various functions such as keeping track of cash management and responding to the invoicing scheme. By supporting SMEs in digitalizing their daily operations, we would like to contribute to their taking a first step in DX realization.

Kei Yell
P27

[Development of Human Resources Responsible for DX in the Shinkin Bank Industry]

As an initiative based on the business alliance with both companies, we will work to conduct ICT consulting services for SMEs and provide solutions for developing digital human resources.

In order to develop human resources who are well versed in digital technology, in the shinkin bank industry, we started the “DX Human Resource Development Program” which aims at helping our employees acquire digital technology-related skills.

This program has a training structure by level. In fiscal 2022, all of the SCB's employees took courses related to DX basic knowledge to improve their levels. In addition, we aim to develop human resources that will drive the digitalization of the shinkin bank industry by gradually conducting measures such as courses that consider operational improvements utilizing DX.

In fiscal 2023, we started online courses that enable about 100,000 officers and employees of all shinkin banks to learn DX-related basic knowledge as well as methods for utilizing digital technologies by scene, such as doing sales activities and serving customers.

Through these initiatives, we aim to accumulate DX know-how in the shinkin bank industry to promote DX for regions and SMEs.

DX Human Resource
Development
Program
P27

► Toward the Realization of Sustainable Regional Communities

The SCB Group adopts the “Declaration of Shinkin Central Bank Group on SDGs,” sets “sustainable prosperity of a regional society,” “well-being to all the people,” and “conservation of the global environment” as essential themes, and works on initiatives toward realizing a sustainable society.

Declaration of
Shinkin Central Bank
Group on SDGs
P12

[The SCB's Promotion of the "Shinkin Green Project" to Become a Key Player in Realizing Decarbonization]

Under the “conservation of global environment” among these themes, we are utilizing the network of 254 shinkin banks nationwide and conducting the “Shinkin Green Project,” unique to the shinkin bank industry, toward realizing decarbonized regions and SMEs. Under three pillars of “finance,” “consulting,” and

“ecoLocal*,” this project is working on various initiatives for realizing decarbonization.

As the first step, we executed the “Partnership Agreement for the Realization of Sustainable Local Economies and Societies” with the National Association of Shinkin Banks and the Ministry of the Environment in June 2022.

In close collaboration with the shinkin bank industry and the Ministry of the Environment, we will promote the greening of Japan’s regional communities by working on both sides of energy supply and demand: supporting SMEs’ decarbonization initiatives and creating renewable energy power generation projects.

From fiscal 2021 to fiscal 2030, the target for ESG investments and loans to be executed is ¥3 trillion. We have completed more than ¥800 billion of investments and loans in two years and are starting well.

We recognize that the role of the SCB is to think strategically about how it will make the entire regions involved and increase the numbers of companies involved and projects beyond the initiatives taken by just part of regions in the future to make GX go forward. By steadily proceeding with these initiatives, we will strive to make shinkin banks key players in realizing decarbonized regional communities and establish a brand image of “green” regarding shinkin banks.

* ecoLocal: is a coinage of combining “ecology” with “local.”

[The SCB's Targeted Direction]

The SCB is working with shinkin banks to conduct various measures toward realizing sustainable regional communities. The SCB aims to generate a positive cycle where these initiatives will result in the “growth” of the shinkin bank industry and thereby solve social issues further.

In order to be sustainable along with their respective communities, shinkin banks themselves must develop their own businesses while obtaining funds to contribute to their communities.

Through actions such as providing products and services common to the shinkin bank industry, the SCB will strive to grow and develop the industry sustainably. To enable the SCB itself to conduct these activities and permanently fulfill its functions as the central bank for all shinkin banks, the SCB will enhance its profitability and establish a stable financial base.

► In Conclusion

This fiscal year reaches the halfway mark in the Medium-Term Management Plan and is essential for perfectly achieving it.

Now, regional economies and communities are facing a significant crossroads. To enable shinkin banks to meet expectations from regions and continue development with regions, it is necessary to work on building robust business models that adopt significant environmental changes.

In order to contribute to the development of local communities together with shinkin banks, Shinkin Central Bank will not be bound by existing frameworks but will always look one step ahead and respond to changes in society. We are determined to make our utmost efforts to achieve our goals through variety of measures with a steadfast resolve and a willingness to take on new challenges.

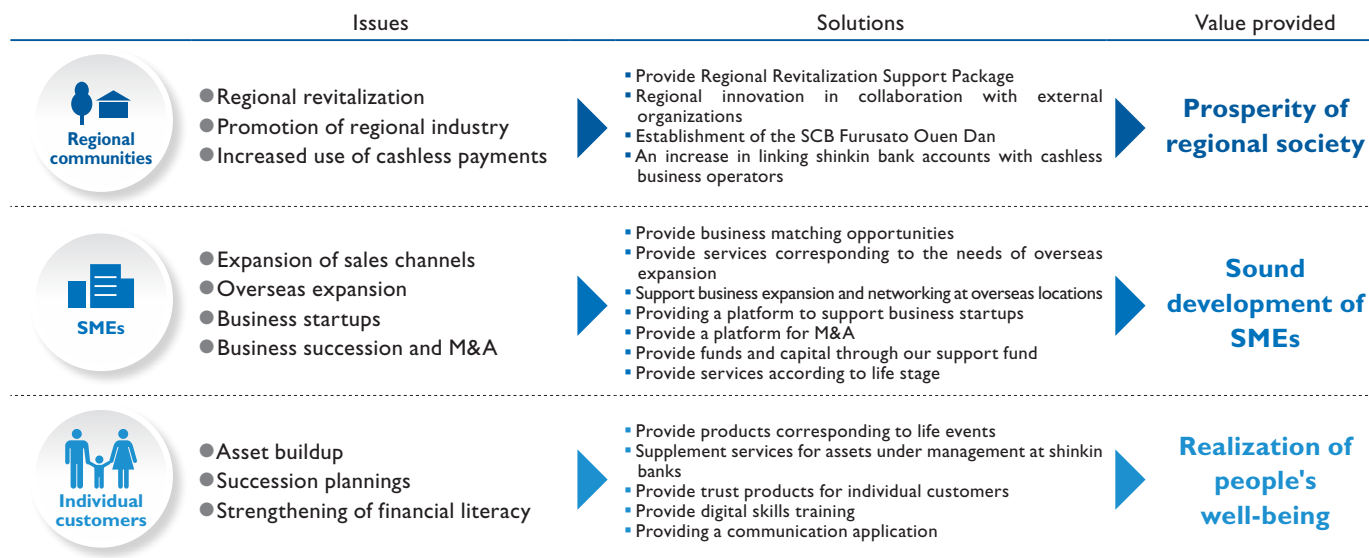


About Shinkin Central Bank

The SCB was established as a cooperative financial institution funded by the shinkin banks, and serves as the central bank for shinkin banks throughout Japan, which are also its members. Here we will explain the three major functions performed by the SCB in the shinkin bank industry.

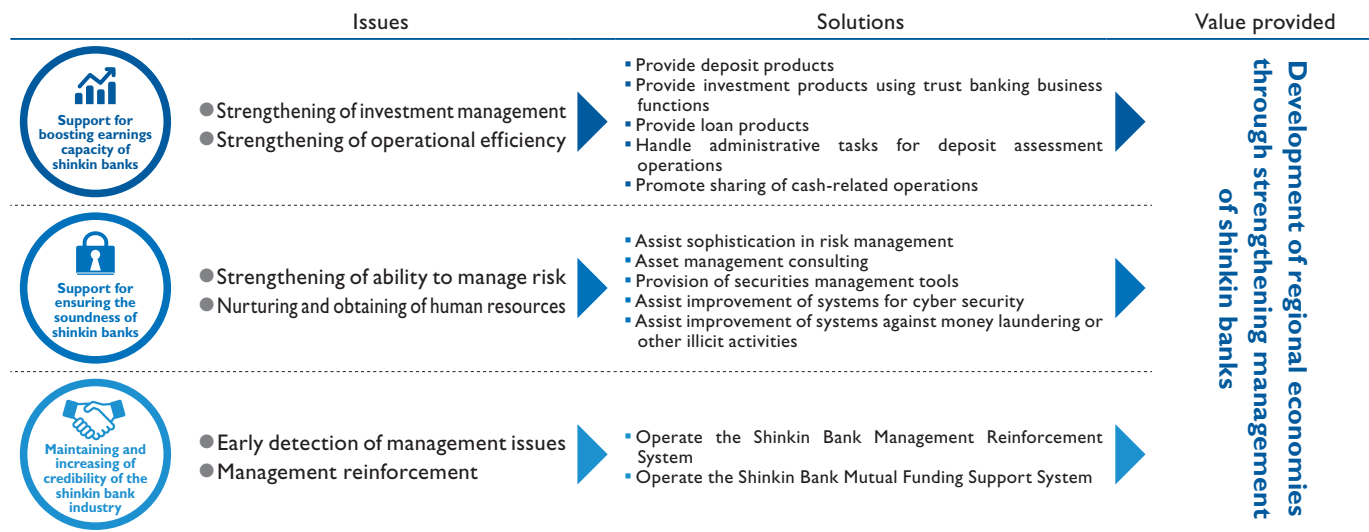
1. Functions to realize a sustainable society

Shinkin banks play a key role in supporting regional economies by lending to local organizations and SMEs in Japan. However, individual shinkin banks are sometimes restricted in performing their banking functions because of their scale and limitations on their business area.



2. Central bank functions for shinkin banks

The SCB makes every effort to maintain an orderly financial system within the shinkin bank industry through the further strengthening of consulting functions, and cyber security measures in the shinkin bank industry, as well as timely and appropriate operations of the Shinkin Bank Management Reinforcement System, etc.



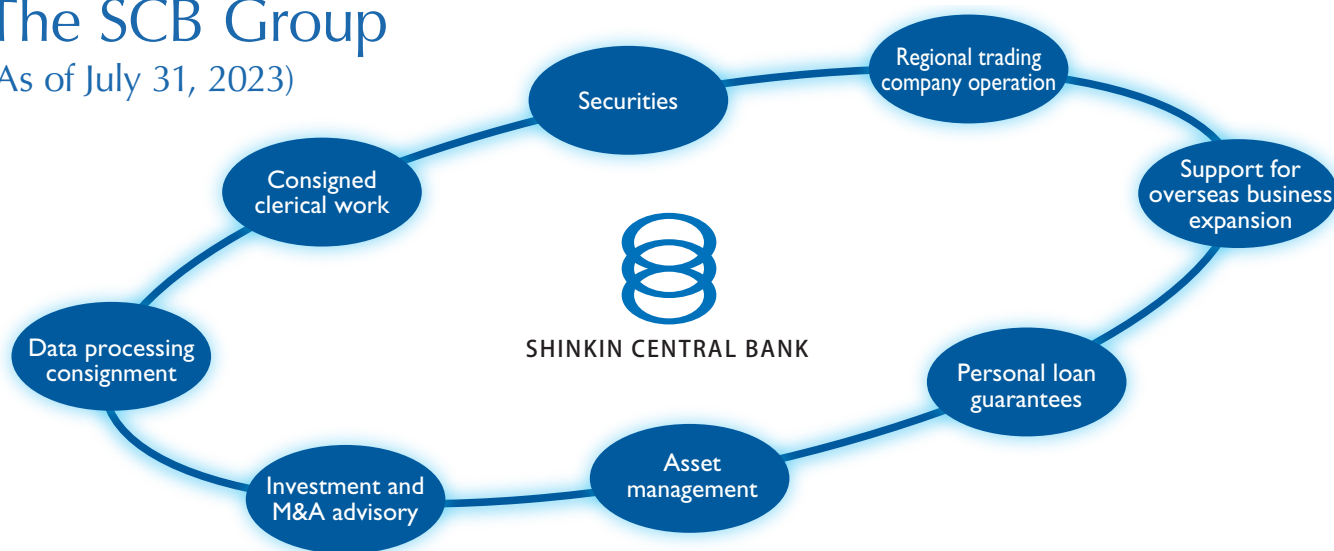
3. Functions as an institutional investor

The SCB is constructing a stable funding base through deposit operations and bond operations. With the funds procured with this base, the SCB makes investments and loans for various products, etc. in money markets in Japan and overseas as one of the leading institutional investors in Japan.

Furthermore, with regard to investment and loan strategy, the SCB pursues efficient risk-return as well as promotes investments and loans that take ESG into consideration, such as forming project finance for private finance initiatives.

The SCB Group

(As of July 31, 2023)



<p>Securities</p>	<p>Shinkin Securities ¥20bn in capital (100% ownership); ¥10bn capital reserve</p> <p>Shinkin International £30mn in capital (100% ownership) (London local securities entity)</p>	<ul style="list-style-type: none"> ▪ Dealing ▪ Brokerage ▪ Underwriting <ul style="list-style-type: none"> ▪ Underwriting new bonds and agency business in the euro market ▪ Dealing and brokering for existing euro bonds ▪ Foreign securities investment and consulting
<p>Regional trading company operation</p>	<p>Shinkin Regional Innovation ¥100mn in capital (100% ownership) ¥100mn capital reserve</p>	<ul style="list-style-type: none"> ▪ Regional trading company business ▪ Regional innovation consulting business
<p>Support for overseas business expansion</p>	<p>Shinkin Singapore \$9mn in capital (100% ownership) (Singapore local securities entity)</p>	<ul style="list-style-type: none"> ▪ Supporting the overseas expansion of shinkin banks' customers ▪ Supporting investments and loans of SCB ▪ Conducting surveys and research for financial innovation ▪ Nurturing human resources of the shinkin bank industry
<p>Personal loan guarantees</p>	<p>Shinkin Guarantee ¥1.0bn in capital (100% ownership) ¥0.8bn capital reserve</p>	<ul style="list-style-type: none"> ▪ Debt guarantee business (guarantees for unsecured personal loans provided by shinkin banks)
<p>Asset management</p>	<p>Shinkin Asset Management ¥200mn in capital (100% ownership)</p>	<ul style="list-style-type: none"> ▪ Management services for discretionary investment contract assets ▪ Management services for investment trust assets
<p>Investment and M&A advisory</p>	<p>Shinkin Capital ¥490mn in capital (100% ownership)</p>	<ul style="list-style-type: none"> ▪ Investment banking ▪ M&A brokering ▪ Corporate business consulting
<p>Data processing consignment</p>	<p>The Shinkin Banks Information System Center ¥4.5bn in capital (50.7% stake; 49.2% owned by shinkin banks); ¥1.5bn capital reserve</p>	<ul style="list-style-type: none"> ▪ Data processing consignment ▪ Software development ▪ Computer consulting and training
<p>Consigned clerical work</p>	<p>Shinkin Chukin Business ¥70mn in capital (100% ownership)</p>	<p>(handles SCB administrative work)</p> <ul style="list-style-type: none"> ▪ Computing ▪ Promissory note exchange ▪ Branch, dormitory, and other property management

About Shinkin Banks

Shinkin banks are cooperative financial institutions. Their membership comprises local residents and SMEs. Shinkin banks' distinctive characteristics are that they are conveniently located; offer fine-tuned, personalized services; and have a strong relationship of mutual trust with their customers and communities.

Cooperative financial institutions are organizations that operate under the fundamental principle of mutual support.

Shinkin banks limit their lending, in principle, to members. However, their functions are almost the same as those of commercial banks, and they also deal with many people who are not members, accepting deposits, providing exchange services, accepting payments, including those for public utilities, and engaging in over-the-counter sales of public bonds, investment trust funds, and insurance.

Shinkin banks not only provide deposit, lending and exchange services, but also offer a diverse range of services to customers and other members of the local community in such areas as support for management improvement and business turnaround, business succession support, business start-up support, and local-area revitalization.

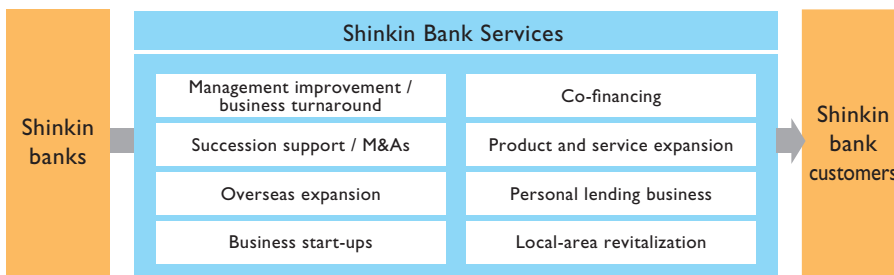
Outline of Shinkin Banks

254 shinkin banks form an extensive network, with approximately 7,100 offices across the country, from Hokkaido in the north to Kyushu and Okinawa in the south.

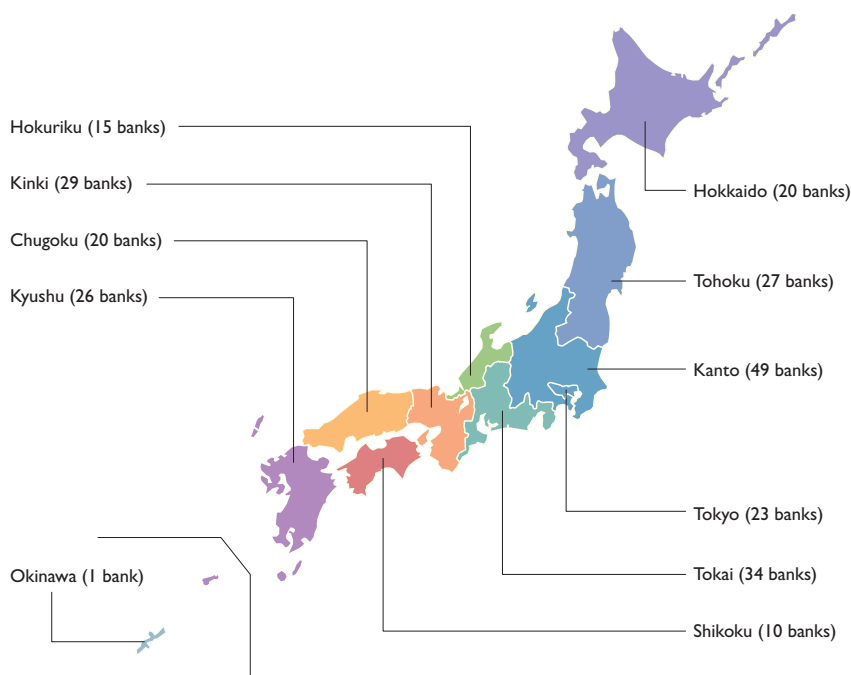
Shinkin banks dedicate themselves to providing high-quality services to local residents, as financial institutions deeply rooted in their respective regions, and contribute to regional development.

Total deposits outstanding at 254 shinkin banks as of March 31, 2023, reached approximately ¥160 trillion (\$1,200 billion), which ranks it in third place after Japan's city and regional banks, and gives shinkin banks an important position in Japanese financial markets.

Shinkin banks continue to further deepen their presence and roles as important infrastructure for regional economies and communities.



Nationwide Network of Shinkin Banks (254 banks)



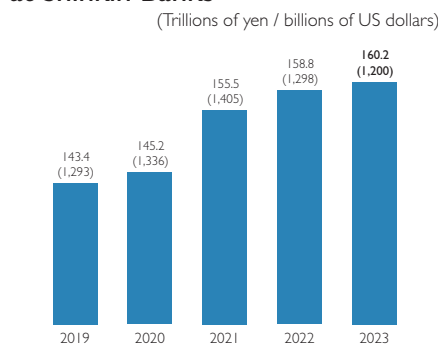
Deposits¹ Outstanding by Bank Segment (As of March 31, 2023)

Bank Segment	(Billions of US dollars)
City Banks ²	\$3,455
Regional Banks ²	2,423
Shinkin Banks	1,200
Agricultural Cooperatives	813
Second-tier Regional Banks ²	513
Credit Cooperatives	175
Labor Credit Associations	171

Notes: 1. Deposit includes domestic operations.
2. City banks, regional banks and second-tier regional banks do not include the special international financial transactions account.

Sources: Japanese Bankers Association, the Norinchukin Bank, National Central Society of Credit Cooperatives, National Association of Labour Banks and the SCB.

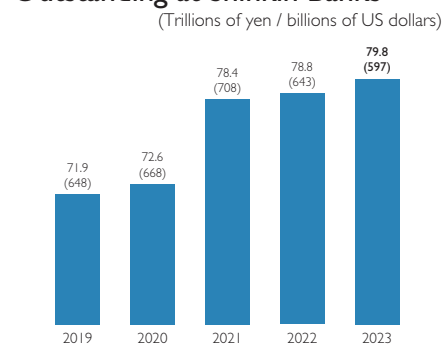
Deposits Outstanding at Shinkin Banks



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥110.96, ¥108.71, ¥110.69, ¥122.37 and ¥133.50 per US\$1.00, the prevailing rate on March 31, 2019, 2020, 2021, 2022 and 2023, respectively.

Source: The SCB.

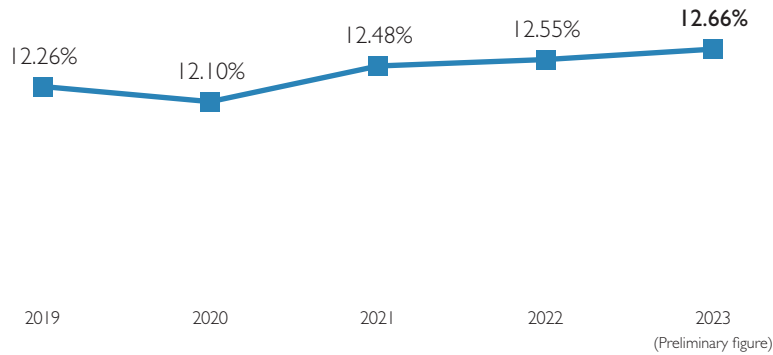
Loan and Bills Discounted Outstanding at Shinkin Banks



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥110.96, ¥108.71, ¥110.69, ¥122.37 and ¥133.50 per US\$1.00, the prevailing rate on March 31, 2019, 2020, 2021, 2022 and 2023, respectively.

Source: The SCB.

Capital Adequacy Ratio of Shinkin Banks

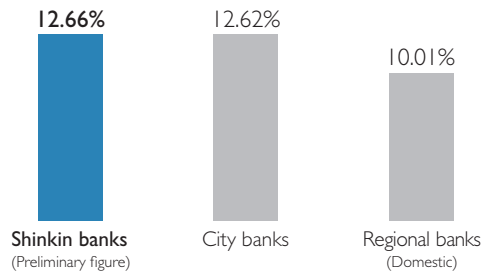


The capital adequacy ratio of shinkin banks rose to 12.66% (preliminary figure) as of March 31 2023, from 12.55% at the end of the previous fiscal period.

The ratio maintains a level that is not inferior to that of domestic citybanks (12.62%), and is outperforming other domestic regional banks (10.01%).

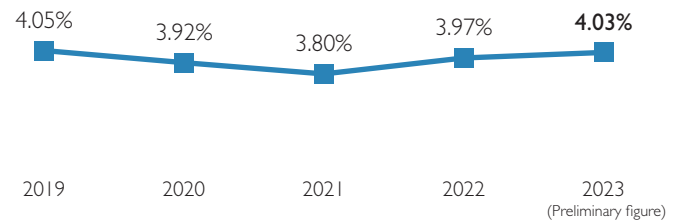
Source: The SCB.

Non-consolidated Capital Adequacy Ratio by Bank Segment (%) (as of March, 31, 2023)



Sources: Bank disclosure document, Regional Banks Association of Japan.

Nonperforming-loan Ratio of Shinkin Banks (%)



Source: The SCB.

Difference between Shinkin Banks and Commercial Banks

Category	Shinkin Banks	Commercial Banks
Legal foundation	Shinkin Bank Act	Banking Act
Organization	Non-profit cooperative organization financed by its members	For-profit joint stock corporations
Membership qualifications	(1) Those who have an address or office in the region (2) Those who have a business office in the region (3) Those who work in the region (4) Executive officers of companies that have a business office in the region (In the case of businesses) Businesses with no more than 300 employees or with less than 900 million yen in capital	None

Realizing a Sustainable Society

Declaration of Shinkin Central Bank Group on SDGs

Shinkin Central Bank Group is a group in which the SCB plays its role as the central financial institution for shinkin banks. As such, the Group strives to implement initiatives together with shinkin banks throughout Japan toward realization of a sustainable society based upon the Sustainable Development Goals (SDGs) and in accordance with the principle of a cooperative institution focusing on three important themes, including the “region”, the “people” and the “environment”.

Sustainable prosperity of a regional society

Major initiatives

- Improving sustainability of shinkin banks
- Improving sustainability of SMEs
- Initiative for regional revitalization in collaboration with shinkin banks

We contribute to sustainable prosperity of regional societies by strengthening sustainability of shinkin banks which support the regions and SMEs which constitute the business infrastructure for the regions, as well as by activity supporting regional revitalization.

Relevant SDGs



Well-being to all the people

Major initiatives

- Support for realization of children’s dream
- Enhancement of support for life planning of all generations
- Promotion of creating a workplace that values uniqueness of employees

Together with shinkin banks, we strive to implement initiatives to bring well-being to senior generations, children and all people in the regions, and to contribute to realizing a diversified and inclusive society with the concept of “leave no one behind”.

Relevant SDGs



Conservation of global environment

Major initiatives

- Promotion of ESG investments and loans
- Measures for climate change
- Reducing environmental burden associated with business activities

We strive to reduce environmental burden associated with business activities. Furthermore, as a banking group making investments and loans on a global scale, we will contribute to conservation of the global environment by promoting investments and loans that are mindful of the environmental problems.

Relevant SDGs



Support for initiatives

Task Force on Climate-related Financial Disclosures (TCFD)



The “Task Force on Climate-related Financial Disclosures (TCFD)” was established in December 2015 by the Financial Stability Board at the request of G20 finance ministers and central bankers. In July 2019, the SCB endorsed the recommendations of the TCFD.

Equator Principles



In April 2021, the SCB adopted the Equator Principles, a voluntary framework designed to ensure that in extending loans to large-scale projects, financial institutions give due consideration to the impact of such projects on the environment and society.

Measures for climate change (TCFD)

▶ Introduction (Way of Thinking About Climate Change Initiatives)

The SCB formulated the “Declaration of Shinkin Central Bank Group on SDGs.” As the central bank for all shinkin banks, the SCB implements initiatives together with shinkin banks throughout Japan toward the realization of a sustainable society by the principle of mutual support and nonprofit of a cooperative institution focusing on three important themes, namely the “region,” the “people” and the “environment.”

For environmental problems, including climate change, the SCB formulated the “SCB Group Environmental Policy” and is actively involved in solving these problems through its business and other activities.

In July 2019, the SCB endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Information is disclosed in line with TCFD recommendations as follows.

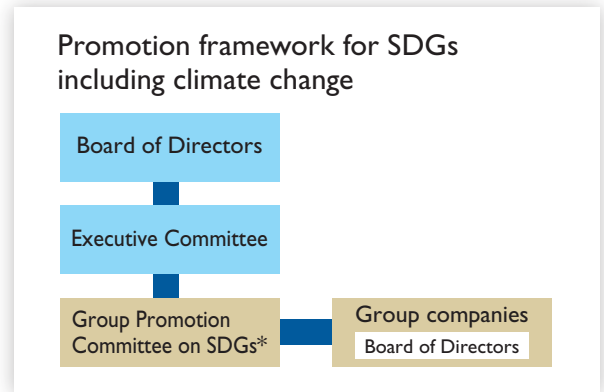
▶ Governance

◇ We hold an Executive Committee meeting to deliberate on our response policies regarding the SDGs including climate change, and then resolve them at the Board of Directors.

We deliberate on the status of our initiatives based on the policies of the Board of Directors at meetings and then make reports to the Board of Directors at least once a year.

We regularly deliberate on climate change risks at committees such as the Risk Management Committee, a subordinate body of the Management Committee, and other committees.

Meeting structure	Past main matters for discussion
Board of Directors/ Executive Committee	<ul style="list-style-type: none"> • Formulation of the Declaration of Shinkin Central Bank Group on SDGs • Formulation of the SCB Group Environmental Policy • Initiatives on SDGs in the SCB Group • Endorsement of the Recommendations of Task Force on Climate-related Financial Disclosures (TCFD) • Formulation of the Guideline for Making Responsible Investments and Loans by Type of Business • Adoption of the Equator Principles • Strengthening the response to climate change
Risk Management Committee	<ul style="list-style-type: none"> • Management of climate change risks in the Integrated Risk Management • Assessment of flows and importance of scenario analysis concerning climate change risks • Implementation of scenario analysis concerning climate change risks



* Chairperson: President and CEO
Members: President and CEO, executive officer in charge of SDGs Promotion Division, and group company presidents
Executive office: SDGs Promotion Division

◇ From the standpoint of integrated management as one banking group, we hold the “Group Promotion Committee on SDGs” meetings twice a year, a committee comprised of executive officers of the SCB and SCB Group companies to discuss such matters as the SCB Group’s policies and initiatives regarding the SDGs including climate change.

◇ Initiatives about SDGs, including climate change, are being taken cross-organizationally, with the SDGs Promotion Division playing a central role.

▶ Strategy

<Opportunities Associated With Climate Change>

To realize a sustainable society, we set the “Shinkin Green Project” in the Medium-Term Management Plan and are actively working on measures such as promoting ESG investments and loans and decarbonizing regions.

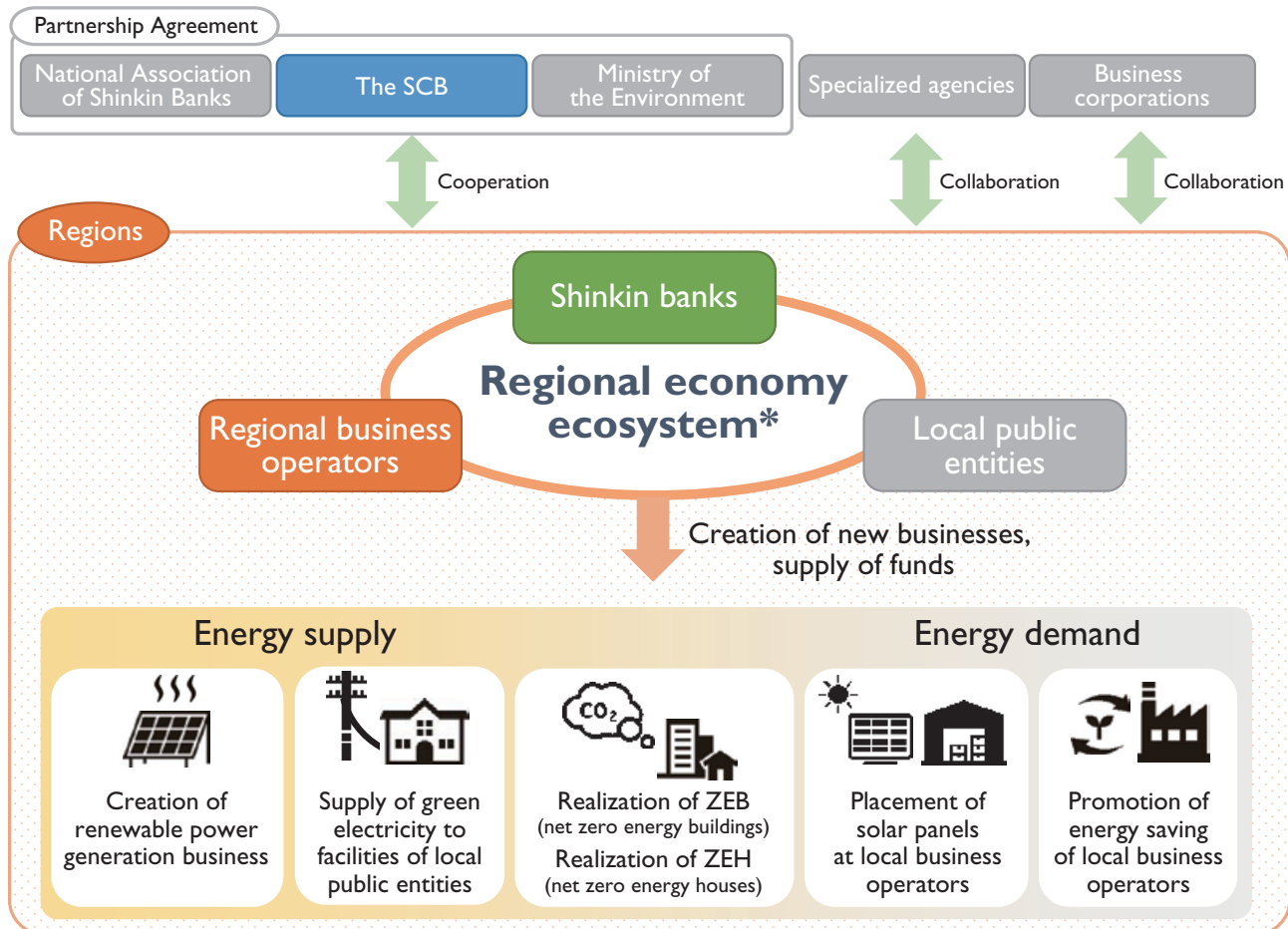
By leading these initiatives to the growth of the shinkin bank industry, we aim to create a virtuous cycle for solving social issues further.

◇ We regard the penetration of renewable energies and the advancement of technological innovations as investment opportunities. Toward the SDGs target deadline of 2030, we have set a medium- to long-term goal of a cumulative total of ¥3 trillion in ESG investments and loans (from fiscal 2021 to fiscal 2030) and promoted ESG investments and loans.

We are also actively addressing transition finance for the transition to a decarbonized society. As a designated financial institution that conducts business adoption promotion operations under the Act on Strengthening Industrial Competitiveness, we will support initiatives of business operators toward realizing carbon neutrality.

◇ We recognize that encouraging decarbonization initiatives by regions or SMEs will create new businesses and obtain growth opportunities for SMEs and will also be important from the standpoint of revitalizing regional economies.

Together with shinkin banks nationwide, the Green Project Promotion Office, established within the Regional Innovation Division, is taking the lead in promoting initiatives such as regional decarbonization in cooperation with government agencies and external organizations.



* It is a relationship in which corporations, financial institutions, local public entities, and governmental institutions play their respective roles and complement each other, while maintaining close relationships with economic entities outside their respective local communities and collaborate and co-create in many ways.

<Risks Associated With Climate Changes>

As climate change risks, we recognize that the assumed risks include the risk associated with a transition to a low-carbon society, such as tightening regulations and technological innovations relating to the climate (transitional risk) and the risk associated with physical damage due to causes such as an increased number of the natural disasters and abnormal weather related to climate change (physical risk).

We establish a business continuity structure and take measures, such as assessing impacts on finance conditions of the SCB because these risks are assumed to have a direct impact on our business activities and an indirect impact from affected investment and loan customers.

◇As the central bank for all shinkin banks, our business continuity plan (BCP) recognizes that in continuing to provide financial functions required to maintain the economic activities of shinkin banks as well as stakeholders, storm and flood damage and other disasters are events that have a material impact on performing businesses. We have established a structure that enables us to continue essential businesses when these become apparent.

◇To assess the impact on the financial conditions of the SCB quantitatively if customers are affected by climate change, we conducted a scenario analysis as follows.

Scenario Analysis for Climate Change

Based on the "Practical Guide for Scenario Analysis of Climate Change Risks and Opportunities in Accordance with TCFD Recommendations (for the Banking Sector) ver.2.0" released by the Ministry of the Environment, we analyzed two scenarios: "1.5 °C" and "4 °C." Based on the TCFD recommendations, we selected loans and bills discounted as exposure to be analyzed.

(i) Organization of outlook of the world per scenario

The outlooks of the world in "the 1.5 °C scenario" and "the 4 °C scenario" are as follows.

[Outlook of the world in the 1.5 °C scenario]

Policies, laws and regulations, and customer preferences change toward net zero by 2050

(Possible Circumstances)

Transitional risk	Policy/regulatory	Introduction of carbon tax, shift to low carbon emission energies, etc.
	Technology	Transition costs, etc. due to penetration of low carbon technologies
	Market	Changes in supply/demand for handled commodities, rise in raw material prices, etc.
	Reputation	Changes in carbon neutral awareness of customers and communities, etc.
Physical risk	Acute	Risk of physical or other damages due to more severe natural disasters decreases compared to the 4 °C scenario
	Chronic	Risk of damage (such as sea level and the average temperature rises) due to more extended abnormal weather decreases compared to the 4 °C scenario

(Possible Impacts)

The risks associated with the transition to a low-carbon society (transitional risk), such as tighter climate-related regulations and technological innovation, will increase and affect the businesses and financial conditions of investment and loan customers, which can be expected to affect a portfolio indirectly. At the same time, physical risks are assumed to be lower than those in the 4 °C scenario.

[Outlook of the world in the 4 °C scenario]

There are no changes in policies, laws and regulations, and customer preferences for decarbonization products, climate change measures do not proceed, and disasters become more severe

(Possible Circumstances)

Transitional risk	Climate change policies and regulations are tightened insufficiently, and transitional risks are lower than in the 1.5 °C scenario	
Physical risk	Acute	Physical or other damage, such as flood damage due to events including escalated severity of extreme weather, occurs
	Chronic	Damages (such as sea level rise and the average temperature rise) due to extended extreme weather occurs

(Possible Impacts)

A portfolio is assumed to be affected by increasing the risk associated with physical damage due to causes such as increased natural disasters or abnormal weather related to climate change (physical risk) to affect investment and loan customers' business and financial conditions. At the same time, transitional risks are assumed to be lower than in the 1.5 °C scenario.

(ii) Selection of important sectors

Given the degree of climate change impacts and the scale of exposure of loans and bills discounted, we selected the electricity and real estate sectors as important sectors for scenario analysis.

(iii) Organization of transmission channels for impacts on financial conditions of important sectors

We organized the transmission channels in which climate change impacts companies' financial conditions in the important sectors in "the 1.5 °C scenario" and "the 4 °C scenario."

In organizing the transmission channels, we recognized important elements as listed in the table below.

[Important Elements That Impact Each Sector]

		Electricity sector	Real estate sector
Transitional risk	Policies/laws and regulations	Introduction of carbon tax	Introduction of carbon tax
	Technology	Investments in R&D of low carbon technologies	Investments in developing decarbonization-ready properties and others
	Market	Changes in energy mix	Shift of demand to environment-conscious properties
	Reputation	Changes in carbon neutral awareness of customers and communities	Lower evaluations of non-environment-conscious properties
Physical risk	Acute	Damage to power generation stations and others due to flood damage	Damage to owned properties due to flood damage
	Chronic	Suspension of electricity supply grids due to damaged facilities	Lower labor productivity of workers due to global warming

(iv) Quantitative assessment of transitional and physical risks in important sectors

In line with the transmission channels, we estimated each company's financial statements by 2050. We calculated the increase in credit-related costs appropriate to the corporate credit strength changes derived from the resulting estimation.

[Transitional Risk (1.5 °C scenario)]

Base scenario	IEA-net zero emissions scenario
Analysis subject	Exposure of loans and bills discounted for electricity and real estate sectors
Analysis period	By 2050
Analysis method	Made a trial calculation of the impacts of the transition to a decarbonized society on the financial statements of the companies in the analysis sectors and estimated the increase in credit-related costs
Analysis result	Around ¥17.1 billion (cumulative)

[Physical risk (4 °C scenario)]

Base scenario	IPCC-R8.5
Analysis subject	Exposure of loans and bills discounted for electricity and real estate sectors
Analysis period	By 2050
Analysis method	Overlaid hazard maps on business assets and others owned by the companies in the analysis sectors, make a trial calculation of impacts on their financial statements from flood damage, and estimated the increase in credit-related costs
Analysis result	Slight amount

(v) Scenario analysis results

For the important sectors, the transitional risk by 2050 is around ¥17.1 billion on a cumulative basis, while the physical risk is a slight amount, showing the impact of both risks on financial conditions is limited.

◇As of March 31, 2023, carbon-related assets accounted for 25.4% of total loans*. Based on TCFD recommendations, loans to the energy, transportation, materials and construction, and agriculture, food, and forest products groups are defined as carbon-related assets.

* Total direct lending to members (shinkin banks) and non-members (¥9,266.4 billion)

► Risk management

◇We manage climate change risks in the integrated risk management framework. Specifically, we recognize that these risks are causes of generating or amplifying risks in risk categories (such as market and credit risks).

We add climate risk change events to a risk map that classifies and organizes them according to two criteria: "impact on the SCB" and "probability of occurrence," and visualize and share these.

The risk map is reviewed and revisions are approved as needed in the regular Risk Management Committee, which comprises executive officers and heads of related departments.

The risk events' measures are taken according to their impact and probability.

◇We have distinguished those sectors whose financial conditions are susceptible to climate change and formulated the "Guideline for Making Responsible Investments and Loans by Type of Business."

By making investments and loans in accordance with this Guideline, which is continually being revised, we are making a contribution to the realization of a sustainable society as well as managing the financial impact on the SCB. In July 2021, we tightened our policy on investments and loans for coal-fired power generation.

[Outline of the Guideline for Making Responsible Investments and Loans by Type of Business]

1. **Cluster munition manufacturing businesses**
Because of the inhumane nature of cluster munitions, we will not provide investments or loans to companies engaged in such business.
2. **Coal-fired power plant businesses**
Compared to other power generation methods, coal-fired power plants emit a significant amount of greenhouse gases, making such businesses a major contributor to negative environmental impacts. With this in mind, we will not provide investments or loans that will be used to finance the construction of coal-fired power plants.
3. **Palm oil farm development businesses and deforestation businesses**
Palm oil farm development businesses and deforestation businesses run the risk of illegal logging and adversely affect the ecosystem. Before providing investments or loans that will be used to finance such businesses, we will carefully consider any impact on regional communities and the environment.

◇The SCB adopted the Equator Principles in April 2021. Based on these principles, we assess the environmental and social impacts of projects in the decision-making process on project finance, etc., and continuously monitor the status of environmental and social considerations even after the project has been put into operation.

In April 2022, we established the Procedures for the Equator Principles.

◇In the framework of credit screening, the impact of ESG factors on the creditworthiness of the credit recipient is qualitatively evaluated, and credit decisions are also made based on the evaluation results.

In addition, when investing in funds, we evaluate the ESG investment stance of the entrusted asset management company and make investment decisions based on the evaluation results.

► Metrics and Targets

◇ We have set a target of ¥3 trillion for the cumulative amount of ESG investments and loans from fiscal 2021 to fiscal 2030.

The scope of ESG investments and loans is defined as investments and loans that contribute to solving environmental and social issues (bonds, loans, funds, project finance, PFI, etc.) with reference to international principles and government guidelines.

[Amount of ESG investments and loans executed]

Target	Cumulative total of ¥3 trillion from fiscal 2021 to fiscal 2030
Actual	Cumulative total of ¥818.7 billion (including ¥185.9 billion in the environment category) from fiscal 2021 to fiscal 2022

◇ We have set targets for reducing the balance of investments and loans used to finance the construction of coal-fired power plants by 50% by fiscal 2030 from the end of fiscal 2020 and to zero by fiscal 2040.

[Balance of investments and loans used to finance the construction of coal-fired power plants]

Target	Reduce by 50% by fiscal 2030 from the end of fiscal 2020*1, and to zero by fiscal 2040
Actual	Balance at the end of fiscal 2022: ¥7.3 billion

*1 Balance at the end of fiscal 2020: ¥5.9 billion

◇ To contribute to "carbon neutrality by 2050," as outlined in the Paris Agreement and by the Japanese Government, the SCB has set a target to reduce greenhouse gas emissions (Scope 1 and Scope 2)*2 to virtually zero by fiscal 2030. Based on the road map for the target, we will contribute to realizing a decarbonized society by switching to electricity derived from renewable energy sources and saving energy.

[Greenhouse gas emissions]

Measurement Item	Fiscal 2022	Target
Scope 1	1,878 t-CO ₂	Virtually zero by fiscal 2030
Scope 2	9,679 t-CO ₂	
Total	11,557 t-CO ₂	

*2 Scope 1: Direct emissions generated by the business operator itself (combustion of fuel, etc.)

Scope 2: Indirect emissions generated through use of electricity, etc. supplied by another party

[Road map toward reduction of greenhouse gas emissions to virtually zero]

		Phase 1 Reduction to less than 2,000 t-CO ₂					Phase 2 Achievement of carbon neutrality				
		Before 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	Fiscal 2030
I. Decarbonization measures	Electricity		● Trial introduction of green electricity	● Introduction at all owned offices, including tenants			● Reassessment of green electricity contracts (utilities/types)				
	Gas			● Introduction of carbon neutral gas			● Consideration (implementation) of introduction of new technologies				
	Automobile	● Introduction of HV official vehicles		● Introduction of HV sales vehicles	● Trial introduction of EV vehicles		● Consideration (implementation) of full-scale introduction of EV vehicles				
	Others				● Consideration of emissions trading		● Trial introduction of emissions trading	● Introduction of emissions trading		● Consideration (implementation) of participation in planting projects	
II. Energy-saving measures	Electricity saving		● Electricity saving measures								
	Lighting		● Introduction of LED (Head office/Kyobashi/computing centers/each sales branch)				● Consideration (implementation) of environment-conscious large-scale renovation				
	Air conditioning			● Introduction of high-efficient air conditioning and other equipment	● Construction of zero-emission branches		● Consideration (implementation) of existing branch renovation for ZEB				
III. Energy creation measures					● Consideration (implementation) of introduction of PPA						

◇ In order to reduce CO₂ emissions, efforts are underway to achieve electricity consumption reduction goals based on the "shinkin bank industry's environmental voluntary action plan," and have achieved actual reduction that exceeds the reduction target for fiscal 2030.

[Electric power consumption]

Target	19% reduction in fiscal 2030 compared to fiscal 2009*3
Actual	Fiscal 2022 205 kWh/m ² *4 (-45.0%)

*3 Fiscal 2009 373kWh/m²

*4 Electric power consumption rate = electric power consumption/total floor space

Medium-Term Management Plan "SCB Strategy 2022"

Overview of the Medium-Term Management Plan "SCB Strategy 2022"

The current environment surrounding the shinkin bank industry is characterized by a number of material issues that must be addressed, including sustainability concerns of regional communities, accelerating digitization, climate change countermeasures, in addition to the persistently low interest rate environment due to sustained monetary easing.

In light of these changes in the business environment, the SCB has formulated a new Medium-Term Management Plan, "SCB Strategy 2022," which is based on the "Four Strategies" and "Three Reforms" that follow the initiatives of the previous Medium-Term Management Plan, and the new Plan began from April 2022.

Management Philosophy As the central bank for all Shinkin Banks, the SCB supports the growth of the Shinkin Bank industry, thereby contributing to economic development throughout Japan.

Vision by 2030 Together with Shinkin Banks, SCB will aim for constructing combined operations as one banking group, improving competitiveness of Shinkin group, and achieving the future where Shinkin Bank is the most reliable bank in every local area, by allocating resources to each bank's field of expertise.

Achieving both increased corporate value and solutions to social issues = Sustainable Management



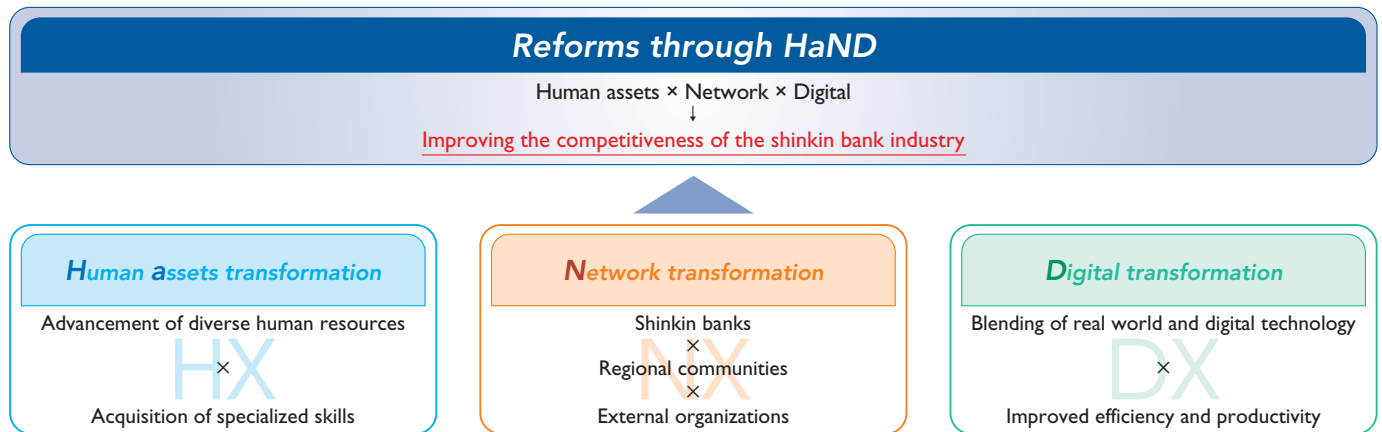
Values to be shared "Collaboration" with shinkin banks Collaboration with the outside Practice of "Try & Learn"

<p>● Medium-term target level of earnings</p> <hr/> <p>Profit attributable to owners of parent Around ¥40.0 billion</p>	<p>● Levels of management indices that should be maintained</p> <hr/> <p>Consolidated capital adequacy ratio (domestic standard) At least 15%</p>	<p>● Maximum amount available for dividend</p> <hr/> <p>Maximum amount available for dividend At least ¥200 billion</p>
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Three Reforms - HaND -

The nature of financial institution business is about to undergo a major transformation as a result of accelerating innovation due to dramatic advances in digital technology, the resulting shift in industrial structure, and intensifying competition across industries and business categories. Under these circumstances, it is necessary for the shinkin bank industry to reform its business model to increase its competitiveness as a whole.

The SCB will create reforms based on the three pillars including “Human assets,” “Network,” and “Digital,” which can represent strengths and opportunities for the shinkin bank industry, and will enhance the competitiveness of the shinkin bank industry.



Direction of HaND

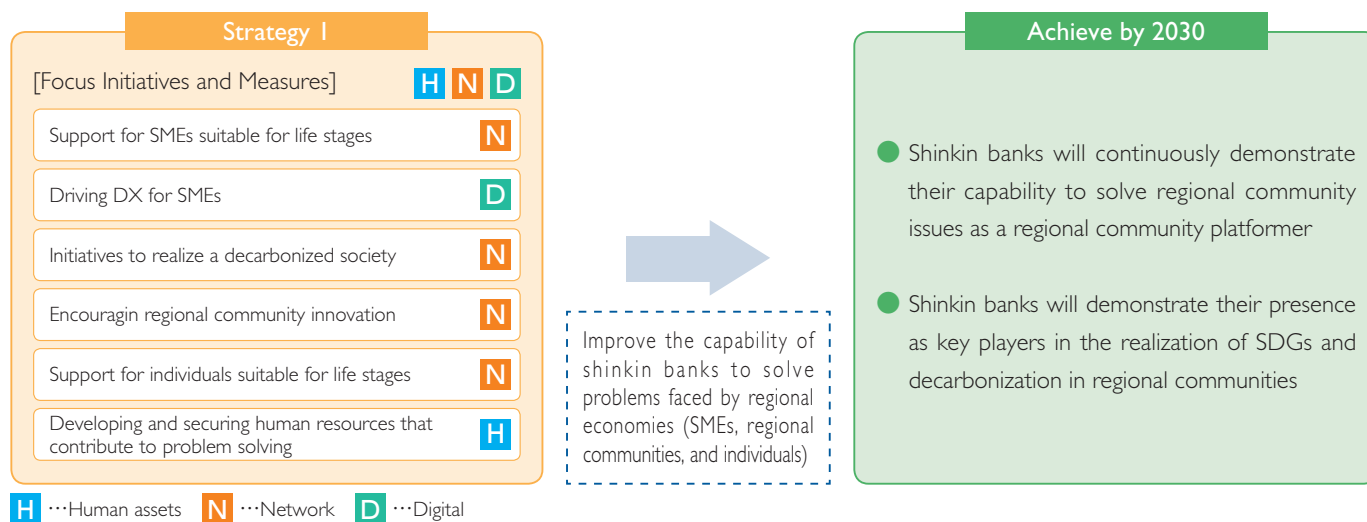


Medium-Term Management Plan “SCB Strategy 2022”

Strategy 1 Improve the capability to solve issues of regional communities

In order to meet the expectations of regional communities raised by the COVID-19 pandemic, we will focus on initiatives that make a significant contribution to solving issues of regional communities and increase the effectiveness of our measures.

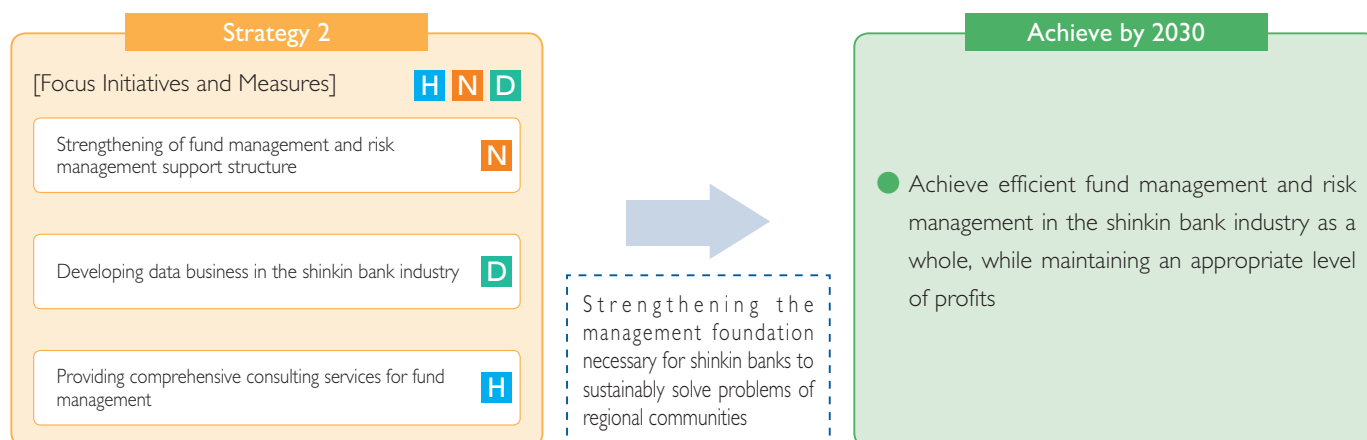
We will aim to build a system in which the shinkin bank industry receives appropriate compensation for these initiatives and provides quality services to regional communities on a sustainable basis.



Strategy 2 Strengthen shinkin banks' profitability and capability to respond to risk

The SCB Group will work together as one to deepen its consulting functions for shinkin banks, including fund management and risk management support.

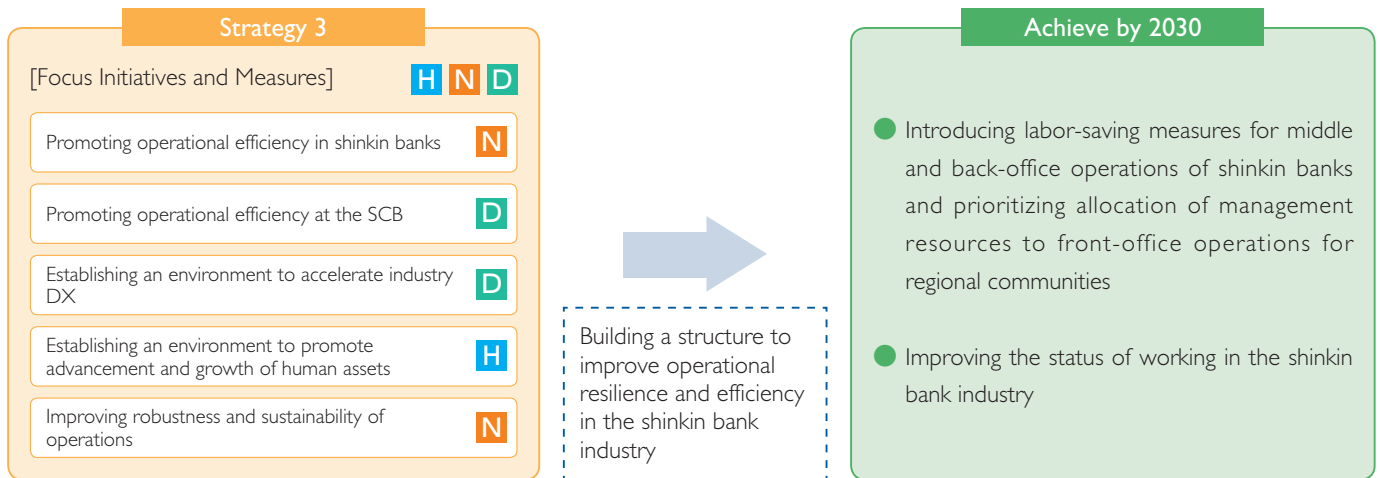
We will promote the provision of products and services that contribute to the diversification of shinkin banks' revenue sources.



Strategy 3 Build a sustainable and efficient business operating structure

To make effective use of limited management resources, we will work to improve operational efficiency by promoting collaboration, centralization, and outsourcing, while maintaining and improving the robustness and sustainability of our operations.

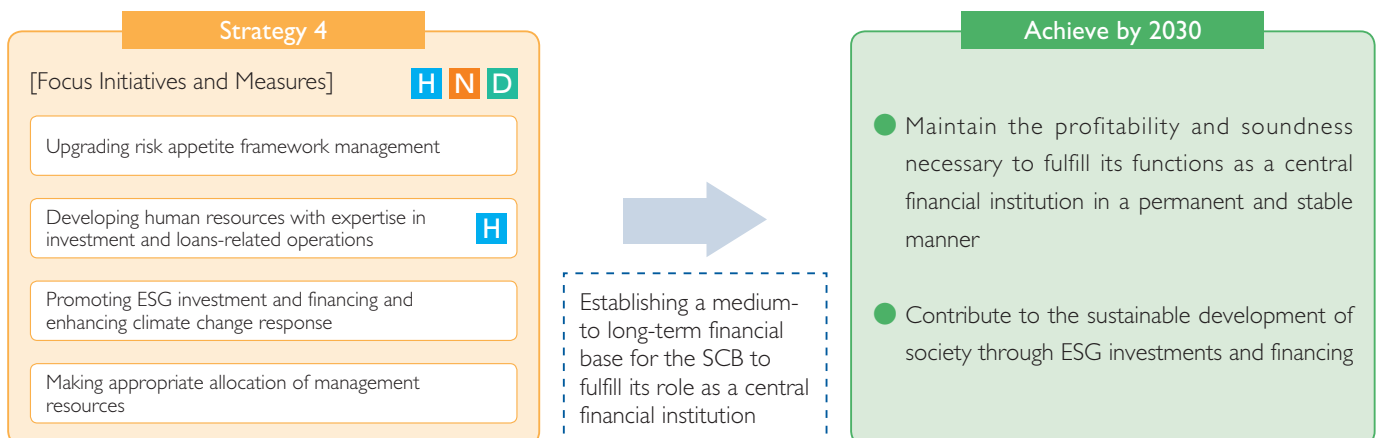
We will develop an environment that will serve as a foundation for business model reform in the shinkin bank industry.



Strategy 4 Strengthen SCB's financial base

While a commensurate cost burden is expected to be incurred in strengthening the functions of the shinkin bank industry, we will aim to enhance profitability by upgrading our risk appetite framework management and developing specialized human resources.

As one of Japan's leading institutional investors, we will promote initiatives to contribute to the improvement of social sustainability through the promotion of ESG investments and financing.



HX: Human assets transformation

▶ Front Line of Diversity

Shinkin banks, which solve problems through approaches that are suitable for regional characteristics, are a keeper of regional diversity

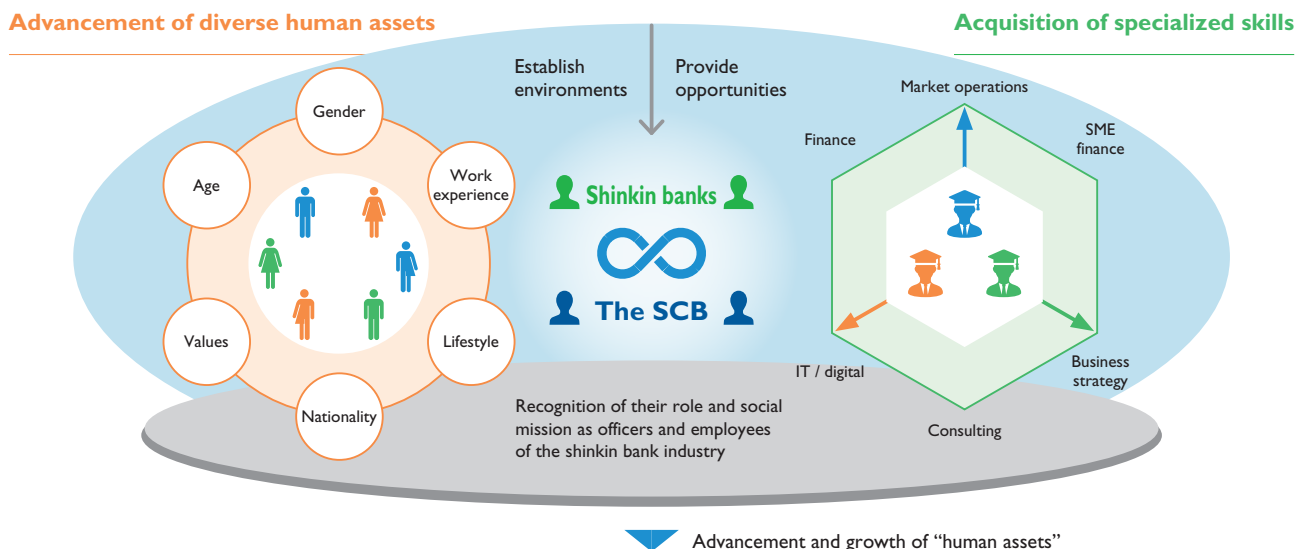
"Diversity." It is one of the words that have recently attracted attention worldwide. As the world is shifting from a centralized society to a decentralized society, shinkin banks are so-called the "front line of diversity" and a "keeper for regional diversity" because they solve problems through approaches that are suitable for regional characteristics such as respective history, cultures, and climates. The officers and employees in the shinkin bank industry take roles in promoting region-originated initiatives that root in each region. The skills required for them are more advanced and diversified than ever. To support shinkin banks that meet diverse regional needs, the SCB must generate an environment where each employee can maximize one's abilities, such as nurturing free thinking and a try-to-do mind. As measures for developing human resources appropriate for the central bank for the shinkin bank industry and steps for creating a comfortable work environment, the SCB has implemented an employee engagement survey since fiscal 2019. Employees highly expect backup for their challenges and support for the growth of each employee. In fiscal 2022, we took initiatives toward fostering an organizational culture in which challenges are encouraged. For example, we introduced the "neXtry" program in which employees learn the process from idea conception to its materialization. We will focus more than ever on creating the ideal environment so that diverse human resources can maximize their capabilities and play active roles for longer, leading to a dynamic organization's realization.



Senior Managing Director **Yuzuru Nishino**

▣ Toward the Advancement and Growth of Human Assets

We will further work on fostering an organizational atmosphere and creating a comfortable work environment so that a diverse range of human assets, including women and seniors, can play an active role, and by working to develop human assets with expertise and the flexibility to respond to changes in the environment, lead to the growth of the shinkin bank industry and enhance our corporate value.



Advancement and growth of "human assets"
Growth of the Shinkin Bank Industry and Enhancement of Corporate Value

Employee Engagement

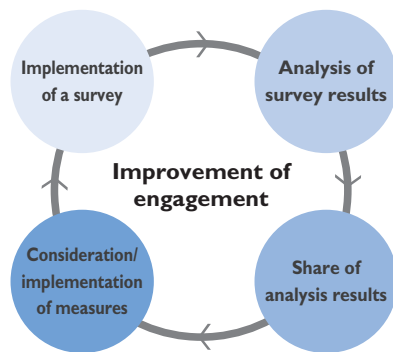
As financial institutions are expected to reform their business models to create an environment in which employees can maximize their capabilities, we recognize "employee engagement" as an essential notion and are working to improve it.

Specifically, we have implemented an employee engagement survey since fiscal 2019 to visualize employee engagement, follow the PDCA cycle and thereby improve engagement effectively.

We analyze survey results per attribute, such as departments and job positions, and then share the results with the management and department leaders. We make efforts to enhance an organization-employee trust relationship through the engagement of the management and efforts at on-site levels.

In addition to the survey results which are quantitative data, we are working to consider and implement company-wide measures based on qualitative data such as issues recognized at on-site levels.

PDCA toward improvement of engagement



Transformation of an organizational culture

We are working on the "transformation of an organizational culture," a key factor for improving engagement.

Fostering an organizational culture in which challenges are encouraged

- ✓ New business creation program "neXtry"
- ✓ Career challenge program

Supporting employees' mental health

- ✓ Top seminars
- ✓ SCB peer bonus

Raising employees' awareness of work engagement

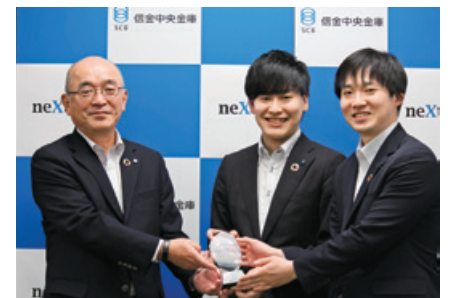
- ✓ One-on-one meeting with a management person of each department
- ✓ Training by job level

New Business Creation Program neXtry

The new business creation program "neXtry" is a system in which the SCB's employees propose new solutions to solve issues of regional communities, shinkin banks and others and work to realize their ideas by the proponents themselves with organizational backup.

In this program, the employees who make new business proposals repeatedly test hypotheses to brush them up, go through reviews and then commercialize based on the "Try & Learn" spirit. In fiscal 2022, a proposal on fundamental operational reforms using AI chatbots was adapted. The proponent is working toward its commercialization.

Through this program, the SCB is supporting growth opportunities for employees and fostering an organizational culture in which challenges are encouraged.



Final review successful proponents in 1st term

Outline



NX: Network transformation

▶ One Banking Group



Managing Director **Takehiko Murotani**

The shinkin bank industry is something like the picture book “Swimmy”

Like the big fish made up of a group of smaller fish depicted in the picture book “Swimmy,” the shinkin bank industry can function as if all 254 shinkin banks nationwide were one financial institution when needed, while each acts independently as an individual financial institution on a day-to-day basis. The shinkin bank industry has ¥160 trillion in deposits, which is the third largest deposit volume of any financial institution in Japan.

Shinkin banks, rooted as cooperative financial institutions in regions, connect through the SCB Group as the central bank and hub, forming one of the widest and deepest networks in Japan that cover from micro, small and medium businesses to large enterprises and from local governments to national governments and international organizations.

The SCB Group would like to utilize this network and solve issues tackled by each region, thereby opening up new potentials of regional communities.

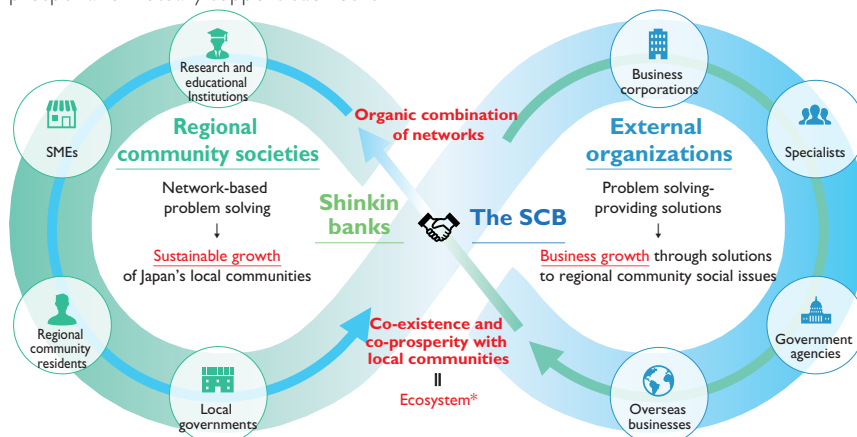
To date, we have supported initiatives that utilize our network. For example, overseas offices of the SCB hold the “Shinkinkai” (local networking) to support shinkin banks’ customers in their overseas business/sales channel expansion. The “Shinkin Business Succession Consortium” was established to provide one-stop consultation services on business succession and coordinates appropriate external organizations.

The SCB Group intends to serve as the hub of this network to further strengthen ties between the community and external organizations and enhance its value.

■ Formation of the Shinkin Ecosystem

The SCB Group will serve as the hub, organically combining the local community networks of shinkin banks nationwide with SCB’s extensive networks of external organizations in Japan and overseas to create a problem-solving system that transcends the framework of the shinkin bank industry.

By doing so, we aim to solve issues in Japan’s local communities and form a system (the Shinkin Ecosystem) in which participants in the network mutually grow, co-exist, co-prosper and mutually support each other.



* “Ecosystem” originally means a state in which organisms living in the same area depend on each other to survive. Here, it refers to the co-existence, co-prosperity, and mutual support of the many stakeholders in the network in which shinkin banks and the SCB are involved.

Networking by “Shinkinkai” (Local Networking)

The primary purpose of the “Shinkinkai” is to exchange among shinkin banks’ customers and overseas local subsidiaries and provide information. It has been held more than 90 times worldwide, such as in Hong Kong and Shanghai. As the local Shinkinkai events organized for the first time since the COVID-19 pandemic, we held the “1st Singapore Shinkinkai” on the first anniversary of starting a business of the group company “Shinkin Singapore Pte. Ltd.” in August 2022 and “16th Bangkok Shinkinkai” on the 10th anniversary of opening the SCB Bangkok Representative Office in February 2023. With the “Shinkinkai” as one of opportunities, participating shinkin banks have raised their awareness on overseas-related operations. Activities such as dispatching trainees to the SCB and on-site touring are being taken actively.

■ Scene of Singapore Shinkinkai



75 people from 52 organizations participated

■ Scene of Bangkok Shinkinkai



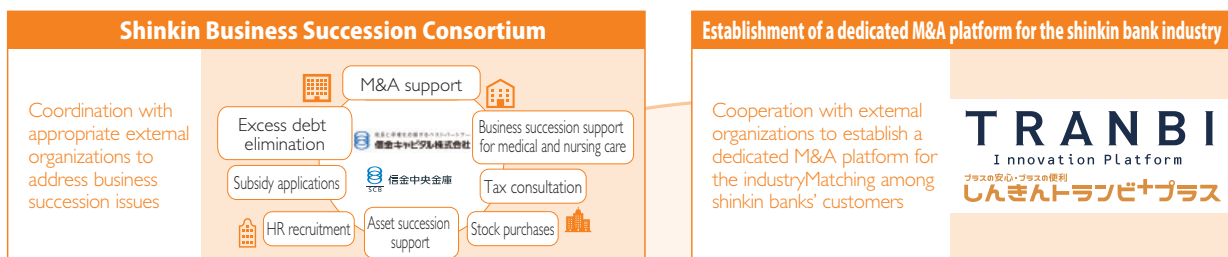
316 people from 198 organizations participated

Utilizing the Shinkin Bank Network to Address Business Succession Issues

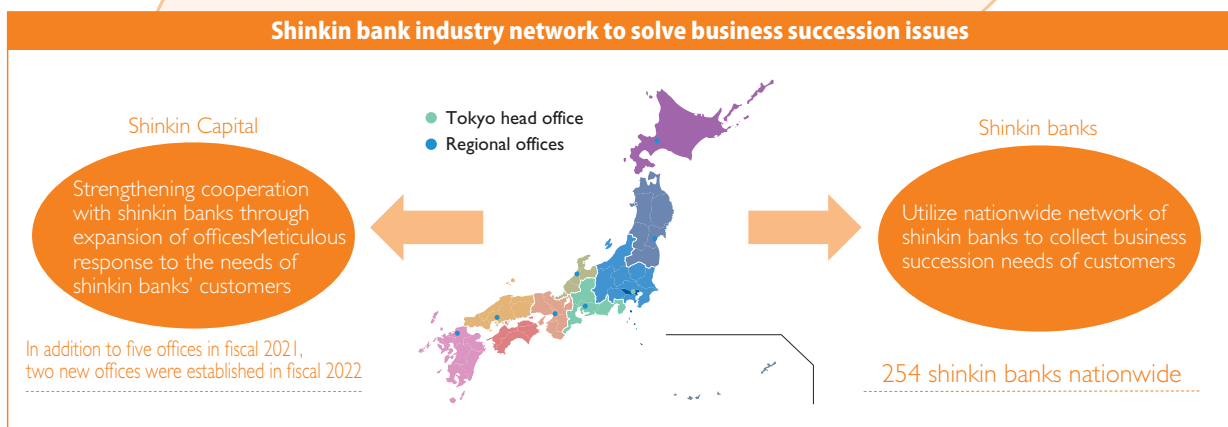
The group company “Shinkin Capital Co., Ltd.” provides solutions that relate to M&As and all aspects of succession planning of SMEs, such as succession planning for family-owned business.

In fiscal 2022, the company expanded regional offices, including establishing two new offices. Dedicated employees in eight offices including the Tokyo head office, are conducting flexible activities.

Through operating the “Shinkin Business Succession Consortium” built to facilitate succession planning of shinkin banks’ customers, Shinkin Capital Co., Ltd. receives various consultations concerning business succession at one stop and coordinates appropriate external specialized agencies.



Organic Collaboration with Shinkin Banks and External Organizations to Solve the Urgent Problem of Business Succession



DX: Digital transformation

▶ Players in DX Introduction

Shinkin banks, which stay closer to customers day-to-day basis, would like to assist them in introducing DX

Driving DX in SMEs is one of the issues tackled by each region common across Japan. A first step of driving DX for SMEs could include keeping track of cash management by visualizing account balances and responding to the invoicing scheme. These could expect SMEs to improve productivity but are often given a low priority for the SME management persons and sole proprietors who are always busy.

In these circumstances, shinkin banks, which stay closer to customers daily, and the SCB, the central bank for all shinkin banks, are keen to assist busy customers in driving DX.

In October 2022, the SCB launched “Kei Yell,” a portal service for SMEs, as a gateway for DX. The name Kei Yell contains the wish of “sending cheers to every management person.”

In August 2022, to drive DX in shinkin banks and SMEs, the SCB entered into business alliances with NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION.

The SCB will utilize insight from both companies to support the introduction of Kei Yell and develop human resources proficient in digital technology in the shinkin bank industry.

Shinkin banks and the SCB will continue to assist SMEs nationwide in introducing and supporting DX.

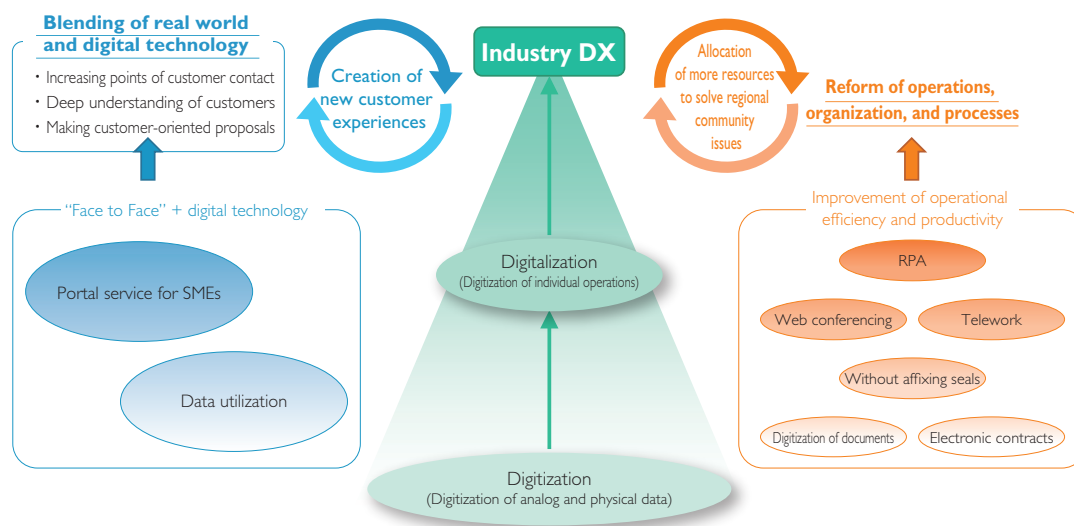


Deputy President **Hiroshi Nakahara**

■ Toward DX Driving in the Shinkin Bank Industry

The “blending of the real world and digital technology” means that the SCB will provide real-time necessary support through smartphones and personal computers, in addition to the “Face to Face” communications which are characteristics of shinkin banks.

In addition, using digital technology, we will further improve the efficiency and productivity of operations in the shinkin bank industry to a greater extent than ever before, thereby allocating management resources to operations that contribute to solving regional community issues.



Provision of “Kei Yell,” a Portal Service for SMEs

In October 2022, the SCB released “Kei Yell,” a portal service for SMEs. The concept of “Kei Yell” is “gentle digital and warm fintech.” (The service has seven functions that are convenient for performing daily tasks, including keeping track of cash management, handling of electronic invoices, and electronic bookkeeping. Introducing Kei Yell will enable users to digitalize daily operations.)

In launching Kei Yell, the SCB entered into business alliances with NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION.

While both companies have nationwide networks similar to that of the shinkin bank industry, they also have a high level of expertise in all aspects of digital technology.

By combining the shinkin bank industry, which has strengths in regional finance, with the strengths of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION which provide regional communities with ICT services widely, the SCB will contribute to solving problems of SMEs nationwide.

■ Poster



■ Scene of a press conference for announcing a business alliance



* From left, SCB President and CEO Hiroyuki Shibata, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION President Naoki Shibutani

Acceleration of DX Human Resource Development in the Shinkin Bank Industry

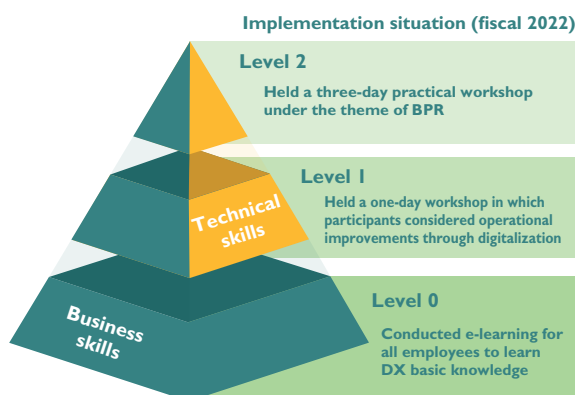
To enable shinkin banks themselves to streamline operations through DX and allow them to support SMEs in introducing DX, it is urgent to develop human resources with expertise in digital technology.

For this reason, the SCB started providing about 100,000 employees of the SCB and shinkin banks with training programs related to DX human resource development.

As an opportunity for self-learning by the SCB's employees, the SCB provides the online learning platform “Udemy Business.”

Through this program, the SCB will accelerate DX human resource development in the shinkin bank industry and proceed with supporting DX in shinkin banks and SMEs.

Training by level



* “DX Human Resource Development Program” in the SCB (technical skill training will start from fiscal 2023)

Self-development

udemy business™

The learning platform “Udemy Business,” which enables people to learn more than 10,000 courses, such as DX-related skills, is provided charge-free for those who are interested in learning

Overseas Networks

The SCB has offices in New York, London, Hong Kong, Shanghai, Bangkok and Singapore. Through these offices, we collect and disseminate up-to-date information relating to economic and financial conditions, the investment and financing environment, and the laws, taxation regimes, and employment situation of each region.

These offices also work with allied banks to support the overseas expansion of shinkin banks' customers.

Moreover, as part of our support for the overseas business of SMEs, we second employees to allied banks. The overseas offices also provide shinkin bank employees with opportunities to improve their skills related to supporting the overseas businesses of their customers and contribute to human resources development in the shinkin bank industry.

Network of SCB Group's overseas offices and allied banks



Expanding our global network

Given the increase in the number of Japan's SMEs expanding overseas, particularly in Southeast Asia, in July 2021, we opened a Singapore-based subsidiary, Shinkin Singapore Pte. Ltd., as a new Asian base for the shinkin bank industry.

Together with shinkin banks, we are committed to bringing the growth potential of Asia into the future of the regional economy by providing financing and supporting sales channel development for SMEs.

Mission of Shinkin Singapore Pte. Ltd.

Supporting the overseas expansion of shinkin banks' customers	▶ Establishing a competitive advantage in the shinkin bank industry's overseas support system by enhancing finance functions and sales channel development functions.
Supporting investments and financing of SCB	▶ Realize and maintain optimal asset allocation by utilizing the global network of the SCB head office and overseas offices.
Conducting surveys and research for financial innovation	▶ Utilizing examples of financial innovation in Singapore and other Asian countries to revitalize local communities and offer solutions to social issues.
Nurturing human resources of the shinkin bank industry	▶ Systematically develop and improve engagement of shinkin banks and SCB employees through practical experience in Asian markets.

Support for overseas business expansion and funding

The SCB has formed business alliances with nine local banks overseas to increase its capability to support shinkin banks' customers who are expanding their businesses overseas.

Working with shinkin banks, the SCB and local banks, we provide a wide range of support to shinkin banks' customers who conduct business overseas by helping them open local bank accounts, and providing local currency denominated financing using standby L/C, for example.

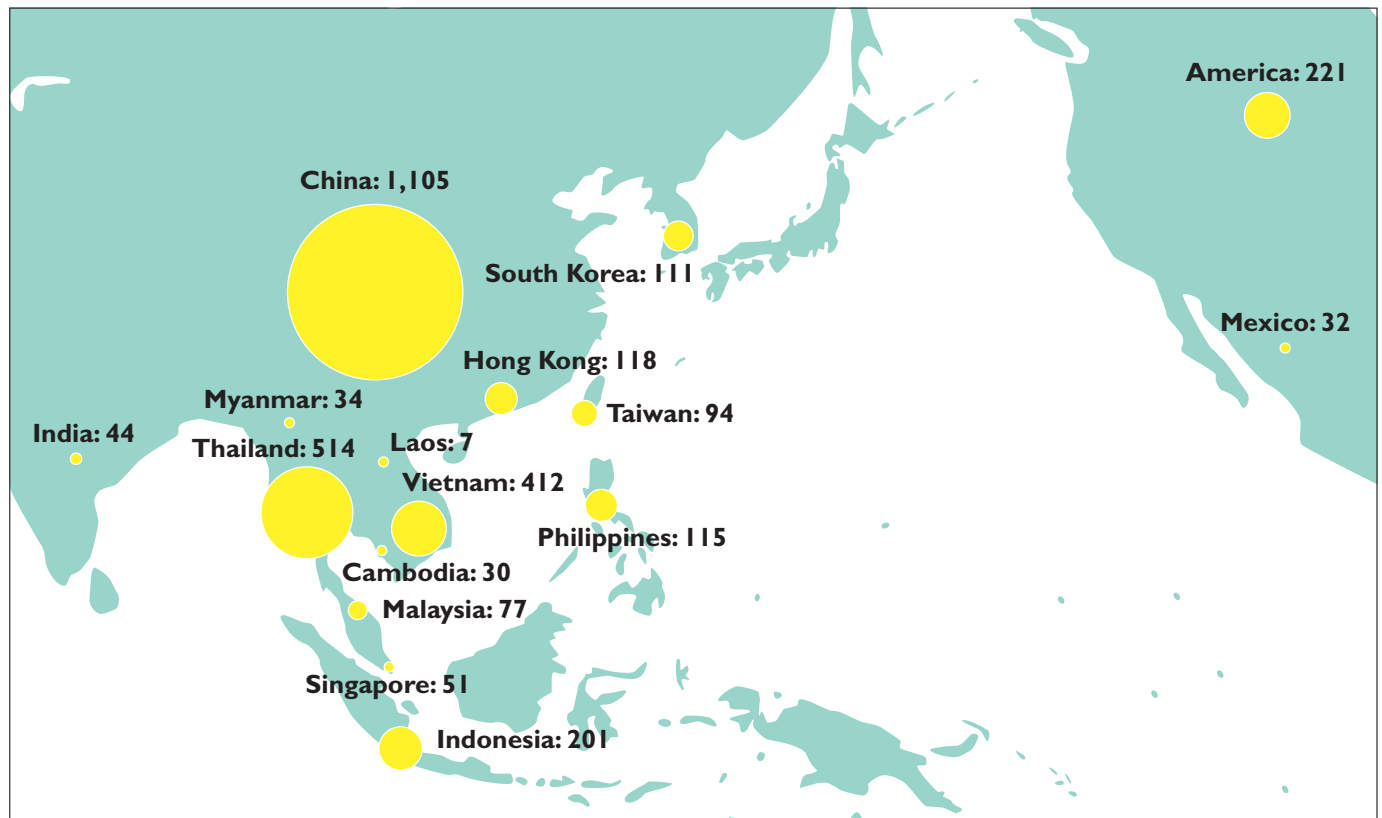
Provision of services corresponding to the needs of overseas expansion

We are collaborating with shinkin banks in the business areas such as overseas expansion, cultivation of overseas sales channels, overseas financing, effective use of overseas human resources, inbound tourism, and foreign exchange, thus providing various services to those shinkin banks' customers who are considering overseas expansion.

“Shinkinkai” (local networking)

We hold regular meetings of the “Shinkinkai” local information exchange events in order to build networks among shinkin banks' customers who are active in the region, involving not only the three Asian offices of Hong Kong, Shanghai, Bangkok and Singapore, but also Ho Chi Minh, Jakarta and Manila, where staff have been seconded to local banks with which business alliances have been concluded.

Global Expansion by Shinkin Bank Customers



Source: Fourteenth Survey on the Overseas Business of Shinkin Bank Customers (2022)

Shinkin Global Summit

From perspectives of improving operational efficiency and productivity, SMEs are urgently required to realize DX. Considering these circumstances, we held the “Shinkin Global Summit 2023: Overseas Business Expansion/Inbound x DX with Shinkin” in order to support shinkin banks’ customers for promoting DX in their overseas business expansion, inbound business and conduct public relations on the support structure of the shinkin bank industry.

This summit invited four speakers, including the Executive Vice President of the Japan External Trade Organization and the Representative Director and *Okami* traditional manager of the Japanese ryokan Tsurumaki Onsen Motoyu Jinya who is one of the shinkin banks’ customers and has appeared in media many times. They provided lectures such as introducing advanced case studies for DX promoted by shinkin banks’ customers and panel discussions. More than 500 shinkin banks’ customers and related parties joined this event.



promoted by shinkin banks’ customers and panel discussions.

Support for Cross-Border EC Utilization

The “Japan Prime Selection” is a unique cross-border e-commerce store available in Taiwan, Singapore, and Malaysia and exclusive to shinkin banks’ customers to sell products. We collaborated with BeeCruise Inc., the store operator, to support product sales and other activities.

We supported the store's promotion by collaborating with a Taiwanese YouTuber to distribute videos and placing advertisements at the Chubu Centrair International Airport of Japan.

In overseas local areas, we collaborated with a group company, “Shinkin Singapore Pte. Ltd.” to create a special booth within the “JAPAN RAIL CAFE” operated by the East Japan Railway Company Singapore Office, a partner of the local subsidiary. We exhibited products of shinkin banks’ customers sold at the special exhibition store.

In addition, we conducted promotions collaborating with local influencers and questionnaires for visiting customers.



Japan Brand Subsidy

The SCB was selected as a supporting partner for the “Fiscal 2022 Subsidy for Japan Brand Development & Assistance Project Expenses” which was a scheme where the Small and Medium Enterprise Agency paid part of expenses when SMEs worked to cultivate overseas sales channels.

As a supporting partner, we conducted to support shinkin banks’ customers in opening up overseas sales channels in an integrated manner, from supporting subsidy applications to supporting business implementation.

With the support of the SCB, 13 shinkin banks’ customers applied for the subsidy, and three of them were adopted.

When the adopted customers implemented subsidy businesses, we collaborated with overseas offices and other stakeholders to support these customers in opening up overseas sales channels, such as supporting exhibitions in overseas local areas and setting business negotiations with overseas local buyers.



Corporate Management and Auditors



Kenichiro Mimuro
Chairman of the Board
of Directors (Part-time)

Career summary

April 1968
Joined Hamamatsu Shinkin
Bank (current Hamamatsu
Iwata Shinkin Bank)
June 2005
President and Chief
Executive Officer of
Hamamatsu Shinkin Bank
June 2008
Director of the SCB
June 2020
Chairman of the Board of
Directors (current position)
June 2020
Chairman of the Board of
Directors of The National
Association of Shinkin
Banks (current position)
August 2021
Chairman of the Board of
Directors of Hamamatsu
Iwata Shinkin Bank
(current position)



Hiroyuki Shibata
President and Chief
Executive Officer

Career summary

April 1980
Joined the SCB
April 2005
General Manager of
Strategic Planning Division
June 2007
Director and General
Manager of Strategic
Planning Division
June 2009
Managing Director
June 2013
Senior Managing Director
June 2016
Deputy President
June 2018
President and Chief Executive
Officer (current position)



Hiroshi Sudo
Deputy President

Career summary

April 1987
Joined the SCB
April 2005
Representative Director
and President of Shinkin
International Ltd
June 2009
General Manager of
Strategic Planning Division
June 2013
Director and General
Manager of Osaka Branch
June 2016
Managing Director
June 2018
Senior Managing Director
June 2022
Deputy President
(current position)



Hiroshi Nakahara
Deputy President

Career summary

April 1981
Joined the Ministry of Finance
June 2013
President of the Accounting
Center and President of the
Policy Research Institute,
Ministry of Finance
July 2014
Director-General of the
Financial Bureau
July 2015
Commissioner of the
National Tax Agency
October 2016
Executive Consultant of the SCB
June 2017
Director and Executive
Consultant
October 2017
Senior Managing Director
June 2022
Deputy President
(current position)



Yuzuru Nishino
Senior Managing Director

Career summary

April 1987
Joined the SCB
April 2013
General Manager of Business
Promotion Division
April 2014
Seconded to shinkin
bank with Personnel
Division benefits as
Senior Advisory Officer
June 2016
Director and General
Manager of Personnel
Division
June 2018
Managing Director
June 2022
Senior Managing Director
(current position)



Takehiko Murotani
Managing Director

Career summary

April 1988
Joined the SCB
April 2013
General Manager of
Personnel Division
June 2016
Director and General
Manager of Osaka
Branch
June 2019
Managing Director
(current position)



Kenji Tanaka
Managing Director

Career summary

April 1991
Joined Yamaichi
Securities Co., Ltd.
October 2001
Joined the SCB
June 2015
General Manager of
Treasury Division
June 2019
Director and General
Manager of Financial
Management Division
June 2022
Managing Director
(current position)



Yuji Takahashi
Managing Director

Career summary

April 1992
Joined the SCB
June 2018
General Manager of
Personnel Division
June 2021
Director and General
Manager of Osaka
Branch
June 2023
Managing Director
(current position)



Yoshinori Jinno
Managing Director

Career summary

April 1995
Joined the SCB
June 2018
General Manager of
Strategic Planning
Division
June 2021
Director and General
Manager of Nagoya
Branch
June 2023
Managing Director
(current position)



Career summary
 April 1994
 Joined the SCB
 June 2019
 General Manager of Corporate Business Promotion Division
 June 2021
 Director and General Manager of Corporate Business Promotion Division
 June 2022
 Director and General Manager of SME Business Division (current position)

Atsushi Toyoshima
 Director
 General Manager of SME Business Division



Career summary
 April 1996
 Joined the SCB
 June 2021
 General Manager of Strategic Planning Division
 June 2022
 Director and General Manager of Strategic Planning Division
 June 2023
 Director and General Manager of Osaka Branch (current position)

Ikuo Sekiguchi
 Director
 General Manager of Osaka Branch



Career summary
 April 1991
 Joined the SCB
 April 2022
 General Manager of Internal Audit Division
 June 2023
 Director and General Manager of Nagoya Branch (current position)

Takehiro Suzuki
 Director
 General Manager of Nagoya Branch



Career summary
 April 1994
 Joined the SCB
 June 2021
 General Manager of General Affairs Division
 June 2023
 Director and General Manager of General Affairs Division (current position)

Atsushi Tada
 Director
 General Manager of General Affairs Division



Career summary
 April 1995
 Joined the SCB
 June 2022
 General Manager of Financial Management Division
 June 2023
 Director and General Manager of Financial Management Division (current position)

Tomoaki Itabashi
 Director
 General Manager of Financial Management Division



Career summary
 April 1991
 Joined the SCB
 June 2019
 General Manager of General Affairs Division
 June 2020
 Director and General Manager of General Affairs Division
 June 2021
 Corporate Auditor (current position)

Masafumi Shinagawa
 Corporate Auditor

Chairman of the Board of Directors (Part-time)

Kenichiro Mimuro

President and Chief Executive Officer

Hiroyuki Shibata

Deputy Presidents

Hiroshi Sudo
 Hiroshi Nakahara

Senior Managing Director

Yuzuru Nishino

Managing Directors

Takehiko Murotani
 Kenji Tanaka
 Yuji Takahashi
 Yoshinori Jinno

Directors

Atsushi Toyoshima
 Ikuo Sekiguchi
 Takehiro Suzuki
 Atsushi Tada
 Tomoaki Itabashi

Directors (Part-time)

Shuichi Endo
 Ikuo Higuchi
 Tetsu Komori
 Hiroshi Hiramatsu
 Setsuo Gomi
 Norikazu Shibuya
 Toshiro Yagi
 Kiyoshi Yamachi
 Minoru Kondo
 Koya Nakazawa
 Takayuki Sakakida

Kazuyoshi Takai
 Seiji Sakuda
 Tatsuo Takeda
 Kazuo Ohashi
 Hiromi Nomura
 Mamoru Itagaki

Corporate Auditor

Masafumi Shinagawa

Corporate Auditors (Part-time)

Akira Asanuma
 Hirotsuna Sumida
 Akio Okuyama
 Naoyuki Yoshino

(As of July 1, 2023)

Business Overview (Non-consolidated)

Earnings Performance

Looking at the financial results for fiscal 2022 (ended March 31, 2023), overall, operating income amounted to ¥340 billion (\$2,549 million), up ¥124 billion (\$931 million), or 57.5%, year on year, mainly because of an increase in profit from derivatives due to sale of hedged bonds and an increase in dividends on securities.

Meanwhile, operating expenses came to ¥307 billion (\$2,300 million), up ¥135 billion (\$1,018 million) or 79.3%, year on year, due mainly to an increase in interest on payables under securities lending transactions as a result of loss on sale of government and other bonds and Interest rate hike in foreign currencies.

As a result, ordinary income came to ¥33 billion (\$248 million), a decrease of ¥11 billion (\$86 million), or 25.8%, year on year. Profit came to ¥24 billion (\$185 million), a decrease of ¥9 billion (\$69 million), or 27.2%, year on year.

Funding

In fiscal 2022, the total amount of funding increased ¥2,336 billion (\$17,498 million) year on year, for a total of ¥44,176 billion (\$330,910 million). Of this figure, deposits received came to ¥34,703 billion (\$259,950 million), an increase of ¥1,538 billion (\$11,521 million), which mainly comprised demand deposits from shinkin banks.

After deducting redemptions, debentures at the end of fiscal 2022 came to ¥1,458 billion (\$10,925 million), down ¥88 billion (\$664 million) during the fiscal year, including ¥263 billion (\$1,970 million) in debentures issued by the SCB.

Borrowed money increased by ¥886 billion (\$6,641 million) during the fiscal year to ¥8,014 billion (\$60,033 million), mainly comprising borrowings under funding from markets.

Asset Management

The amount of assets under management in fiscal 2022 increased by ¥2,056 billion (\$15,402 million) to ¥44,733 billion (\$335,082 million).

Mainly due to lower government bond holdings, outstanding invested securities decreased by ¥2,529 billion (\$18,943 million) during the fiscal year to ¥13,634 billion (\$102,133 million) at fiscal year end.

Loans and bills discounted increased by ¥1,756 billion (\$13,154 million) during the fiscal year to ¥9,514 billion (\$71,271 million) at fiscal year end.

The outstanding amount of short-term money market assets increased by ¥2,718 billion (\$20,364 million) during the fiscal year to ¥21,039 billion (\$157,602 million) at fiscal year end, mainly reflecting Bank of Japan current deposits.

Securities

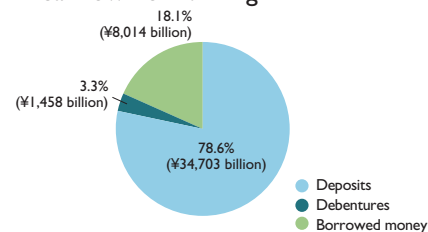
To further diversify its investment portfolio, the SCB also invests in such risk assets as stocks and investment trust funds not subject to interest risk, while optimizing its portfolio in response to shifts in the financing and investment environment.

The SCB also carries out interest rate swaps and other derivative trading, to hedge risks linked to assets under management.

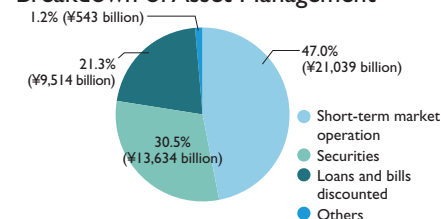
Loans and Bills Discounted

As of March 31, 2023, the outstanding amount of loans and bills discounted was ¥9,514 billion (\$71,272 million).

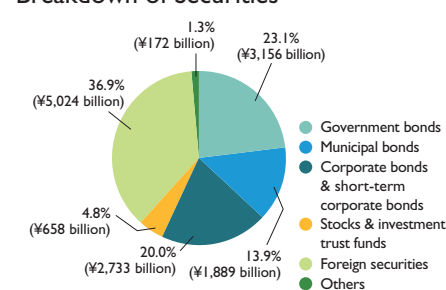
Breakdown of Funding*



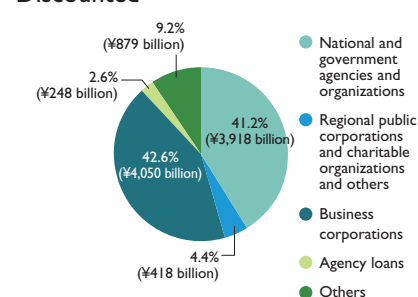
Breakdown of Asset Management*



Breakdown of Securities*



Breakdown of Loans and Bills Discounted*



* As of March 31, 2023.

* The amount shown in the pie chart is rounded down to the nearest whole number.

Ordinary Income and Net Income (Non-consolidated)

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Ordinary income (loss)	58,562	52,636	39,884	44,827	33,236
Net income (loss)	42,286	37,924	29,579	34,046	24,776

Capital Adequacy

Outline

The SCB's equity capital, as defined under regulations concerning capital adequacy ratio, mainly comprises common shares from member shinkin banks, publicly issued of preferred shares that supplement common shares, and retained earnings accumulated to date by the SCB.

The SCB raises funds through the issuance of general common shares and specific common shares. The dividend payout ratio for specific common shares differs from that for general common shares.

Furthermore, in accordance with the SCB's articles of incorporation, the amount of residual assets distributed per specific common share is limited to a maximum of ¥100,000 per share. This makes it possible to raise funds by issuing common shares without diluting the residual assets distributed to preferred shareholders.

According to transitional measures based on new Japanese domestic standards for regulations concerning capital adequacy ratio, equity capital also includes fixed-period and perpetual subordinated loans.

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2023, was 22.09%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to ¥1,447 billion (\$10,845 million).

Risk-weighted assets, the denominator for calculating the capital adequacy ratio, amounted to ¥6,552 billion (\$49,079 million).

Risk Management and Capital Adequacy Assessment

The SCB has implemented policies to manage its capital adequacy as part of its integrated risk management. The capital assessment division evaluates capital adequacy using a holistic approach, measuring various types of risks under uniform criteria and comparing quantified risks with the SCB's capital.

In order to assess the potential impacts of shock on its capital, the SCB conducts stress testing to estimate losses under various scenarios and the probability of their occurrence.

Risk limits and risk exposure are reported to senior management at the Risk Management Committee and at other meetings. The Risk Management Committee deliberates measures in response to the results of capital adequacy assessments, and implements measures as deemed necessary.

Capital Adequacy Ratio (Domestic Standard)

(%, billions of yen)

		FY2018	FY2019	FY2020	FY2021	FY2022
Consolidated	Capital adequacy ratio	23.65	24.31	25.60	24.35	22.09
	Amount of capital	1,425	1,476	1,502	1,508	1,447
	Amount of risk-weighted assets	6,026	6,071	5,867	6,194	6,552
Non-consolidated	Capital adequacy ratio	24.48	25.18	26.29	24.84	22.40



Asset Quality

Disclosed Claims under the Shinkin Bank Act and Disclosed Claims under the Financial Reconstruction Act

Total claims under the Financial Reconstruction Act (FRA) as of the end of March 2023 decreased by ¥300 million to ¥22 billion from the end of the previous fiscal year. The ratio of total claims under the FRA to total loans was 0.23%.

The coverage ratio of claims under the FRA (the total of the amounts deemed collectible with collateral and guarantees and

the allowance for possible loan losses) was 63.89%.

Bankrupt and quasi-bankrupt assets are recorded for the remaining amount after deducting the amounts deemed collectible with collateral and guarantees, while doubtful assets are recorded for the loss-expected amount of the remaining amount after similarly deducting the amounts deemed

collectible with collateral and guarantees, respectively, in the specific allowance for possible loan losses.

For substandard assets, the anticipated loss ratio is calculated based on the loan loss ratio and recorded in the general allowance for doubtful accounts.

Claims disclosed pursuant to the Shinkin Bank Act and Claims disclosed pursuant to the Financial Reconstruction Act [Non-consolidated]

(millions of yen)

	End of March 2022	End of March 2023	Increase or Decrease
Bankrupt and quasi-bankrupt receivables	163	94	(69)
Doubtful receivables	3,344	3,255	(89)
Substandard receivables	18,925	18,742	(183)
Loans past due three months or more	42	13	(29)
Restructured loans	18,882	18,728	(154)
Total claims under the Financial Reconstruction Act (FRA) (A)	22,433	22,092	(341)
Partial write-offs	192	192	—
Normal claims	7,772,335	9,539,484	1,767,149
Total loans (B)	7,794,768	9,561,577	1,766,809
Ratio of total claims under the FRA to total loans (%) (A/B)	0.28	0.23	(0.05)
Specific allowance for doubtful accounts (C) recorded on the total claims under the FRA (A)	706	693	(13)
General allowance for doubtful accounts (D) recorded on the total claims under the FRA (A)	10,051	10,022	(29)
Amounts deemed collectible with collateral and guarantees (E)	3,719	3,400	(319)
Total coverage amounts on disclosed claims under the FRA (F)	14,477	14,116	(361)
Coverage ratio (F)/(A)	64.53	63.89	(0.64)
Allowance ratio (%) ((C)+(D))/((A)-(E))	57.48	57.32	(0.16)

Claims disclosed pursuant to the Shinkin Bank Act [Consolidated]

(millions of yen)

	End of March 2022	End of March 2023	Increase or Decrease
Bankrupt and quasi-bankrupt receivables	163	94	(69)
Doubtful receivables	3,344	3,255	(89)
Loans past due three months or more	42	13	(29)
Restructured loans	18,882	18,728	(154)
Total claims under the FRA (A)	22,433	22,092	(341)
Partial write-offs	192	192	—
Normal claims	7,911,089	9,676,018	1,764,929
Total loans (B)	7,933,522	9,698,110	1,764,588
Ratio of total claims under the FRA to total loans (%) (A/B)	0.28	0.22	(0.06)

Corporate Governance

The SCB strives to maintain fairness and transparency in its management by fortifying our corporate governance system as we implement various operational strategies. The SCB's goal is to gain the trust of all our stakeholders by demonstrating the strong commitment to establishing a rigorous corporate governance system and to becoming an ever more distinguished financial institution well respected in society.

Institutional Structure

General Assembly of Representatives

The SCB is a cooperative financial institution comprising 254 shinkin banks nationwide (as of March 31, 2023) that are its members and investors. The General Assembly of Representatives, equivalent to the general meeting of shareholders in a joint-stock company, is held annually to elect directors and resolve important issues.

Board of Directors

The SCB's Board of Directors, comparable to the Board of Directors in a joint-stock company, holds regular meetings nine times per year, and makes decisions regarding important business matters.

There are no board members corresponding to the outside directors as defined by the Companies Act, however, the Board of Directors includes 18 part-time directors selected from among the executive officers of shinkin banks from each region in Japan. This is in accordance with Article 32, paragraph 4 of the Shinkin Bank Act, the SCB's Articles of Incorporation stipulate that more than half the total number of board members must be executive officers of shinkin banks. The SCB is confident that the appropriate check on management provided by the parttime directors ensures that supervision and safeguard functions are in place and have a high degree of objectivity and transparency in business operations.

Corporate Auditors

The SCB's corporate auditors, comparable to the corporate auditors of a joint-stock company, audit the execution of duties by the directors. The Board of Auditors, which consists of all the corporate auditors, regularly holds discussions on matters concerning audit policies and plans.

The SCB appoints one full-time corporate auditor and two part-time corporate auditors from among the executive officers of shinkin banks, and two part-time corporate auditors who are not executives of the SCB or shinkin banks (non-member corporate auditors), equivalent to outside corporate auditors as defined by the Companies Act. Non-member corporate auditors are appointed from among persons who meet the requirements stipulated in Article 32, paragraph 5 of the Shinkin Bank Act. There are no stipulations of standards or guidelines regarding independence for the appointment of non-member corporate auditors. The SCB is confident that non-member corporate auditors are able to utilize their professional knowledge and experience to conduct audits from an independent perspective.

One of the non-member corporate auditors is a certified accountant with a wealth of knowledge and experience regarding finance and accounting.

There are no particularly notable conflicts of interest between the SCB and non-member corporate auditors.

Part-time Directors and Corporate Auditors

The General Affairs Division provides information and other support for part-time directors, and the staff members exclusively assisting corporate auditors under their direction provide the same for part-time corporate auditors, in order to facilitate the timely and appropriate execution of duties by part-time directors and corporate auditors.

General Meeting for Preferred Shareholders

A general meeting for preferred shareholders may be held to protect their property rights under the Law Concerning Preferred Shares of Cooperative Financial Institutions.

Checks on Business Operations

Execution of Business Operations

At the SCB, the Board of Directors makes decisions on important business operations. Based on those decisions, the president presides over the SCB's business operations and the Deputy president and other full-time directors assist the president.

In addition, the SCB has established the Executive Committee to deliberate and make decisions on important managerial matters, including ones to be resolved by or reported to the Board of Directors.

The SCB has also established various committees of the Executive Committee to facilitate robust discussions on all aspects of its business operations. To ensure that deliberations and decisions are carried out on a cross-organizational basis, each committee comprises several directors and general managers of divisions.

Supervision and Checks

At the SCB, the Board of Directors supervises the execution of business by the directors. More than half of the Board of Directors are executive officers of shinkin banks, thereby ensuring that the Board of Directors fulfills its checking functions.

Audits

To facilitate audits of the directors' execution of duties, the corporate auditors at the SCB attend Board of Directors' and other important meetings. The corporate auditors also receive reports from directors regarding their execution of duties, and inspect the minutes of the Executive Committee and other important documents. In addition, the corporate auditors hold regular meetings with independent corporate auditors to exchange opinions and information.

Dedicated staff members are assigned to assist the corporate auditors to ensure that directions are given efficiently, and to help them perform their duties in a timely and appropriate manner.

Internal Audit System

The Internal Audit Division builds an audit system that aims to realize efficient and effective business operations by examining and assessing compliance management systems, risk management systems and operations management systems of each division, branch, and affiliated company of the SCB, to make sure that they are functioning appropriately and effectively.

At the internal audit, the Internal Audit Division examines and assesses the legal and regulatory compliance status, risk management status, and operations management status, of each division, branch, and affiliated company of the SCB, to make sure that they are functioning appropriately and effectively. When deemed necessary, the Internal Audit Division issues guidance so that corrective measures may be undertaken.

In addition, each division and branch is required to carry out its own internal inspections for the prevention and early detection of administrative errors.

From the perspective of enhancing governance and ensuring the effectiveness of internal audits, the SCB's governing body decided to build the Dual Reporting Line. It will start operating from October 2023.

Use of Outside Specialists

The SCB has appointed Ernst & Young Shin-Nihon LLC as its corporate auditor.

The SCB utilizes the expertise of outside specialists, including independent auditors, attorneys, and tax accountants. To effectively handle more sophisticated and diversified operational requirements, the SCB consults with, and receives advice from, such specialists on a regular basis and as the need arises.

Appropriate Information Disclosure

The SCB's preferred shares are listed on the Tokyo Stock Exchange. The SCB strives to maintain appropriate disclosure of corporate information, pursuant to the Financial Instruments and Exchange Act, other related laws, and the Securities Listing Regulations of the Tokyo Stock Exchange.

Enhancement of Group Governance

As a board chair who serves as a key in supervising functions, the SCB will create a chair position at each group company one by one. By doing so, the SCB will improve the functions of the Board of Directors further and enhance an environment that supports appropriate risk-taking, thereby establishing the management structure where the supervision and the execution will be able to work closely together for the growth strategy.

Improving Internal Control Systems

The SCB regards compliance as the basic premise of all business activities. The SCB continues to strengthen and operate internal control systems, based on a policy of maintaining reliable financial reporting, managing risks flexibly and effectively in response to those characteristics, and implementing internal audits by utilizing the Internal Audit Division, which is independent from the operational divisions and branches.

Compliance System

The SCB views compliance as one of the highest-priority management agendas. In line with this stance, the SCB is carrying out the measures outlined below as it strives to further strengthen its compliance system.

Strengthen Compliance System

1. The SCB has formulated the Shinkin Central Bank Code of Ethics, which stipulates the ethical rules and behavior standards that must be upheld by all SCB Officers and employees and employees.
2. In order to improve customer protection and satisfaction, the SCB formulates Customer Protection Control Policy.
3. The SCB formulates an annual Compliance Program, which lays out its specific compliance plan for each fiscal year.
4. To clarify the rules to be followed by Officers and employees and employees, the SCB has compiled a Compliance Manual as a practical compliance handbook.
5. A compliance supervisory division and compliance-related divisions have been set up, and their respective roles were clarified. A compliance supervisor and deputy, both responsible for compliance, are appointed to each division and branch of the SCB.
6. In order to deliberate compliance issues,

customer protection issues, and serious accidents, the SCB has established the Risk Management Committee.

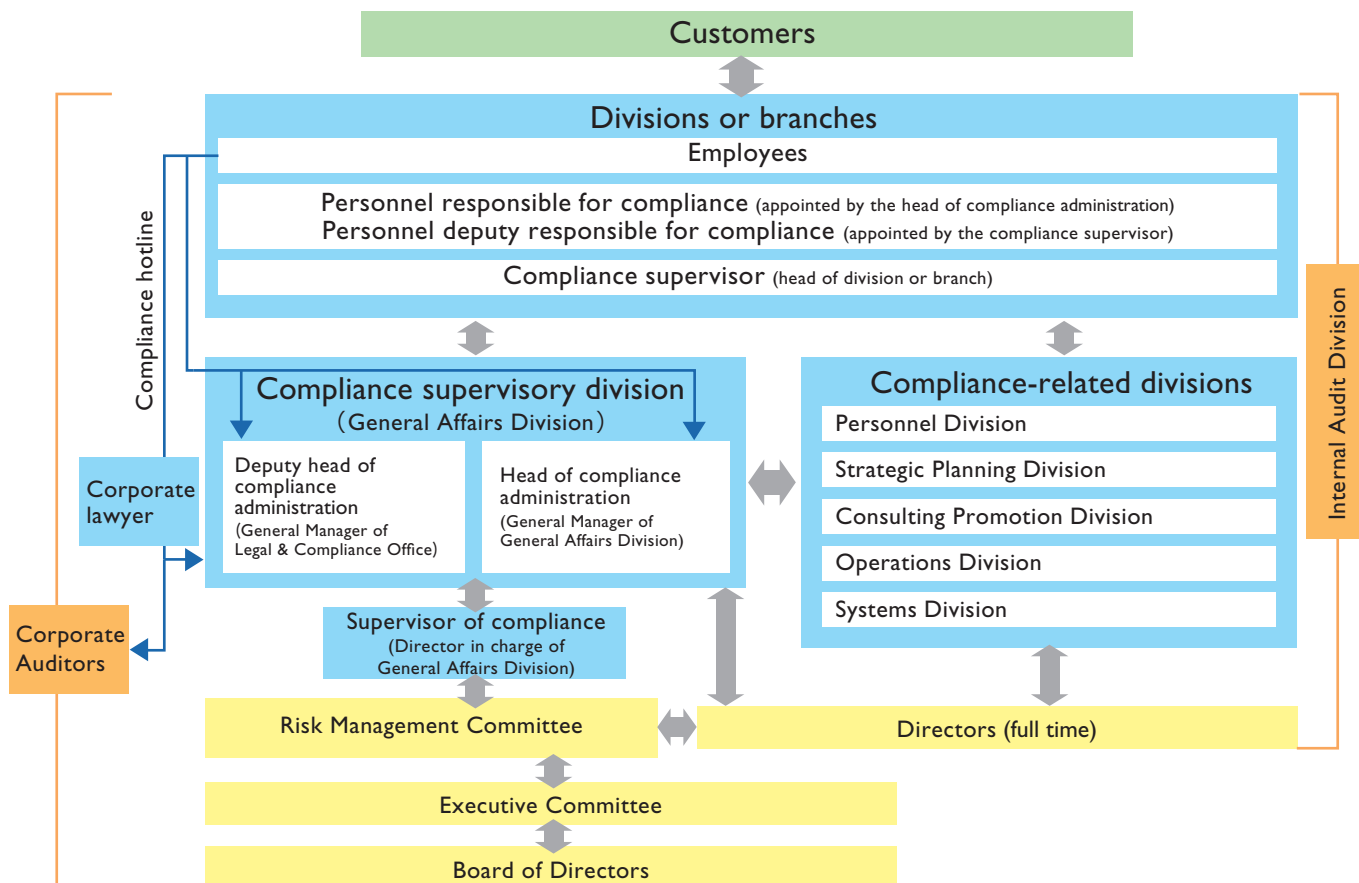
7. In addition to conducting regular lectures and training seminars for directors and employees, each division and branch also carries out its own training programs as part of the SCB's efforts to strengthen compliance education.
8. The audit items used by the Internal Audit Division include compliance-related items, and internal audits include investigation of whether the compliance system is functioning adequately.
9. In cases of compliance violation, reports from the heads of the divisions or branches concerned are promptly called for, and appropriate actions are taken to prevent a recurrence.
10. The SCB operates a hotline to facilitate reporting of compliance breaches by directors and employees. The SCB also has in place strict measures to protect whistle-blowers.
11. In accordance with the Act on Provision of Financial Services, the SCB has formulated and made public its Financial Products Solicitation Policy. To ensure that solicitation is carried out fairly, important points regarding a product must

be explained to the customer at the time of sale.

12. Pursuant to the Act on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its website. The SCB takes necessary and appropriate measures to protect personal information.
13. In addition to publishing its Outline for Managing Conflicts of Interest on its website, pursuant to the Shinkin Bank Act and the Financial Instruments and Exchange Act, the SCB is taking appropriate management steps to ensure that customers' interests are not wrongfully violated.
14. Based on the financial Alternative Dispute Resolution (ADR) system, to respond expeditiously, fairly, and appropriately to customers' inquiries, complaints, disputes, and other issues, the SCB has overhauled its internal management system and is striving to enhance its reliability.

The SCB intends to review and update the content of its Compliance Manual and other policies on an ongoing basis. All SCB officers and employees are working to maintain strict compliance through coordination among related divisions, and by strengthening internal education programs.

Compliance System Overview



Countermeasures against Money Laundering and the Financing of Terrorism

The SCB has designated the prevention of money laundering and terrorist financing as one of the most important managerial issues, established the AML/CFT Division, and is working to sophisticate anti-money laundering/countering the financing of terrorism (the “money laundering and financing of terrorism countermeasures”) by means of a risk-based approach.

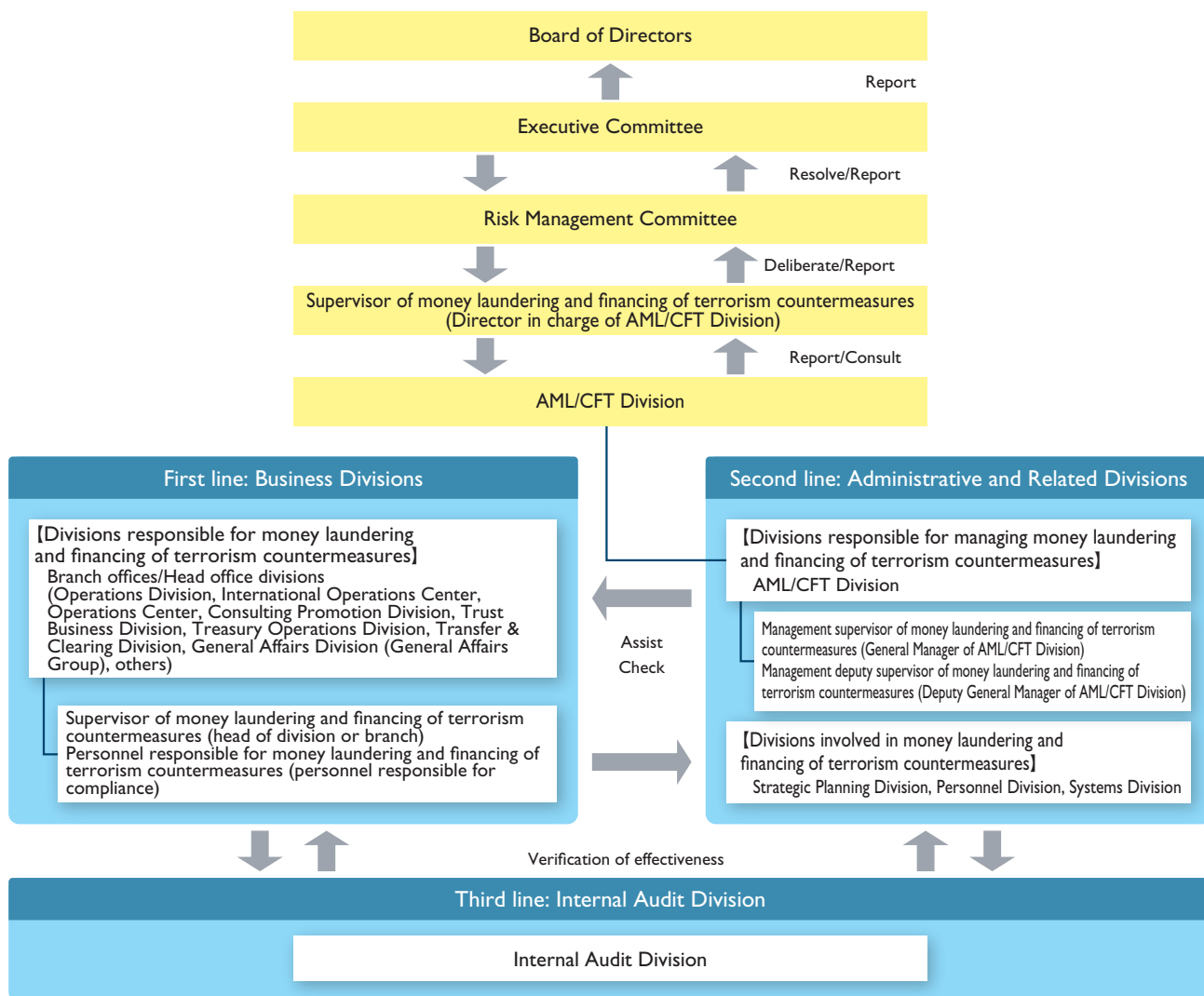
The SCB appoints the director in charge of the AML/CFT Division as a chief executive

for the money laundering and financing of terrorism countermeasures and establishes an organizational structure where the AML/CFT Division is a division for controlling these countermeasures.

The SCB builds the risk management system for anti-money laundering and countering the financing of terrorism (the “Risk Management System against Money Laundering and the Financing of Terrorism”) by taking measures such as conducting Customer Due Diligence at the time of transactions and notifying suspicious transactions based on laws and

regulations such as the “Act on Prevention of Transfer of Criminal Proceeds,” and providing training with officers and employees. In addition, the entire SCB Group is working to improve the effectiveness of the Risk Management System against Money Laundering and the Financing of Terrorism.

Risk Management System against Money Laundering and the Financing of Terrorism



Risk Management

Learning from the experience of the financial crisis, the SCB is exhaustively implementing more highly detailed and thorough processes to manage risks by pursuing more sophisticated integrated, market and credit risk management and other measures while also advancing predictor and interim management for credit control.

Risk Appetite Framework

In order for the SCB to fulfill its role as the central financial institution of the shinkin banks, it is necessary for it to take appropriate risks, which are matched to its level of capital and congruent with its own business model and risk culture, to enable it to continue to secure profits.

A “risk appetite framework” (*1, *2) has been constructed and is being operated with the aim of clarifying this basic concept of risk-taking and strengthening risk governance.

*1. Risk appetite: the type and size of risks that a financial institution actively attempts to take in order to fulfill its role

*2. Risk appetite framework: a framework for discussing and executing risk-taking policies and risk tolerances as prescribed by the required level of profits and capital

Setting the SCB's risk culture and risk appetite

We believe that what is required of SCB is that it fulfill its function as the central financial institution of the shinkin banks with a focus on stability and continuity.

We recognize that, in order to achieve this, the SCB must secure a sound financial position and stable profits, and that it has a risk culture that does not permit excessive risk-taking.

In addition to setting risk appetite with reference to this risk culture, the SCB has designated the consolidated capital adequacy ratio (domestic standard) and maximum amount available for dividend as management indicators (risk appetite indicators).

Management of Risk Appetite Framework

Based on the objectives for which the risk appetite framework was introduced, and our risk culture and appetite, we have taken a comprehensive view of the balance between earnings, risk and capital in order to set a medium-term target level of earnings (profit attributable to owners of parent).

Also, based on these medium-term targets, we are executing operations in accord-

ance with a PDCA cycle, under which we formulate earning plans for a single fiscal year, take on risk, provide status reports, verify progress, and amend as required.

In addition, we have formulated a risk appetite statement to clarify the content of the risk appetite framework.

Basic Policy on Risk Management

In the wake of the global financial crisis, financial institutions face significant changes in economic and financial market conditions and other aspects of their operating environment. To respond promptly and appropriately to these changes, financial institutions require very finely tuned risk management.

The SCB has positioned risk management as a key management priority for ensuring sound management and securing adequate profits. All directors and employees conduct their daily duties with a full awareness of the importance of risk management.

The SCB classifies risk in two broad categories—risk that must be controlled and risk that must be absolutely minimized—and manages the risks accordingly. The types of risk that must be controlled are market, liquidity, and credit risks. The type of risk that must be minimized is operational risk. The Risk Management Division coordinates the management of different risks to provide comprehensive risk management.

The SCB has also established crossorganizational bodies—the Risk Management Committee, Credit Committee and ALM Committee—to manage risk from a Bank-wide perspective. These committees deliberate and make decisions on specific issues relating to their respective risk management functions based on the policies determined by the Board of Directors and the Executive Committee.

To ensure the effectiveness of its risk management systems, the SCB has also established the Internal Audit Division—a body independent from its risk management systems—to monitor the SCB's risk management activities.

Integrated Risk Management

To manage risk in a comprehensive manner, the SCB employs the integrated risk management method to cope with quantifiable risk.

Integrated risk management is a way to manage its diverse risks by calculating them with uniform criteria, such as the Value-at-Risk (VaR) method, and comparing their aggregated value to the institution's overall financial strength (i.e., capital adequacy).

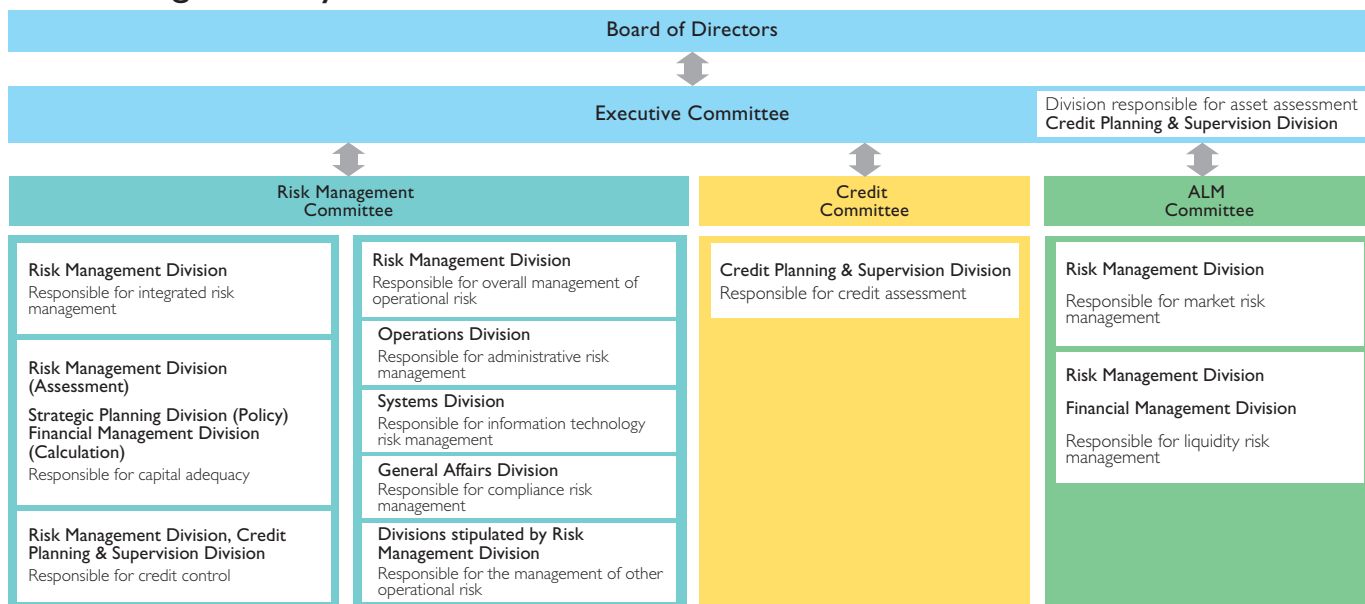
For market risk and credit risk, the SCB calculates the VaR. For the calculation of operational risk capital requirements, the SCB employs the basic indicator approach, proposed under regulations concerning capital adequacy ratios.

The SCB defines capital under its integrated risk management system and allocates quantitative risk limits, operational risk and other types of risk.* Separately, the SCB estimates losses under various stress scenarios as part of its efforts to monitor potential impacts on capital.

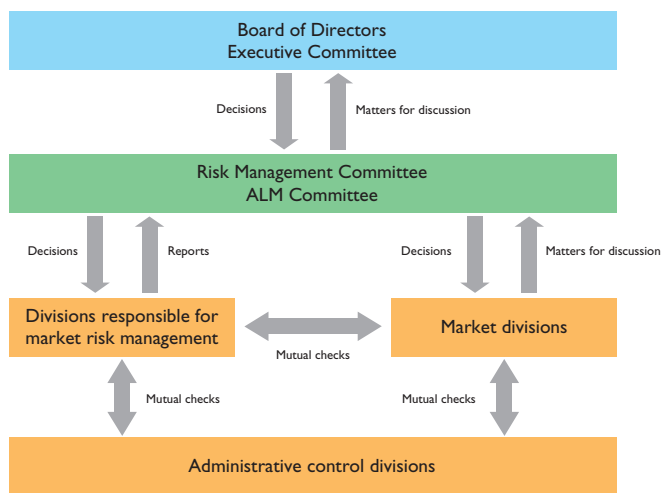
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee following deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the end of each month, to ensure that quantitative limits for each type of risk are not exceeded. The Risk Management Division provides reports on risk status to senior management and related divisions through the Risk Management Committee.

*With regard to subsidiaries within the SCB's scope of consolidation, the SCB monitors risk exposure at each subsidiary and allocates capital commensurate with the amount of risk. These allocations enable subsidiaries to take risks.

Risk Management System



Market Risk Management Framework



Market Risk^{*} Management

To maintain an accurate understanding of market risk and rigorously manage this risk, the SCB has issued a market risk management policy. Furthermore, divisions responsible for market risk management are clearly separated from divisions involved in market operations, providing a risk management structure in which internal checks are maintained through the independent functions.

The SCB has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee comprises senior management and heads of divisions related to market risk.

Based on risk status information—obtained via reports from divisions responsible for managing market risk and other sources—the ALM Committee deliberates widely and expeditiously on policy relating to fund-raising and management as well as proposed market transactions.

For banking operations and trading activities, the divisions responsible for managing market risk quantify and manage market risk by VaR within the limit set by the Executive Committee. In addition, market risk is further divided into several categories, with risk quantities monitored by category.

In addition, the SCB manages our exposure on a variety of fronts, such as monitoring

stress losses at times of unexpected market fluctuations, the basis-point-value (BPV) (changes in the valuation of the market value of the portfolio in response to changes in interest rates), and IRRBB (interest rate risk in scenarios specified by the FSA).

The status of these risk management activities is reported to senior management at biweekly meetings of the ALM Committee.

* Market risk includes interest rate risk and such equity-related risk as stock price fluctuation risk.

Liquidity Risk Management

As the central financial institution for shinkin banks, the SCB maintains a rigorous system for managing liquidity risk to respond to the needs of shinkin banks for daily working capital and emergency funds.

To maintain an accurate understanding of liquidity risk and rigorously manage this risk, the SCB has formulated a liquidity risk management policy. Divisions responsible for liquidity risk management are clearly separated from divisions involved in cash management and market operations, allowing internal checks to be maintained through the independent functions. In addition, the ALM Committee deliberates and makes decisions on matters relating to liquidity risk management.

Methods used for managing liquidity risk include the daily setting and monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In the event that a significant liquidity risk arises, the SCB is prepared to respond rapidly, and even secure funding sources.

Credit Risk* Management

To maintain an accurate understanding of credit risk and rigorously manage this risk, the SCB has formulated a credit risk management policy. Furthermore, the SCB has formulated a Credit Policy, which sets out the SCB's fundamental philosophy. The SCB requires strict adherence to the Credit Policy on the part of all directors and employees involved in credit operations. The SCB conducts ongoing internal communications emphasizing the importance of sound ethics in all behavior and decision making.

At the SCB, divisions responsible for credit control, credit assessment and asset assessment are clearly separated from divisions involved in client services. In this way, we are building a structure in which internal checks are maintained through the independent functions given to each part of the system.

The SCB has established the Credit Committee and the Risk Management Committee as the bodies responsible for deliberating and making decisions on matters relating to credit risk management. The Credit Committee and the Risk Management Committee comprise senior management and the general managers of related divisions. The Credit Committee deliberates on credit transactions that exceed a designated amount, and the Risk Management Committee deliberates broadly and thoroughly matters relating to credit risk management. The Executive Committee deliberates, and makes decisions regarding, the results of self-assessment of assets and matters relating to self-assessment of asset write-offs and asset reserve provisions.

Divisions responsible for credit control manage the credit risk for each borrower relating to loans and market trading activities. An overall credit limit is set for each borrower according to their credit rating.

Credit ratings are based on quantitative criteria, set by evaluating the borrower's financial statements, and qualitative criteria, set by evaluating the borrower's competitive strength in the particular industry within which it operates. Based on these assessments of credit strength, each borrower is given a credit rating on the SCB's 10-step scale. The credit ratings given to borrowers are reviewed regularly, and flexibly revised as necessary.

Divisions responsible for credit control analyze the SCB's overall credit portfolio according to credit rating, industry, country, and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Furthermore, credit risk is quantified and managed within the risk limit set by the Executive Committee.

The credit risk amount is measured using VaR as well as the Monte Carlo simula-

tion method.

The Credit Planning & Supervision Division—responsible for credit assessment—accurately monitors each borrower's financial condition, the purposes for which funds are used, and repayment resources. In addition to appropriate assessment and post-transaction management, the Credit Planning & Supervision Division continually inspects whether the client service division is conducting appropriate credit controls, and provides guidance as necessary. In the event that there should be any problem on the borrower's side, the Credit Planning & Supervision Division expeditiously assesses the borrower's management situation and provides supervision. Where necessary, action is taken to recover the loan.

The Credit Planning & Supervision Division is also responsible for asset assessment. The division undertakes and manages operations relating to asset self-assessments, and the calculation of asset write-offs and asset reserve provisions.

* Credit risk includes such risk as counterparty risk for derivative transactions and securitization transaction risk.

Operational Risk Management

To comprehensively manage operational risks, the SCB has formulated management guidelines for operational risks, and to address administrative risks, system risks and compliance risks, which we consider the major operational risks, we have additionally formulated individual management guidelines for each of those risks. Furthermore, the SCB has constructed a system for comprehensively managing operational risks. In addition to having in place a department to comprehensively manage operational risks as well as a department to manage administrative risks, a department to manage system risks and a department to manage compliance risks, we also set up risk management departments to manage other operational risks as necessary.

The SCB has established the Risk Management Committee as the body responsible for deliberating and making decisions on matters relating to operational risk management. The Risk Management Committee, comprising senior management and heads of related divisions, deliberates and makes decisions on comprehensive methods for managing operational risks, including administrative risks, system risks and compliance risks.

Regarding the SCB's subsidiaries, the SCB's Internal Audit Division conducts audits of the respective systems.

To calculate its operational risk capital requirements, the SCB uses the basic indicator approach proposed under regulations con-

cerning capital adequacy ratios.

• Administrative Risk Management

The Operations Division oversees administrative risk management and administrative instruction. In addition to developing and maintaining the administrative processing system and administrative rules, and undertaking reviews of administrative procedures, the Operations Division conducts administrative instruction programs for divisions involved in administrative processing. With this system, the SCB appropriately manages administrative risk.

Furthermore, the SCB is undertaking a range of measures to ensure accurate and efficient administrative processing. These include the systemization of administrative processing, the provision of various training programs, including programs, to encourage staff to submit proposals to improve operating processes at all branches. The SCB also controls the entire process of administrative risk management, from the identification of risk to the implementation of corrective measures.

• Information Technology Risk Management

The Systems Division takes charge of information technology risk management. It provides control and guidance to divisions involved in system development, operation, and utilization.

Recognizing that cyber attacks are becoming increasingly sophisticated and ingenious, the division is stepping up measures to reinforce its cybersecurity, including the establishment of the Shinkin Central Bank Computer Security Incident Response Team.

In the event of a system failure that seriously affects the execution of business operations, an SCB-wide response is triggered based on crisis management procedures (contingency planning). In addition to periodically conducting crisis response drills, based on system failure crisis scenarios, the SCB also has in place a Disaster Recovery System and other precautions based on the Business Continuity Plan.

• Compliance risk management

The General Affairs Division, which functions as a department designated for compliance risk management, manages compliance risks by a series of processes involving identifying compliance risks; analyzing and evaluating the causes, background and range of impact, etc. of each risk; taking necessary measures to minimize compliance risks; and verifying the results of the aforementioned.

Preferred Shares

The SCB's Preferred Shares

The SCB issues preferred shares under the Law Concerning Preferred Shares of Cooperative Financial Institutions. The preferred shares, which are regulated by the Financial Instruments and Exchange Act, are issued to complement members' (shinkin banks') common shares and offered publicly to increase the net worth of cooperative financial institutions.

Although the preferred shares do not carry the voting rights that holders of common shares receive, the preferred shares have certain advantages over common shares, such as the guarantee of priority in the payment of dividends.

Listing of Preferred Shares

The SCB has issued preferred shares since fiscal 1995 and, for the first time in Japan, the preferred shares were listed on the Tokyo Stock Exchange on December 22, 2000 (Securities Identification Code 8421). The SCB's preferred shares are marketable securities that are very similar to preferred stocks, and, basically, the same listing criteria and disclosure rules apply to them.

Trading of Preferred Shares

Like listed stocks, the SCB's preferred shares can be traded anytime during Tokyo Stock Exchange trading hours through a securities company. Margin transactions are also possible for preferred shares, just as they are for stocks.

Dividends of Preferred Shares

The SCB's basic policy is to pay stable dividends while securing sound management, enhancing retained earnings, and boosting earnings power.

The SCB's preferred shares pay a dividend to the holders at the end of March of every fiscal year. As the rule of interim dividends is not provided in the Law Concerning Preferred Shares of Cooperative Financial Institutions, the SCB does not pay interim dividends.

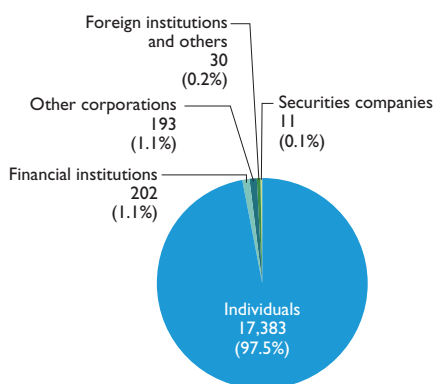
Dividends of preferred shares comprise preferred dividends and participating dividends. Preferred dividends are paid before any dividends are paid to common stock holders (shinkin banks). Participating dividends are paid from retained earnings after preferred dividends. They may vary depending on profits of the SCB.

The SCB's preferred shares are treated as stocks in the taxation system, and are given the same preferential treatment concerning tax as stocks.

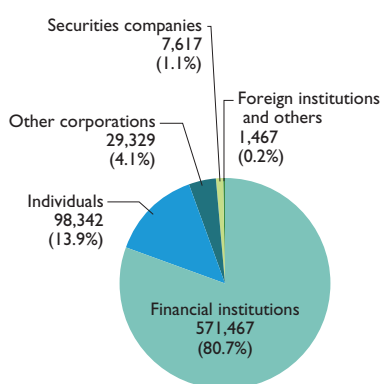
For fiscal 2023, the dividend for preferred shares was ¥6,500 (\$48) per share, which included a preferred dividend of ¥3,000 (\$22) and a participating dividend of ¥3,500 (\$26).

Composition of Preferred Shares (March 31, 2023)

• Number of Investors (17,819)



• Number of Subscription (708,222)



Price of Preferred Shares*

	(Closing price, yen)
First day of listing (December 22, 2000)	200,500
Highest price (March 15, 2006)	311,500
Lowest price (April 14, 2009)	102,400
Closing price (July 31, 2023)	274,200

* The price of preferred shares is split-adjusted, reflecting the stock split of preferred shares as at July 31, 2009.

Financial Section

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Five-Year Summary (Consolidated)

	(Millions of Yen)				
	FY2018	FY2019	FY2020	FY2021	FY2022
Total Income	293,808	301,954	261,011	249,652	373,727
Trust Fees	399	759	1,258	1,921	2,391
Total Expenses	231,873	245,596	217,585	201,470	338,076
Profit Attributable to Owners of Parent	44,781	40,227	31,649	35,942	26,221
Comprehensive Income	53,530	(90,508)	196,771	(110,723)	(231,498)
Net Assets	1,660,465	1,550,287	1,727,321	1,596,329	1,345,160
Total Assets	39,693,375	40,868,096	43,843,528	43,931,795	46,095,333
Net Assets per Share (Yen)	306,594.84	283,111.71	320,620.85	292,802.41	239,364.73
Net Income per Share (Yen)	6,358.89	5,679.98	4,401.33	5,041.19	3,592.19
Dividends	19,603	19,603	19,603	19,603	19,603
General Common Shares	12,000	12,000	12,000	12,000	12,000
Specific Common Shares	3,000	3,000	3,000	3,000	3,000
Preferred Shares	4,603	4,603	4,603	4,603	4,603
Trust Assets	807,201	1,320,957	2,015,700	2,708,486	3,015,058

Notes:

1. National and local consumption tax incurred by the Shinkin Central Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.
2. The amount stated for the amount of trust assets is the amount of trust assets related to the trust business pursuant to the "Act on Engagement in Trust Business Activities by Financial Institutions". Consolidated companies conducting such trust business comprised only the Shinkin Central Bank.

Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	2022	2023
Assets			
Cash and Due from Banks (Note 2 (2), 27)	19,019,069	16,764,225	142,464
Bills Bought and Call Loans (Note 27)	1,573,215	1,329,496	11,784
Receivables under Resale Agreements (Note 27)	295,304	34,216	2,212
Monetary Claims Bought (Note 27)	172,200	204,459	1,289
Trading Assets (Note 3, 10, 27, 28)	485,686	333,867	3,638
Money Held in Trust (Note 27, 28)	78,136	118,623	585
Securities (Note 4, 8, 10, 27, 28)	13,598,793	16,139,087	101,863
Loans and Bills Discounted (Note 5, 6, 7, 10, 27)	9,511,310	7,754,789	71,245
Foreign Exchanges Assets	22,701	19,622	170
Other Assets (Note 10)	1,044,086	1,006,582	7,820
Tangible Fixed Assets (Note 9, 15, 26)	72,028	72,884	539
Intangible Fixed Assets (Note 26)	20,354	17,675	152
Deferred Tax Assets (Note 24)	65,440	4,407	490
Customers' Liabilities for Acceptances and Guarantees	160,981	157,170	1,205
Reserve for Possible Loan Losses	(23,974)	(25,312)	(179)
Total Assets	46,095,333	43,931,795	345,283
Liabilities and Net Assets			
Liabilities			
Deposits (Note 27)	34,652,817	33,123,802	259,571
Debentures (Note 13, 27)	1,452,960	1,545,370	10,883
Trading Liabilities (Note 11, 27)	86,702	27,911	649
Borrowed Money (Note 10, 12, 27)	3,998,680	4,167,880	29,952
Bills Sold and Call Money (Note 27)	6,804	5,637	50
Payables under Repurchase Agreements (Note 10, 27)	2,620,729	1,195,089	19,630
Payables under Securities Lending Transactions (Note 10, 27)	1,362,132	1,728,562	10,203
Foreign Exchanges Liabilities	652	1,159	4
Borrowed Money from Trust Account	43,534	42,821	326
Other Liabilities (Note 12, 14)	315,234	248,597	2,361
Reserve for Employee Bonuses	1,764	1,788	13
Reserve for Directors' Bonuses	89	93	0
Net Defined Benefit Liability (Note 25)	40,299	43,091	301
Reserve for Directors' Retirement Allowances	511	569	3
Reserve under Specific Law	10	1	0
Deferred Tax Liabilities (Note 24)	235	39,885	1
Deferred Tax Liabilities for Land Revaluation (Note 15)	6,033	6,033	45
Acceptances and Guarantees	160,981	157,170	1,205
Total Liabilities	44,750,172	42,335,466	335,207
Net Assets			
Common Shares and Preferred Shares (Note 23)	690,998	690,998	5,176
Capital Surplus	100,678	100,678	754
Retained Earnings	650,740	644,122	4,874
Total Shareholders' Equity	1,442,417	1,435,799	10,804
Net Unrealized Gains (Losses) on Other Securities (Note 24, 28)	(215,893)	104,436	(1,617)
Deferred Gains or Losses on Hedges (Note 24, 29)	94,174	34,977	705
Land Revaluation Excess (Note 15)	14,772	14,772	110
Foreign Currency Translation Adjustments	(2,238)	(2,631)	(16)
Remeasurements of Defined Benefit Plans (Note 25)	(1,124)	(3,650)	(8)
Total Accumulated Other Comprehensive Income	(110,310)	147,904	(826)
Non-Controlling Interests	13,053	12,626	97
Total Net Assets	1,345,160	1,596,329	10,076
Total Liabilities and Net Assets	46,095,333	43,931,795	345,283

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	2022	2023
Income			
Interest Income:	208,252	175,199	1,559
Interest on Loans and Discounts	19,468	15,759	145
Interest on Due from Banks	8,265	7,114	61
Interest on Bills Bought and Call Loans	885	(169)	6
Interest on Receivables under Resale Agreements	(616)	(1,174)	(4)
Interest on Receivables under Securities Borrowing Transactions	0	9	0
Interest and Dividends on Securities	178,573	153,103	1,337
Others	1,675	554	12
Trust Fees	2,391	1,921	17
Fees and Commissions (Note 17)	42,775	42,124	320
Trading Income (Note 18)	17,819	1,548	133
Other Operating Income	91,882	16,520	688
Other Income (Note 20)	10,605	12,337	79
Total Income	373,727	249,652	2,799
Expenses			
Interest Expenses:	105,263	70,183	788
Interest on Deposits	37,237	29,222	278
Interest on Debentures	1,165	1,160	8
Interest on Borrowed Money	1,771	1,782	13
Interest on Bills Sold and Call Money	237	7	1
Interest on Payables under Repurchase Agreement	7,049	50	52
Interest on Payables under Securities Lending Transactions	31,897	1,481	238
Others	25,903	36,479	194
Fees and Commissions (Note 17)	15,075	14,881	112
Trading Losses (Note 19)	186	8	1
Other Operating Expenses	159,263	61,306	1,192
General and Administrative Expenses	57,580	54,603	431
Other Expenses (Note 21)	707	486	5
Total Expenses	338,076	201,470	2,532
Profit before Income Taxes	35,650	48,181	267
Income Taxes (Note 24):			
Current	9,521	11,617	71
Deferred	(420)	279	(3)
Total Income Taxes	9,101	11,897	68
Profit	26,549	36,283	198
Profit Attributable to Non-Controlling Interests	327	341	2
Profit Attributable to Owners of Parent	26,221	35,942	196

	Yen		U.S. Dollars (Note 1)
	2023	2022	2023
Net Income per Share (Note 33)	3,592.19	5,041.19	26.90
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	22.47
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	11.23
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	48.68

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	2022	2023
Profit	26,549	36,283	198
Other Comprehensive Income (Note 22)	(258,048)	(147,007)	(1,932)
Net Unrealized Gains (Losses) on Other Securities	(320,330)	(203,457)	(2,399)
Deferred Gains or Losses on Hedges	59,196	55,555	443
Foreign Currency Translation Adjustments	392	777	2
Remeasurements of Defined Benefit Plans	2,692	117	20
Comprehensive Income	(231,498)	(110,723)	(1,734)
Comprehensive Income Attributable to Owners of Parent	(231,993)	(111,068)	(1,737)
Comprehensive Income Attributable to Non-Controlling Interests	494	345	3

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets

Shinkin Central Bank For the year ended March 31, 2023

Millions of Yen

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	644,122	1,435,799
Changes during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit Attributable to Owners of Parent			26,221	26,221
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Changes during the Fiscal Year	-	-	6,618	6,618
Balance at End of Year	690,998	100,678	650,740	1,442,417

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	104,436	34,977	14,772	(2,631)	(3,650)	147,904	12,626	1,596,329
Changes during the Fiscal Year								
Surplus Dividends								(19,603)
Profit Attributable to Owners of Parent								26,221
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(320,330)	59,196	-	392	2,526	(258,214)	427	(257,787)
Total Changes during the Fiscal Year	(320,330)	59,196	-	392	2,526	(258,214)	427	(251,169)
Balance at End of Year	(215,893)	94,174	14,772	(2,238)	(1,124)	(110,310)	13,053	1,345,160

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	5,176	754	4,824	10,755
Changes during the Fiscal Year				
Surplus Dividends			(146)	(146)
Profit Attributable to Owners of Parent			196	196
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Changes during the Fiscal Year	-	-	49	49
Balance at End of Year	5,176	754	4,874	10,804

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	782	262	110	(19)	(27)	1,107	94	11,957
Changes during the Fiscal Year								
Surplus Dividends								(146)
Profit Attributable to Owners of Parent								196
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(2,399)	443	-	2	18	(1,934)	3	(1,930)
Total Changes during the Fiscal Year	(2,399)	443	-	2	18	(1,934)	3	(1,881)
Balance at End of Year	(1,617)	705	110	(16)	(8)	(826)	97	10,076

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	627,964	1,419,641
Cumulative Effects of Changes in Accounting Policies			(303)	(303)
Restated balance	690,998	100,678	627,661	1,419,338
Changes during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit Attributable to Owners of Parent			35,942	35,942
Reversal of Land Revaluation Excess			122	122
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Changes during the Fiscal Year	-	-	16,460	16,460
Balance at End of Year	690,998	100,678	644,122	1,435,799

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	307,894	(20,577)	14,894	(3,408)	(3,764)	295,037	12,642	1,727,321
Cumulative Effects of Changes in Accounting Policies							(294)	(597)
Restated balance	307,894	(20,577)	14,894	(3,408)	(3,764)	295,037	12,348	1,726,723
Changes during the Fiscal Year								
Surplus Dividends								(19,603)
Profit Attributable to Owners of Parent								35,942
Reversal of Land Revaluation Excess								122
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(203,457)	55,555	(122)	777	114	(147,132)	278	(146,854)
Total Changes during the Fiscal Year	(203,457)	55,555	(122)	777	114	(147,132)	278	(130,393)
Balance at End of Year	104,436	34,977	14,772	(2,631)	(3,650)	147,904	12,626	1,596,329

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

Millions of
U.S. Dollars

Shinkin Central Bank For the year ended March 31,	Millions of Yen		(Note 1)
	2023	2022	2023
Cash Flows from Operating Activities:			
Profit before Income Taxes	35,650	48,181	267
Depreciation	9,858	9,776	73
Impairment Losses	52	-	0
Increase (Decrease) in Reserve for Possible Loan Losses	(1,338)	(4,651)	(10)
Increase (Decrease) in Reserve for Employee Bonuses	(24)	(18)	(0)
Increase (Decrease) in Reserve for Directors' Bonuses	(4)	2	(0)
Increase (Decrease) in Net Defined Benefit Liability	(2,792)	1,148	(20)
Increase (Decrease) in Reserve for Directors' Retirement Allowances	(58)	36	(0)
Interest Income	(208,252)	(175,199)	(1,559)
Interest Expenses	105,263	70,183	788
Net Losses (Gains) on Securities	120,682	37,374	903
Net Losses (Gains) on Money Held in Trust	(2)	(95)	(0)
Net Losses (Gains) on Foreign Exchange	(189,856)	(199,997)	(1,422)
Net Losses (Gains) on Disposal of Fixed Assets	315	(6)	2
Net Decrease (Increase) in Trading Assets	(151,818)	(53,436)	(1,137)
Net Increase (Decrease) in Trading Liabilities	58,790	(3,714)	440
Net Increase (Decrease) in Trading Payables	(5,243)	(3,905)	(39)
Net Decrease (Increase) in Loans and Bills Discounted	(1,756,520)	691,257	(13,157)
Net Increase (Decrease) in Deposits	1,529,014	(629,069)	11,453
Net Increase (Decrease) in Debentures	(92,410)	(225,500)	(692)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	(169,200)	147,400	(1,267)
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	(147,722)	17,661	(1,106)
Net Decrease (Increase) in Call Loans and Others	(504,806)	(502,301)	(3,781)
Net Increase (Decrease) in Call Money and Others	1,426,807	903,539	10,687
Net Increase (Decrease) in Payables under Securities Lending Transactions	(366,429)	25,606	(2,744)
Net Decrease (Increase) in Monetary Claims Bought	32,259	(24,149)	241
Net Decrease (Increase) in Foreign Exchanges (Assets)	(3,078)	1,054	(23)
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	(507)	(895)	(3)
Net Increase (Decrease) in Due to Trust Accounts	713	12,520	5
Interest Received	173,377	198,753	1,298
Interest Paid	(134,553)	(75,813)	(1,007)
Other, Net	86,025	50,614	644
Sub-total	(155,807)	316,356	(1,167)
Income Taxes Paid	(16,126)	(9,555)	(120)
Net Cash Provided by (Used in) Operating Activities	(171,934)	306,800	(1,287)
Cash Flows from Investing Activities:			
Acquisitions of Securities	(8,107,365)	(9,619,387)	(60,729)
Proceeds from Sale of Securities	4,655,227	2,293,222	34,870
Proceeds from Redemption of Securities	5,723,515	8,773,788	42,872
Increase in Money Held in Trust	-	(10,000)	-
Decrease in Money Held in Trust	39,913	1	298
Acquisitions of Tangible Fixed Assets	(3,458)	(3,776)	(25)
Acquisitions of Intangible Fixed Assets	(9,522)	(2,957)	(71)
Proceeds from Sales of Tangible Fixed Assets	193	260	1
Net Cash Provided by (Used in) Investing Activities	2,298,503	1,431,150	17,217
Cash Flows from Financing Activities:			
Dividends Paid	(19,603)	(19,603)	(146)
Dividends Paid to Non-Controlling Interests	(66)	(66)	(0)
Net Cash Provided by (Used in) Financing Activities	(19,670)	(19,670)	(147)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	2,106,900	1,718,281	15,782
Cash and Cash Equivalents at Beginning of Period	16,211,098	14,492,817	121,431
Cash and Cash Equivalents at End of Period (Note 2 (2))	18,317,999	16,211,098	137,213

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation:

The accompanying consolidated financial statements have been prepared from the accounts maintained by Shinkin Central Bank (the “Bank”) and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in Japan that are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements have been reclassified for the convenience of readers outside Japan. The amounts in Japanese yen are presented in millions of yen by rounding down figures. As a result, the totals in yen shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances.

U.S. dollar amounts represent the arithmetical results of translating original Japanese yen amounts of the respective account balances to U.S. dollars on a basis of ¥133.50 to U.S.\$1, the exchange rate prevailing as of March 31, 2023. The amounts in U.S. dollars are presented in millions of U.S. dollars by rounding down figures. As a result, the totals in U.S. dollars shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances. The U.S. dollar amounts are included solely for the convenience of readers outside Japan and this translation should not be construed as representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or at any other rates.

2. Significant Accounting Policies:

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its nine consolidated subsidiaries as of March 31, 2023 listed below:

Name	Location	Ownership Percentage
The Shinkin Banks Information		
System Center Co., Ltd.	Tokyo	50.7%
Shinkin International Ltd.	London	100%
Shinkin Chukin Business Co., Ltd.	Tokyo	100%
Shinkin Asset Management Co., Ltd.	Tokyo	100%
Shinkin Securities Co., Ltd.	Tokyo	100%
Shinkin Capital Co., Ltd.	Tokyo	100%
Shinkin Guarantee Co., Ltd.	Tokyo	100%
Shinkin Singapore Pte. Ltd.	Singapore	100%
Shinkin Regional Innovation Co., Ltd.	Tokyo	100%

Unconsolidated subsidiaries

Shinkin no Kizuna Investment Limited Partnership
Shinkin no Tsubasa Investment Limited Partnership
Shinkin no Ishizue Investment Limited Partnership

Unconsolidated subsidiaries are excluded from the scope of consolidation because their total assets, total income, net income (amount based on the equity method), retained earnings (amount based on the equity method) and accumulated other comprehensive income (amount based on the equity method) are immaterial and do not hinder a rational judgment of the Bank’s financial condition and results of operation when excluded from the scope of consolidation.

The fiscal year and the closing date thereof for the financial statements of the consolidated subsidiaries are consistent with those of the Bank, except for Shinkin International Ltd. and Shinkin Singapore Pte. Ltd., which have a fiscal year ending on December 31.

For the consolidation of these subsidiaries, the Bank makes appropriate adjustments for any material transactions subsequent to December 31.

All significant intercompany balances and transactions have been eliminated in consolidation. The Bank’s share of net assets of subsidiaries is valued at fair value on acquisition. Non-controlling interests in net assets of subsidiaries are valued at fair value on acquisition in the consolidated financial statements. The excess of the cost over the fair value of the underlying net equity in subsidiaries on acquisition is expensed when incurred.

The application of equity-method to unconsolidated subsidiaries and affiliates is as follows:

Non-consolidated equity-method subsidiaries: N/A
Affiliated equity-method companies: N/A

Unconsolidated subsidiaries that are not accounted for by the equity method:

Shinkin no Kizuna Investment Limited Partnership
Shinkin no Tsubasa Investment Limited Partnership
Shinkin no Ishizue Investment Limited Partnership

Unconsolidated subsidiaries that are not accounted for by the equity method are excluded from the scope of equity method because their effect on the accompanying consolidated financial statements, in terms of net income (amount based on the equity method) and retained earnings (amount based on the equity method), would not be material.

Affiliated companies to which the equity method is not applied due to immateriality:

Aozora Loan Services Co., Ltd.

(2) Cash and Cash Equivalents

In the consolidated statement of cash flows, “Cash and Cash Equivalents” consist of Cash and Due from Central Bank.

Reconciliation between Cash and Due from Banks in the consolidated balance sheet and Cash and Cash Equivalents at March 31, 2023 and 2022 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Cash and Due from Banks	19,019,069	16,764,225	142,464
Due from Banks (Excluding Due from Central Bank)	(701,070)	(553,127)	(5,251)
Cash and Cash Equivalents	18,317,999	16,211,098	137,213

(3) 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 financial instruments and other market related indices or from gaps among markets) are included in “Trading Assets” and “Trading Liabilities” on the consolidated balance sheet on a trade date basis. In addition, gains and losses from “Trading Assets” and “Trading Liabilities” are recorded as “Trading Income” and “Trading Losses” on the consolidated statement of income on a trade date basis.

Securities and Monetary Claims Bought for trading purposes are stated at fair value at the fiscal year end. Trading-related financial derivatives such as swaps, futures and options are stated at the amounts that would have been delivered for settlement as of the fiscal year end date.

(4) Financial Instruments

(i) Securities

The Bank and its consolidated subsidiaries classify securities into three categories: held-to-maturity debt securities, investments in affiliates that are not accounted for by the equity method, and other securities. Held-to-maturity debt securities are stated at cost amortized by the straight-line method using the moving-average method. Investments in affiliates that are not accounted for by the equity method are stated at cost using the moving-average method. Other securities are stated at fair value (and the cost of securities sold is mainly determined using the moving-average method). Stocks and other equity securities with no market prices are stated at cost using the moving-average method.

The full amount of net unrealized gains or losses on other securities is recorded directly within Net Assets.

Securities included as trust property in “Money Held in Trust” are stated in the same manner as above.

(ii) Derivative Transactions

Derivative transactions are stated at fair value.

(iii) Hedge Accounting

(a) Hedge of Interest Rate Risk

The Bank applies the deferred method of hedge accounting described in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guidelines No. 24, March 17, 2022 “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” to transactions to hedge against interest rate risk arising from the financial assets and liabilities.

Effectiveness of a fair value hedge is assessed for each of the identified group of hedged items such as loans and deposits, and corresponding group of hedging instruments such as interest rate swaps with the same maturity bucket. Effectiveness of a cash flow hedge is assessed based on the correlation between an interest rate risk factor of the hedged items and that of the hedging instruments.

For certain assets and liabilities, the exceptional treatment for interest rate swaps is applied.

(b) Hedge of Foreign Exchange Fluctuation Risk

The deferred method of hedge accounting is applied to transactions to hedge against foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies in accordance with the regulations set forth in JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020 “Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry.”

To minimize foreign exchange fluctuation risk on monetary assets and liabilities, the Bank has engaged in currency swaps, foreign exchange swaps, and similar transactions. Effectiveness of these transactions in the hedging of foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities and that of the hedging instruments.

The Bank has also applied fair value hedge accounting to the foreign exchange risk of other securities in foreign currency (other than bonds) when the hedged foreign currency securities are specified prior to the commencement of transactions, and there exists spot and forward liabilities exceeding the acquisition costs of the foreign currency securities designated as hedged items on a foreign currency basis.

(c) Internal Derivative Transactions

Internal derivative transactions between trading accounts and other accounts, which are designated as hedges, are not eliminated and related gains and losses are recognized in the consolidated statement of income or deferred under hedge accounting because the internal interest rate swaps and currency swaps transactions, etc. designated as hedging instruments are conducted in a manner without any subjectivity and are appropriately executed by cover transactions conducted in accordance with the standard articulated by Industry Committee Practical Guidelines No. 24 and No. 25.

(d) Others

Given that deferred hedge using interest rate swaps and exceptional treatment of interest rate swaps to offset market fluctuations on hedged items of loans, other securities (bonds) and held-to-maturity debt securities are affected by the discontinuing publication of London Inter-Bank Offered Rate (LIBOR) and transition to alternative reference rate, the Bank has adopted “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issues Task Force Report No. 40, March 17, 2022) to avoid impact on the continuation of hedging relationship.

(5) Tangible Fixed Assets (excluding Leased Assets)

Tangible fixed assets of the Bank are depreciated by the declining balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities installed in buildings), and facilities installed in buildings and structures that are acquired on or after April 1, 2016, are depreciated by the straight-line method.

The estimated useful lives of major items are as follows:

Buildings 5 to 50 years

Others 3 to 20 years

Tangible fixed assets of consolidated subsidiaries are, in principle, depreciated by the declining balance method, based on their estimated useful lives.

(6) Intangible Fixed Assets (excluding Leased Assets)

Intangible fixed assets are amortized by the straight-line method. The costs of software for internal use are amortized by the straight-line method, mainly 5 years period (the estimated useful life of the software).

(7) Leased Assets

Leased assets of Tangible Fixed Assets and Intangible Fixed Assets related to finance leases that do not transfer ownership are depreciated by the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

(8) Deferred Debenture Charges

Debenture charges are expensed in the fiscal year of issuance.

(9) Reserve for Possible Loan Losses

Reserve for possible loan losses of the Bank is provided in accordance with the internal rules for self-assessments of asset quality and write-offs and provisioning criteria predetermined by the Bank as follows:

The amounts of write-offs and provisions are calculated based on the result of self-assessments of the borrower classification, etc. The Bank has the credit risk rating system as a method for assessing credit risk to determine the borrower classification appropriately. Based on this system, the borrower classification for self-assessments is determined. The credit rating evaluates the degree of a borrower's creditworthiness, such as its debt servicing capacity, and classifies the borrower on a scale of 10. The classification reflects qualitative factors such as the evaluation of industry in which the borrower operates business and competitiveness within the industry, in addition to the quantitative evaluation based on the borrower's financial information. The credit rating is reviewed on a regular basis once a year, and is also reviewed as needed, such as when there are changes in the creditworthiness of the borrower.

The reserve is provided for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the legal sense as a result of the self-assessment of asset quality, at 100% of the carrying amount remaining after write-offs and deducting the amount expected from the realization of collateral and the execution of guarantees. In addition, a reserve is provided for loans to borrowers who are not currently bankrupt but are highly likely to go bankrupt ("Probably Bankrupt Borrowers"). In such cases, the reserve is provided at the amount deemed necessary based on the borrower's debt servicing capacity after deducting the amount expected from the realization of collateral and the execution of guarantees.

The Bank calculates the amount of reserve by the cash flow estimate method. For borrowers classified as Probably Bankrupt Borrowers, borrowers who have restructured loans ("Intensive Control Borrowers") or other borrowers who warrant special attention for future management ("Other Special Attention Borrowers") with receivables exceeding a certain amount and to whom loan receivables are renegotiated, the amount of reserve for possible loan losses is set at the difference between the book values of the loans and the amounts calculated by discounting, by the original contractual interest rates, cash flows that are reliably estimated based on the repayment plan prepared by the borrowers, creditworthiness, the Bank's lending policies and default rates according to the creditworthiness of borrower.

For all other loans to Intensive Control Borrowers and Other Special Attention Borrowers, the Bank estimates the amount of expected losses over the next three years. The amount of expected losses is calculated by determining the expected loss ratio based on the average of the historical charge-off ratios over the past three years, and adding necessary adjustments such as future prospects.

For the borrowers (Performing) who are recognized to have good business performance and no particular financial problems, a reserve is expected for the next 1 year and provided based on the ratio of the average value of the bad debt rate calculated by the bad debt record for 1 year with necessary adjustments such as future prospects.

All claims are assessed by the Operating Related Division based on internal rules for self-assessments of asset quality. Subsequently, the Asset Auditing Division, that is independent from the Operating Related Division, audits these self-assessments. The reserve is provided based on the results of the assessments.

For loans to Bankrupt Borrowers and Substantially Bankrupt Borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the realization of collateral and

the execution of guarantees, are written off. The amount written off was ¥192 million (\$1 million) as of March 31, 2023 and ¥192 million as of March 31, 2022.

Reserve for possible loan losses of the consolidated subsidiaries for general claims is provided as the amounts deemed necessary based on the default rate calculated from actual default during a certain period in the past, and for doubtful claims as the amounts deemed uncollectible based on the assessment of each claim.

(10) Reserve for Employee Bonuses

Reserve for Employee Bonuses is set aside at the portion of the amount of estimated bonus payments to employees that corresponds to this fiscal year.

(11) Reserve for Directors' Bonuses

Reserve for Directors' Bonuses is set aside at the portion of the amount of estimated bonus payments to directors and corporate auditors that is attributable to this fiscal year.

(12) Reserve for Directors' Retirement Allowances

Reserve for Directors' Retirement Allowances is calculated based on the estimated allowances to be paid up to the end of this fiscal year.

(13) Reserve under Specific Law

This reserve amount is calculated pursuant to Article 46-5, Paragraph 1 of the "Financial Instruments and Exchange Act" and Article 175 of the "Cabinet Office Ordinance on Financial Instruments Business" to indemnify any losses incurred from accidents in the conduct of market derivative transactions on behalf of clients.

(14) Employees' Retirement Benefits

The Bank accounted for retirement benefit obligation based on the projected benefit obligations. The projected benefit obligations are attributed to periods on a benefit formula basis. The methods for amortizing prior service costs and actuarial differences are as follows:
Prior service costs:

Prior service costs are amortized, using the straight-line method over a certain number of years (10 years) within the average remaining service period of current employees at the time the cost is incurred.

Actuarial differences:

Actuarial differences are amortized from the following year, using the straight-line method over a certain number of years (10 years) within the average remaining service period of current employees at each time the cost is incurred.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the amount necessary to pay for the voluntary resignation for all employees at the fiscal year-end.

(15) Revenue Recognition

"Trust Fees" mainly arise from trustee services for trust assets and are recorded as revenue over the period of the services.

(16) Translation of Foreign Currency-Denominated Assets and Liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year. Foreign currency-denominated assets and liabilities of consolidated subsidiaries are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year.

(17) Consumption Tax

National and local consumption tax incurred by the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts. However, national and local consumption tax paid on purchases of tangible fixed assets and intangible fixed assets, which are not deductible as a tax credit, are expensed in this fiscal year.

(18) Amortization of Goodwill

Goodwill is fully amortized in the fiscal year incurred.

(19) Accounting Principles and Procedures Adopted when the Provisions of Relevant Accounting Standards, etc. are not Clear
Contract cancellation revenue and gains on redemptions of investment trusts are included in “Interest Income (Interest and Dividends on Securities)” and losses on cancellation and redemptions of investment trusts are included in “Other Operating Expenses” in the consolidated statement of income.

(20) Significant Accounting Estimates

Reserve for Possible Loan Losses

(i) The amount recorded in the consolidated financial statements for the current fiscal year

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Reserve for Possible Loan Losses	23,974	25,312	179

(ii) Other information for users of the consolidated financial statements to understand the details of accounting estimates

(1) Method of calculation of the amounts recorded in the consolidated financial statements for the current fiscal year

Method of calculation is described in the “Note 2 Significant Accounting Policies (9) Reserve for Possible Loan Losses.”

(2) Key assumptions used for the calculation of the amounts recorded in the consolidated financial statements for the current fiscal year

(a) The impact of COVID-19 on economic activities and outlook of borrowers’ performance when determining borrower classification

The Bank assumes that the impact of COVID-19 on economic activities is gradually improving due to the Japanese government’s policies aimed at coexisting with the virus, but would persist for a considerable period of time for certain industries, such as travel, which is affected by the number of incoming and outgoing travelers.

These assumptions consider changes in the number of people infected with COVID-19 and other factors, and use objective information such as statistical data on international arrivals and outlook of worldwide air travel demand of the International Air Transport Association (IATA).

In the consolidated financial statements for the fiscal year ended March 31, 2023, based on the above assumptions, classification of the specific borrowers is determined considering such factors if their future performance is expected to be significantly affected by these assumptions.

(b) Inputs of the cash flow estimate method

The Bank calculates the amount of reserve for possible loan losses by the cash flow estimate method if the borrowers are classified as Probably Bankrupt Borrowers, Intensive Control Borrowers or Other Special Attention Borrowers with receivables above a certain amount. Key assumptions of the cash flow estimate are the repayment schedule prepared by the borrower, creditworthiness, the Bank’s lending policies and default rates according to the credit condition of borrower.

(3) Effects on the consolidated financial statements in the fiscal year ending March 31, 2024

Though the key assumptions include the impact of the COVID-19, there are no precedents or widely-agreed view that can be used as reference. Accordingly, the Bank makes a best estimate based on certain assumptions, available external information and an approval of decision-making body in accordance with the internal rules.

However, the assumptions used in the estimates incorporate uncertainty and, if there are changes in conditions of the COVID-19 pandemic or changes in its impact on the economic activities, the performance of borrowers may be affected and a reserve for possible loan losses to be recorded in the consolidated financial statements for the fiscal year ending March 31, 2024 may be significantly affected.

If the assumptions used in the initial estimate are changed due to changes in the borrowers’ performance, inputs used for the cash flow estimate method may significantly affect a reserve for possible loan losses to be recorded in the consolidated financial statements for the fiscal year ending March 31, 2024.

(21) Changes in Accounting Policies

(i) Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 31, June 17, 2021; hereinafter referred to as “Fair Value Measurement Guidance”) has been applied since the beginning of the current fiscal year. The Bank has applied the new accounting policy stipulated in the Fair Value Measurement Guidance prospectively in accordance with the transitional provisions stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact of this application on the consolidated financial statements.

As a result, investment trusts to which the transitional measures stipulated in Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) were applied in the previous fiscal year are included in the note related to breakdown of financial instruments by the fair value hierarchy level of “27. Financial Instruments” in the current fiscal year. However, in accordance with the transitional provisions stipulated in Paragraph 27-3 of the Fair Value Measurement Guidance, investment trusts for the previous fiscal year are not provided in the note.

Furthermore, in the previous fiscal year, foreign bonds were included in “Others” of Securities (Other Securities) in the note but, from the current fiscal year, they are categorized as “Foreign Bonds” in order to have appropriate disclosure of the financial instruments. As a result of the change, the information for the previous fiscal year is disclosed in the same category as well.

(ii) Change in criteria of impairment of securities

Previously, impairment losses were recognized for, of Securities other than Trading Securities (excluding stocks and other equity securities,

with no market prices and investment in investment partnerships), those whose fair value falls by 30% or more compared with the acquisition cost and is determined as “significantly declined,” and is not expected to recover up to the acquisition cost. However, from the end of the current fiscal year, the impairment accounting policy for bonds has changed. In accordance with the new rule, fair value of bonds is determined as “significantly declined” based on consideration of the issuer’s business condition and changes in the fair value for a certain past period in addition to the criteria of 30% or more falling fair value. An impairment loss is then recognized for those bonds whose fair value is not expected to recover up to the acquisition cost.

The Bank made the portfolio management focused on stability and gradually increased the investments in ultra-long-term bonds from the perspective of diversifying revenue sources. However, in light of increasing volatility of the fair value of bonds due to significant changes in the market interest rates by global inflation during the current fiscal year, the criteria to determine that fair value of bonds is “significantly declined” was changed to consider causes of the decline in the fair value.

There is no impact of this change on the consolidated financial statements for the current fiscal year.

Had the accounting policies as of the end of the fiscal year ended March 31, 2023 adopted at the end of the interim period ended September 30, 2022, there would have been no effect on the interim consolidated financial statements.

(22) Changes in Accounting Estimates

Reserve for Possible Loan Losses

In response to the discussion paper entitled “Japanese Financial Services Agency (“JFSA”)’s Supervisory Approaches to Lending Business and Loan Loss Provisioning” published by JFSA in December 2019, the Bank had been considering the methods for and making preparation for estimating the reserve based on the characteristics of the Bank’s financial portfolio of which loans assets to major borrowers account for a certain proportion in order to refine the amounts of expected losses.

As a result, since the preparation for applying the cash flow estimation method has been completed, from the end of the second quarter of the fiscal year ended March 31, 2023, the reserve for Other Special Attention Borrowers with receivables above a certain amount is calculated by using the cash flow estimation method. The impact on the consolidated financial statements for the current fiscal year is immaterial.

3. Trading Assets:

The details of Trading Assets as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Trading Account Securities	19,895	19,228	149
Derivatives of Securities related to Trading Transactions	3	—	0
Trading-Related Financial Derivatives	86,771	28,612	649
Other Trading Assets	379,014	286,026	2,839
Total	485,686	333,867	3,638

4. Securities:

The details of Securities as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Japanese Government Bonds	3,156,602	4,863,589	23,644
Municipal Government Bonds	1,889,103	1,934,063	14,150
Corporate Bonds	2,733,951	3,460,466	20,479
Stocks	65,343	62,877	489
Others	5,753,793	5,818,089	43,099
Total	13,598,793	16,139,087	101,863

Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2023 and 2022.
2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥9,104 million (\$68 million) as of March 31, 2023 and ¥9,502 million as of March 31, 2022. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥147,319 million (\$1,103 million) as of March 31, 2023 and ¥162,499 million as of March 31, 2022. Others also include foreign bonds and equities.

5. Status of Claims:

Claims under the Shinkin Bank Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows.

Claims consist of items recorded in Corporate Bonds in “Securities” (limited to those Corporate Bonds for which redemption of the principal and payment of interest are fully or partially guaranteed and which are issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), Loans and Bills Discounted, Foreign Exchanges Assets, Accrued Interest and Suspense Payments in “Other Assets,” and Customers’ Liabilities for Acceptances and Guarantees in the consolidated balance sheet, as well as other securities disclosed as loaned securities in footnote (limited to those loaned under a loan-for-use or lease agreement).

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Bankrupt and Quasi-Bankrupt Claims	94	163	0
Doubtful Claims	3,255	3,344	24
Loans Past Due Three Months or More	13	42	0
Restructured Loans	18,728	18,882	140
Total	22,092	22,433	165

Bankrupt and Quasi-Bankrupt Claims represent claims held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Doubtful Claims represent claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, other than Bankrupt and Quasi-Bankrupt Claims.

Loans Past Due Three Months or More represent loans for which payment of the principal or interest is delinquent for the period of three months or longer from the day immediately after the contractual due date, other than Bankrupt and Quasi-Bankrupt Claims and Doubtful Claims.

Restructured Loans represent loans for which an arrangement favorable for the debtor has been made, such as reduction or exemption of interests, granting of grace period for payment of interest, granting of grace period for payment of principal, waiver of claims, other than Bankrupt and Quasi-Bankrupt Claims, Doubtful Claims, and Loans Past Due Three Months or More.

The above amounts are the amounts before exclusion of reserves for possible loan losses.

6. Loans and Bills Discounted:

Loans include subordinated loans with a lower priority for repayment of principal and interests than that of other debt claims. The amount was ¥9,000 million (\$67 million) as of March 31, 2023 and ¥11,500 million as of March 31, 2022. Of these amounts, none as of March 31, 2023 and 2022, were provided to Shinkin Banks in accordance with the Shinkin Bank Management Reinforcement System.

Bills Discounted are accounted for as financial transactions in accordance with Industry Committee Practical Guidelines No. 24. The face value of bills of lading amounted to ¥8 million (\$0 million) as of March 31, 2023 and ¥195 million as of March 31, 2022. The Bank has the right to freely dispose of, sell or re-hypothecate such bills.

With respect to loan participation, in accordance with "Accounting and Presentation of Loan Participation" (JICPA Accounting Committee Report No. 3, November 28, 2014), the amount of the participation principal is accounted for as a loan to the original debtor, and this amounted to ¥9,535 million (\$71 million) as of March 31, 2023 and ¥11,302 million as of March 31, 2022.

7. Commitments to Overdrafts and Loans:

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as there is no violation of the conditions stipulated in commitment agreements.

The amount of unused loan commitments may not necessarily have a significant effect on the future cash flows of the Bank because most of these loan commitments expire without being drawn down. Most of these agreements have provisions which stipulate that the Bank may not extend the loan or may decrease the amount of commitment when there are certain changes in the financial conditions, certain issues relating to credit protection and other reasons. The Bank limits the commitment to an amount not exceeding the amount of the related customer's time deposit. The Bank periodically checks the financial condition of its customers based on its internal rules and performs certain actions to secure loans or revises the contracts, as necessary.

The amounts of unused loan commitments are ¥26,427,632 million (\$197,959 million) as of March 31, 2023 and ¥27,146,527 million as of March 31, 2022.

The amounts which the Bank could unconditionally cancel at any time or of which the original contractual maturity is less than one year are ¥26,250,133 million (\$196,630 million) as of March 31, 2023 and ¥26,988,964 million as of March 31, 2022.

8. Special Contracts for Securities and Cash-Collateralized Securities Lending and Borrowings:

Securities lending based on non-collateralized special contracts (securities lending and borrowings) are stated as Japanese Government Bonds in "Securities." The amount in total was ¥130,731 million (\$979 million) as of March 31, 2023 and ¥128,869 million as of March 31, 2022.

Those held by the Bank without being disposed of as of March 31, 2023 amounted to ¥77,509 million (\$580 million) and as of March 31, 2022 amounted to ¥91,671 million.

9. Tangible Fixed Assets:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Accumulated Depreciation on Tangible Fixed Assets	99,925	99,894	748
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	13
(Deferred Gains recognized for the fiscal year)	(—)	(—)	(—)

10. Assets Pledged as Collateral and Associated Liabilities:

Assets pledged as collateral for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Assets Pledged as Collateral			
Trading Assets	17,443	12,098	130
Securities	5,779,541	6,001,280	43,292
Loans and Bills Discounted	3,100,425	653,212	23,224
Total	8,897,409	6,666,590	66,647
Liabilities associated with Assets Pledged as Collateral			
Borrowed Money	3,836,200	4,005,400	28,735
Payables under Repurchase Agreements	1,970,729	595,089	14,762
Payables under Securities Lending Transactions	1,362,132	1,728,562	10,203

Securities in the amount of ¥310,479 million (\$2,325 million) as of March 31, 2023 and ¥253,101 million as of March 31, 2022, were pledged as collateral for exchange settlement transactions, etc. or as substitute for margin in futures transactions, etc.

Assets pledged through GC repo transactions of Japanese Government Bonds (JGBs) under subsequent collateral allocation method as of March 31, 2023 amounted to ¥596,971 million (\$4,471 million) and as of March 31, 2022 amounted to ¥602,851 million. Other assets include Margin Deposits for Futures Transactions, Guarantee Money, Cash Collateral Pledged for Financial Instruments, Clearing Margin Deposits for Central Counterparty, and Cash Collateral Pledged for Repurchase Agreement. The amounts are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Margin Deposits for Futures Transactions	100	—	0
Guarantee Money	434	439	3
Cash Collateral Pledged for Financial Instruments	167,280	164,985	1,253
Clearing Margin Deposits for Central Counterparty	700,000	700,000	5,243
Cash Collateral Pledged for Repurchase Agreement	500	3,926	3

11. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Trading Bonds Sold	5,895	3,228	44
Derivatives of Securities Related to Trading Transactions	—	2	—
Trading-Related Financial Derivatives	80,807	24,680	605
Total	86,702	27,911	649

12. Borrowed Money and Lease Obligations:

Category	Balance as of April 1, 2022 (Millions of Yen)	Balance as of March 31, 2023 (Millions of Yen)	Balance as of March 31, 2023 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
Borrowings	4,167,880	3,998,680	29,952	0.04	—
Borrowed Money	4,167,880	3,998,680	29,952	0.04	May 2023 - Mar. 2029
Lease Obligations Due within One Year	294	196	1	2.15	—
Lease Obligations (Excluding Those Due within One Year)	240	136	1	2.64	May 2024 - Jan. 2029

Notes:

1. Average interest rates were computed by the weighted average method using the interest rates and the balances at the fiscal year-end.
2. The repayment schedule within 5 years after the balance sheet date is as follows:

	Millions of Yen				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
Borrowed Money	1,379,800	972,400	711,600	772,400	—
Lease Obligations	196	86	18	12	12

	Millions of U.S. Dollars				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
Borrowed Money	10,335	7,283	5,330	5,785	—
Lease Obligations	1	0	0	0	0

3. Borrowed Money includes subordinated borrowings of ¥162,480 million (\$1,217 million) as of March 31, 2023 and 2022.

13. Debentures:

Issuer	Name of Issue	Issuance Date	Balance as of	Balance as of	Balance as of	Coupon Rate (%)	Collateral	Redemption Date
			April 1, 2022 (Millions of Yen)	March 31, 2023 (Millions of Yen)	March 31, 2023 (Millions of U.S. Dollars)			
The Bank	No. 329-400 5-year Interest-bearing debentures	Apr. 2017- Mar. 2023	1,515,370	1,432,960	10,733	0.01- 0.38	—	Apr. 2022 - Mar. 2028
The Bank	No. 2 7-year Interest-bearing debentures	Sep. 25, 2015	10,000	—	—	0.29	—	Sep. 27, 2022
The Bank	No. 2 10-year Interest-bearing debentures	Sep. 25, 2015	20,000	20,000	149	0.52	—	Sep. 26, 2025
Total	—	—	1,545,370	1,452,960	10,883	—	—	—

Note:

The redemption schedule within 5 years after the balance sheet date is as follows:

Millions of Yen				
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
399,930	292,900	248,750	249,740	261,640

Millions of U.S. Dollars				
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
2,995	2,194	1,863	1,870	1,959

14. Asset Retirement Obligations:

The disclosure of Asset Retirement Obligations was omitted because the amount was one-hundredth or less of the total balance of Liabilities and Net Assets as of April 1, 2022 and as of March 31, 2023.

15. Land Revaluation:

Based on the “Act on the Revaluation of Land” (Act No. 34, promulgated on March 31, 1998), land used for business was revalued. Deferred tax on the revaluation of the land was recorded as “Deferred Tax Liabilities for Land Revaluation” under Liabilities, and unrealized gain on the revaluation of the land, net of deferred tax, was recorded as “Land Revaluation Excess” under Net Assets.

Date of Revaluation: March 31, 1999

Revaluation method in accordance with Article 3, Paragraph 3 of Act No. 34: Revaluations were made based on the method, determined by the Commissioner of the National Tax Administration, which formed the basis for calculating land value taxes (prescribed by the “Land Value Tax Law”), as set forth in Article 2, Item 4 of the “Order for Enforcement of the Act on Revaluation of Land” (Government Ordinance No. 119, dated March 31, 1998), with appropriate adjustments.

16. Trusts with Contracts:

The details of principal amounts of trusts with contracts for compensation of loss of principal for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Money Trust	43,431	42,711	325

17. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deposit, Fixed Income Securities and Lending	771	644	5
Exchange Business	397	370	2
Securities Related Business	10,638	10,175	79
Agency Business	2,024	2,153	15
Defined Contribution Plan Business	113	86	0
Guarantee Business	7,670	8,106	57
Trustee Business	20,446	19,984	153
Others	712	603	5
Income on Fees and Commissions Businesses	42,775	42,124	320
Exchange	167	207	1
Agency Loans Business	553	701	4
Others	14,353	13,972	107
Expenses on Fees and Commissions Businesses	15,075	14,881	112

18. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Income from Trading Account Securities	627	606	4
Income from Trading-Related Financial Derivatives	17,137	942	128
Other Trading Income	54	—	0
Total	17,819	1,548	133

19. Trading Losses:

The details of Trading Losses for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Expenses from Trading-Related Securities	186	5	1
Other Trading Losses	—	2	—
Total	186	8	1

20. Other Income:

The details of Other Income for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Gains on Sale of Stocks and Other Securities	9,264	7,634	69
Reversal of Allowance for Loan Losses	1,335	4,552	10
Others	5	150	0
Total	10,605	12,337	79

21. Other Expenses:

The details of Other Expenses for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Losses on Sale of Stocks and Other Securities	325	100	2
Impairment Losses on Equity Securities	—	337	—
Impairment Losses on Fixed Assets	52	—	0
Others	329	48	2
Total	707	486	5

22. Consolidated Statement of Comprehensive Income:

For the fiscal years ended March 31, 2023 and 2022

Reclassification adjustment amount and tax effect amount related to Other Comprehensive Income

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Net Unrealized Gains (Losses) on Other Securities:			
The Amount Arising during the Period	(563,890)	(318,782)	(4,223)
Reclassification Adjustment Amount	119,273	36,279	893
Prior to Tax Effect Adjustment	(444,616)	(282,503)	(3,330)
Tax Effect Amount	124,285	79,045	930
Net Unrealized Gains (Losses) on Other Securities	(320,330)	(203,457)	(2,399)
Deferred Gains or Losses on Hedges:			
The Amount Arising during the Period	122,785	48,631	919
Reclassification Adjustment Amount	(40,659)	28,442	(304)
Prior to Tax Effect Adjustment	82,125	77,074	615
Tax Effect Amount	(22,929)	(21,519)	(171)
Deferred Gains or Losses on Hedges	59,196	55,555	443
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	392	777	2
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	—	—
Foreign Currency Translation Adjustments	392	777	2
Remeasurements of Defined Benefit Plans:			
The Amount Arising during the Period	2,172	(1,324)	16
Reclassification Adjustment Amount	1,613	1,489	12
Prior to Tax Effect Adjustment	3,785	164	28
Tax Effect Amount	(1,092)	(46)	(8)
Remeasurements of Defined Benefit Plans	2,692	117	20
Other Comprehensive Income	(258,048)	(147,007)	(1,932)

23. Changes in Net Assets:

(1) Class and Number of Shares Outstanding, and Class and Number of Shares of Treasury Shares

	Number of Share Units at April 1, 2022 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2023 (Thousand Units)
Shares Outstanding				
General Common Shares	4,000	—	—	4,000
Specific Common Shares	2,000	—	—	2,000
Preferred Shares (Type-A)	708	—	—	708
Total	6,708	—	—	6,708
Treasury Shares				
General Common Shares	—	—	—	—
Specific Common Shares	—	—	—	—
Preferred Shares (Type-A)	—	—	—	—
Total	—	—	—	—

(2) Dividends

Dividends paid during the fiscal year ended March 31, 2023

Resolution	Class of Share	Total Dividend Amount (Million Yen)	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 24, 2022	General Common Shares	12,000	3,000	March 31, 2022	June 24, 2022
	Specific Common Shares	3,000	1,500	March 31, 2022	June 24, 2022
	Preferred Shares (Type-A)	4,603	6,500	March 31, 2022	June 24, 2022

Among the dividends whose record date falls within the fiscal year ended March 31, 2023, those whose effective date will fall within the following fiscal year:

Resolution	Class of Share	Total Dividend Amount (Million Yen)	Resource of Dividends	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 21, 2023	General Common Shares	12,000	Retained Earnings	3,000	March 31, 2023	June 21, 2023
	Specific Common Shares	3,000	Retained Earnings	1,500	March 31, 2023	June 21, 2023
	Preferred Shares (Type-A)	4,603	Retained Earnings	6,500	March 31, 2023	June 21, 2023

24. Income Taxes:

(1) Breakdown of Deferred Tax Assets and Liabilities is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deferred Tax Assets:			
Depreciation	2,635	2,788	19
Reserve for Possible Loan Losses	182	121	1
Net Defined Benefit Liability	11,674	12,466	87
Write-Downs for Securities	1,276	1,376	9
Net Unrealized Gains (Losses) on Other Securities	84,848	5	635
Tax Loss Carryforwards	29	—	0
Others	3,136	3,689	23
Valuation Allowances	(1,528)	(2,379)	(11)
Total Deferred Tax Assets	102,254	18,068	765
Deferred Tax Liabilities:			
Net Unrealized Gains (Losses) on Other Securities	(236)	(39,679)	(1)
Deferred Gains or Losses on Hedges	(36,478)	(13,548)	(273)
Others	(335)	(318)	(2)
Total Deferred Tax Liabilities	(37,049)	(53,546)	(277)
Net Deferred Tax Assets (Liabilities)	65,205	(35,478)	488

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2023 and 2022:

	2023	2022
Statutory effective tax rate	27.92 %	27.92 %
(Adjustments)		
Change in Valuation Allowances	(2.38) %	(2.14) %
Dividends received, not taxable	(1.46) %	(0.96) %
Others	<u>1.44 %</u>	<u>(0.13) %</u>
Actual effective income tax rate after the application of tax effect accounting	<u>25.52 %</u>	<u>24.69 %</u>

25. Retirement Benefit Plans:

(1) Retirement Benefit Scheme

The Bank and some of its consolidated domestic subsidiaries have a defined benefit plan that offers lump-sum payments upon retirement and contributes to the Employees' Pension Fund for all shinkin banks nationwide.

With regard to notes related to employees' retirement benefits based on a multiple-employer plan, they are included in notes related to employees' retirement benefits based on a defined benefit plan.

(2) Defined Benefit Plan as of March 31, 2023 and 2022 is as follows:

(i) Reconciliation of beginning- and end-of-period balance of Retirement Benefit Obligation

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Retirement Benefit Obligation at Beginning of Period	68,515	66,526	513
Service Cost	2,937	2,859	22
Interest Cost	261	253	1
Actuarial Difference Incurred	(6,929)	557	(51)
Retirement Benefits Paid	(2,265)	(1,681)	(16)
Prior Service Cost	—	—	—
Other	—	—	—
Retirement Benefit Obligation at End of Period	62,519	68,515	468

(ii) Reconciliation of beginning- and end-of-period balance of Pension Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance of Pension Plan Assets at Beginning of Period	25,423	24,583	190
Expected Return on Pension Plan Assets	1,016	983	7
Actuarial Difference Incurred	(4,757)	(767)	(35)
Contributions by the Employer and Employees	1,659	1,647	12
Retirement Benefits Paid	(1,123)	(1,023)	(8)
Other	—	—	—
Balance of Pension Plan Assets at End of Period	22,219	25,423	166

(iii) Reconciliation of end-of-period balance of Retirement Benefit Obligation and Pension Plan Assets with Net Defined Benefit Liability and Net Defined Benefit Asset presented on the consolidated balance sheet

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Funded Plan Retirement Benefit Obligation	50,626	56,513	379
Pension Plan Assets	(22,219)	(25,423)	(166)
	28,406	31,089	212
Unfunded Plan Retirement Benefit Obligation	11,893	12,002	89
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheet	40,299	43,091	301
	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Net Defined Benefit Liability	40,299	43,091	301
Net Defined Benefit Asset	—	—	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheet	40,299	43,091	301

(iv) Breakdown of Retirement Benefit Expense

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Service Cost	2,937	2,859	22
Interest Cost	261	253	1
Expected Return on Pension Plan Assets	(1,016)	(983)	(7)
Amortization of Actuarial Differences	1,613	1,489	12
Amortization of Prior Service Cost	—	—	—
Other	(605)	(600)	(4)
Retirement Benefit Expenses Related to Defined Benefit Plan	3,189	3,017	23

Note:

Other includes the employee contribution amount to the Employees' Pension Fund.

(v) Remeasurements of Defined Benefit Plan
Remeasurements of Defined Benefit Plan (before tax effects) comprise the following.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2022
Prior Service Cost	—	—	—
Actuarial Differences	3,785	164	28
Other	—	—	—
Total	3,785	164	28

(vi) Accumulated Remeasurements of Defined Benefit Plan
Accumulated Remeasurements of Defined Benefit Plan (before tax effects) comprise the following.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2022
Unrecognized Prior Service Cost	—	—	—
Unrecognized Actuarial Differences	1,936	5,721	14
Other	—	—	—
Total	1,936	5,721	14

(vii) Pension Plan Assets

(a) The ratios by main asset categories in total pension plan assets are as follows:

	2023	2022
Bonds	59 %	58 %
Stocks	29 %	29 %
Cash and Deposits	8 %	10 %
Other	4 %	3 %
Total	100 %	100 %

(b) Method for setting the Expected Long-Term Rate of Return
To set the Expected Long-Term Rate of Return on Pension Plan Assets, the Bank takes into account past return performance and the current and future expected rate of return on the diverse range of assets that makes up the pension assets.

(viii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2023 and 2022 are as follows:

	2023	2022
Discount Rate	0.0 - 1.2 %	0.0 - 0.6 %
Expected Long-Term Rate of Return on Pension Plan Assets	4.0 %	4.0 %
Estimated Rate of Salary Increase	0.0 - 8.5 %	0.0 - 8.5 %

Note:

The discount rate applied at the beginning of the fiscal year ended March 31, 2023 was 0.0 - 0.6%. However, after reevaluating the discount rate at the end of the fiscal year, the rate has been changed to 0.0 - 1.2% because the change would cause a significant impact on the amount of retirement benefit obligation.

26. Leases:

1. Finance Leases

Finance leases that do not transfer ownership

(1) Outline of lease assets

(i) Tangible fixed assets

Mainly, hardware related to computer equipment

(ii) Intangible fixed assets

Software related to computer equipment

(2) Lease asset depreciation method

Depreciation method is described in the “Significant Accounting Policies.”

2. Operating Leases

Future lease payments related to non-cancelable operating leases:

Disclosure of data omitted due to immateriality.

27. Financial Instruments:

1. Matters concerning financial instruments

(1) Policies on financial instruments

Shinkin Central Bank Group (the “Group”) works to ensure the stable funding through the acceptance of deposits mainly from its Shinkin Bank members and through the issuance of debentures. Additionally, the Group takes steps to diversify its funding methods by procuring funds from short-term money markets depending on market conditions.

Procured funds are invested in short-term money market instruments, marketable securities, and loans.

Moreover, the Group uses derivative transactions for the purpose of risk-hedging in ALM (asset liability management) activities and engages in short-term trading of securities and derivatives.

To appropriately manage the various risks that result from these financial instruments, the Group engages in ALM activities including the above-mentioned derivative transactions. For its trading activities, the Group establishes risk limit and loss cut limits amounts and engages in transactions within the scopes of these risk limits, as a way to maintain a financial soundness and to ensure stable earnings.

(2) Types and related risks of financial instruments

Financial assets held by the Group consist mainly of short-term funds, securities, and loans assets.

Short-term funds are invested in the call loan.

These investments are exposed to the counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange risk.

Securities portfolios of the Group consist of domestic securities including JGBs, corporate bonds and other bonds as well as foreign securities such as government bonds, government-guaranteed bonds, and agency bonds issued in the major industrialized countries. The Group also invests in equity securities and investment funds to diversify its portfolio.

These investments are exposed to the individual issuers’ credit risk as well as market risks such as interest rate risk, price fluctuation risk, and foreign currency exchange risk, and market liquidity risk.

Loans assets consist of direct loans to low-risk borrowers including Shinkin Banks, central and local governments, public service corporations, good standing domestic and overseas companies, and agency loans provided through Shinkin Banks.

These loans are exposed to counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange risk.

Meanwhile, financial liabilities of the Group consist mainly of deposits and debentures.

Deposits include current deposits, ordinary deposits, deposits at notice, term deposits, and foreign currency-denominated deposits, most of which are deposits from Shinkin Bank members.

These deposits are exposed to market risks such as interest rate risk and foreign currency exchange risk, and liquidity risk.

As a debenture issuer, the Group issues interest-bearing debentures.

These debentures are exposed to interest rate risk and liquidity risk.

Furthermore, the Group engages in derivative transactions.

Specifically, the Group trades interest rate derivatives (interest swaps, interest futures, and interest options), currency derivatives (foreign currency forwards and currency swaps) and bond derivatives (bond futures and bond futures options).

These transactions are exposed to counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange risk.

The Bank hedges market risks of its financial assets and liabilities through ALM activities.

The Group partially avoids exposure to market risks by mitigating (i) interest rate risk through interest rate swaps and (ii) foreign currency exchange risk of foreign currency-denominated assets through foreign currency-denominated funding, currency swaps, and forex swaps.

Hedge accounting is applied to risk hedging through ALM activities including the use of derivatives. With regard to hedge accounting, hedging instruments, hedged items, hedging policies, and methods of hedge effectiveness assessment, etc. are described in the “Significant Accounting Policies.”

(3) Risk management frameworks of financial instruments

In the basic risk management policy, the Bank divides risks into “risks to be minimized” and “risks to be controlled.” Credit risks, market risks and liquidity risks are classified into latter category. Risks of both categories are managed by risk management divisions that are independent of the client service divisions. The Risk Management Division comprehensively manages these risks.

<Integrated risk management>

For the integrated management of risks, the Bank has introduced integrated risk management for quantifiable risks. Integrated risk management is a risk management method of measuring various risks using a uniform risk measure such as Value at Risk (VaR), aggregating the measurements, and comparing the aggregated amounts with the Bank’s capital. The Bank measures credit risks and market risks using VaR methodology and monitors them on a daily basis to prevent risk limits from being breached.

These risk limits are reviewed by the Risk Management Committee and determined at the Executive Committee. The risk exposures are measured weekly by the Risk Management Division, which takes steps to prevent any of the various risk limits from being breached, and through the Risk Management Committee, reports regularly to the management and relevant divisions.

The risk exposures at consolidated subsidiaries are aggregated and managed through the integrated risk management framework.

(i) Credit risk management

For the accurate identification and strict management of credit risk, the Bank has established credit risk management policies. Moreover, the Bank has created a structure in which divisions responsible for credit control, credit management and credit assessment are clearly segregated from divisions involved in client services, with mutually independent tasks to ensure effective internal checking functions.

The Bank established the Credit Committee and the Risk Management Committee, comprised of senior management and heads of divisions related to credit risk, as bodies to deliberate and make decisions on matters relating to credit risk management. The Credit Committee deliberates on credit transactions that exceed the credit limit, while the Risk Management Committee deliberates on the establishment and the review of policies regarding credit management. The Executive Committee deliberates and makes decisions on matters related to asset self-assessments including the results of asset self-assessments, asset write-offs and asset reserve provisions.

Divisions responsible for credit control manage the credit risk for each borrower relating to loans and market trading activities. An overall credit limit is set for each borrower according to the credit rating of the borrower. These divisions analyze the Bank's overall credit portfolio according to credit rating, industry, country and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Additionally, divisions responsible for credit control quantify credit risk in VaR methodology using Monte Carlo simulation methods and manage credit risks based on the limits set at the Executive Committee.

Divisions responsible for credit management accurately monitor each borrower's financial condition, the purposes for which funds are used and repayment resources. In addition to appropriate assessment and post-transaction management, these divisions continually check whether the client service divisions are conducting appropriate credit control and provide guidance as necessary.

Divisions responsible for credit assessment undertake and manage operations relating to asset self-assessments, and the calculation of asset write-offs and asset reserve provisions.

Credit risks of consolidated subsidiaries are added to the credit risk of the Bank by each borrower and monitored.

(ii) Market risk management

To maintain an accurate understanding of market risk and rigorously manage this risk, the Bank has issued a market risk management policy. Furthermore, divisions responsible for market risk management are clearly separated from divisions involved in market operations, providing a risk management structure in which internal checks are maintained through independent functions.

The Bank has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee is comprised of senior management and heads of divisions related to market risk.

Based on risk status information—obtained via reports from divisions responsible for market risk management and other sources—the ALM Committee deliberates broadly and in a timely manner ALM related policies and market transactions including the Bank's fund-raising and management as well as the usage of hedging transactions involving derivatives such as interest rate swaps.

Divisions responsible for market risk management quantify and manage market risk mainly by VaR within the limit set by the Executive Committee. In addition, market risk is classified into several categories, and the amount of risk for each category is monitored. Market risk management at the Bank not only uses VaR methodology but takes multi-faceted approaches, that is, monitoring sensitivity to change in individual risk factors such as the basis point value (BPV: the amount of the change in a portfolio's market value from a specific change in the interest rate), stress loss amounts from unexpected market changes, and appraisal losses from financial instruments. For stress loss amounts, in particular a supplementary framework has been incorporated into the integrated risk management, in addition to the above monitoring system. In this way, market risks including those that cannot be captured through VaR methods alone are managed.

Moreover, for trading operations, clear regulations are in place concerning the trading instruments and trading management methods, enabling appropriate trading operations by setting specific loss cut limits.

Market risks of consolidated subsidiaries are not directly added to the market risk exposure of the Bank but are managed separately under integrated risk management.

<Quantitative information on market risk>

(a) Financial instruments held for trading purposes

The Bank uses VaR analysis for quantifying market risk of trading securities held within securities and interest-rate and foreign-exchange instruments held for trading purposes within derivative transactions. The VaR model is based on the delta method and uses a 99.0% confidence interval, a holding period of five business days and an observation period of one year. In addition, with regard to market risk related to trading operations at consolidated subsidiaries, which is managed separately within the integrated risk management framework, the Bank uses a market risk-equivalent amount under the regulations on banks' capital ratio.

The market risk exposure (quantified potential loss) of the Bank's trading operations was ¥224 million (\$1 million) as of March 31, 2023 and ¥44 million as of March 31, 2022, and the market risk exposure (quantified potential loss) of the trading operations of the Bank's consolidated subsidiaries was ¥600 million (\$4 million) as of March 31, 2023 and ¥546 million as of March 31, 2022.

The Bank conducts back testing to compare VaR calculated using the model with actual losses. Since the actual losses exceeded the VaR five times as the results of back testing covering the fiscal year ended March 31, 2023, the Bank calibrated the VaR (used in backtesting) conservatively. It should be noted that VaR measures the market risk exposure at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk exposure cannot be captured in situations where market conditions change unprecedentedly.

(b) Financial instruments other than those held for trading purposes
The Bank uses VaR analysis for quantifying market risk of due from banks, securities not held for trading purposes, loans and bills discounted, deposits, debentures, payables under securities lending transactions and, within derivative transactions, interest-rate and foreign-exchange instruments not held for trading purposes. The VaR model is based on the delta method and uses a 99.0% confidence interval, a holding period of one year and an observation period of five years. In addition, with regard to market risk at consolidated subsidiaries related to operations other than trading operations, which is managed separately within the integrated risk management framework, such risk is calculated in accordance with methods used by the Bank.

The Group's market risk exposure other than for trading purposes was ¥663,175 million (\$4,967 million) as of March 31, 2023 and ¥533,948 million as of March 31, 2022. The Bank conducts back testing to compare VaR calculated using the model with actual losses. Since the actual losses exceeded the VaR six times as the results of back testing covering the fiscal year ended March 31, 2023, the Bank calibrated the VaR (used in backtesting) conservatively. It should be noted that VaR measures the market risk exposure at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk exposure cannot be captured in situations where market conditions change unprecedentedly.

(iii) Liquidity risk management related to fund-raising

For the accurate identification and strict management of liquidity risk, the Bank has established liquidity risk management policies. Divisions responsible for liquidity risk management are clearly separated from divisions involved in cash management and market operations, allowing internal checks to be maintained through the independent functions. In addition, the ALM Committee deliberates and makes decisions on matters relating to liquidity risk management.

Methods used for managing liquidity risk include the setting and daily monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In the event that a significant liquidity risk arises, the Bank has preparations to respond rapidly, including the securing of funding sources.

The liquidity risk management frameworks created by the Bank include subsidiaries as well, such as by providing overdraft facilities for consolidated subsidiaries with operations involving fund movements in relatively large amounts.

(4) Supplementary explanation concerning the fair values of financial instruments

Since certain assumptions are adopted to determine the fair values of financial instruments, the values may vary if the underlying assumptions change.

2. Fair value of financial instruments (and other information)

Carrying values stated on the consolidated balance sheet, fair value and differences between them are as follows. Stocks and other equity securities, with no market prices and investment in investment partnerships are not included in the table below. (See Note 1.)

Notes to Cash and Due from Banks, Bills Bought and Call Loans, Receivables under Resale Agreements, Bills Sold and Call Money, Payables under Repurchase Agreements and Payables under Securities Lending Transactions are omitted as the fair values approximate their carrying amounts and they are mainly settled in a short period of time.

Notes on immaterial items have been omitted.

As of March 31, 2023

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Monetary Claims Bought	172,200	172,200	—
(2) Trading Assets			
Trading Securities	398,910	398,910	—
(3) Money Held in Trust	78,136	78,136	—
(4) Securities			
Held-to-Maturity Debt Securities	879,720	922,760	43,040
Other Securities (*1)	12,511,681	12,511,681	—
(5) Loans and Bills Discounted	9,511,310		
Reserve for Possible Loan Losses (*2)	(23,639)		
	9,487,671	9,485,504	(2,166)
Total Assets	23,528,320	23,569,194	40,873
(1) Deposits	34,652,817	34,660,489	7,672
(2) Debentures	1,452,960	1,451,523	(1,436)
(3) Trading Liabilities			
Trading Bonds Sold	5,895	5,895	—
(4) Borrowed Money	3,998,680	3,999,693	1,013
Total Liabilities	40,110,352	40,117,602	7,250
Derivatives (*3)			
To which Hedge Accounting is not applied	6,625	6,625	—
To which Hedge Accounting is applied	64,708	36,536	(28,172)
Total Derivatives	71,333	43,161	(28,172)

Millions of U.S. Dollars

	Carrying Value	Fair Value	Difference
(1) Monetary Claims Bought	1,289	1,289	—
(2) Trading Assets			
Trading Securities	2,988	2,988	—
(3) Money Held in Trust	585	585	—
(4) Securities			
Held-to-Maturity Debt Securities	6,589	6,912	322
Other Securities (*1)	93,720	93,720	—
(5) Loans and Bills Discounted	71,245		
Reserve for Possible Loan Losses (*2)	(177)		
	71,068	71,052	(16)
Total Assets	176,242	176,548	306
(1) Deposits	259,571	259,629	57
(2) Debentures	10,883	10,872	(10)
(3) Trading Liabilities			
Trading Bonds Sold	44	44	—
(4) Borrowed Money	29,952	29,960	7
Total Liabilities	300,452	300,506	54
Derivatives (*3)			
To which Hedge Accounting is not applied	49	49	—
To which Hedge Accounting is applied	484	273	(211)
Total Derivatives	534	323	(211)

*1. Investment trusts to which the treatment that a net asset value (NAV) is regarded as the fair values has been applied in accordance with Paragraphs 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) are included in “Other Securities.”

*2. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted.

*3. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are presented collectively.

For net receivables and payables derived from derivative transactions, net amounts are stated. Sums that represent net payables are shown in parenthesis.

As of March 31, 2022

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Monetary Claims Bought	204,459	204,459	—
(2) Trading Assets			
Trading Securities	305,255	305,255	—
(3) Money Held in Trust	118,623	118,623	—
(4) Securities			
Held-to-Maturity Debt Securities	450,356	497,174	46,818
Other Securities	15,476,710	15,476,710	—
(5) Loans and Bills Discounted	7,754,789		
Reserve for Possible Loan Losses (*1)	(24,955)		
	7,729,833	7,744,553	14,719
Total Assets	24,285,238	24,346,777	61,538
(1) Deposits	33,123,802	33,136,138	12,335
(2) Debentures	1,545,370	1,543,995	(1,374)
(3) Trading Liabilities			
Trading Bonds Sold	3,228	3,228	—
(4) Borrowed Money	4,167,880	4,170,629	2,749
Total Liabilities	38,840,281	38,853,991	13,709
Derivatives (*2)			
To which Hedge Accounting is not applied	(2,503)	(2,503)	—
To which Hedge Accounting is applied	(6,853)	(47,487)	(40,633)
Total Derivatives	(9,357)	(49,990)	(40,633)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted.

*2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are presented collectively.

For net receivables and payables derived from derivative transactions, net amounts are stated. Sums that represent net payables are shown in parenthesis.

Note 1: Stocks and other equity securities, with no market prices and investment in investment partnerships are as follows and are not included in “Securities” in the fair value information of financial instruments.

Category	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Stocks and other equity securities, with no market prices (*1) (*2)	154,001	168,681	1,153
Investment in investment partnerships (*3)	53,389	43,339	399
Total	207,391	212,021	1,553

*1. Stocks and other equity securities, with no market prices are unlisted common stocks and the preferred shares issued by shinkin banks which are held by the Bank. These stocks and other equity securities are not included in fair value disclosure information based on Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

*2. Impairment loss of ¥91 million was recognized for unlisted common shares in the fiscal year ended March 31, 2022.

*3. Investment in investment partnerships is not included in fair value disclosure information based on Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

Note 2: Amounts of monetary claims and securities with maturities scheduled for redemption after the balance sheet date

As of March 31, 2023

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	18,871,278	20,000	—	—	—	2,500
Bills Bought and Call Loan	1,573,215	—	—	—	—	—
Receivables under Resale Agreements	295,304	—	—	—	—	—
Monetary Claims Bought	—	5,936	972	16,150	25,205	127,456
Securities						
Held-to-Maturity Debt Securities	1,697	79,758	258,151	155,500	56,543	323,350
Japanese Government Bonds	—	70,000	210,000	155,000	—	310,000
Municipal Government Bonds	—	—	20,974	—	47,983	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	7,100	25,288	500	8,560	—
Foreign Bonds	1,697	2,658	1,889	—	—	13,350
Other Securities with Maturities	1,824,792	1,968,976	1,118,451	726,177	1,668,884	2,501,771
Japanese Government Bonds	589,830	—	—	215,000	705,000	955,000
Municipal Government Bonds	255,571	632,850	424,717	154,277	359,080	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	718,308	1,033,872	439,579	135,202	76,553	289,880
Foreign Bonds	261,081	302,253	254,155	221,698	528,250	1,256,890
Loans and Bills Discounted (*2)	5,149,822	1,741,316	1,219,448	753,520	485,626	159,479
Total	27,716,110	3,815,987	2,597,024	1,651,348	2,236,259	3,114,557

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	141,357	149	—	—	—	18
Bills Bought and Call Loan	11,784	—	—	—	—	—
Receivables under Resale Agreements	2,212	—	—	—	—	—
Monetary Claims Bought	—	44	7	120	188	954
Securities						
Held-to-Maturity Debt Securities	12	597	1,933	1,164	423	2,422
Japanese Government Bonds	—	524	1,573	1,161	—	2,322
Municipal Government Bonds	—	—	157	—	359	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	53	189	3	64	—
Foreign Bonds	12	19	14	—	—	100
Other Securities with Maturities	13,668	14,748	8,377	5,439	12,501	18,739
Japanese Government Bonds	4,418	—	—	1,610	5,280	7,153
Municipal Government Bonds	1,914	4,740	3,181	1,155	2,689	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	5,380	7,744	3,292	1,012	573	2,171
Foreign Bonds	1,955	2,264	1,903	1,660	3,956	9,414
Loans and Bills Discounted (*2)	38,575	13,043	9,134	5,644	3,637	1,194
Total	207,611	28,584	19,453	12,369	16,751	23,330

*1. Current deposits, ordinary deposits, deposits at notice, and transfer deposits, included in “Due from Banks,” are stated under amounts redeemable “Within 1 year.”

*2. Loans do not include those of ¥2,109 million (\$15 million) with no expected schedule of redemption, including those to Bankrupt Borrowers, Substantially Bankrupt Borrowers and Probably Bankrupt Borrowers.

As of March 31, 2022

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	16,649,319	22,237	20,000	—	—	—
Bills Bought and Call Loan	1,329,496	—	—	—	—	—
Receivables under Resale Agreements	34,216	—	—	—	—	—
Monetary Claims Bought	527	2,106	30,887	7,293	25,408	139,283
Securities						
Held-to-Maturity Debt Securities	8,544	42,111	131,381	130,000	135,000	—
Japanese Government Bonds	7,000	40,000	130,000	130,000	135,000	—
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Foreign Bonds	1,544	2,111	1,381	—	—	—
Other Securities with Maturities	2,089,460	2,994,042	2,588,926	982,747	2,026,905	1,816,613
Japanese Government Bonds	711,150	635,000	920,000	50,000	1,099,000	1,005,000
Municipal Government Bonds	263,911	556,499	631,494	132,169	346,385	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	953,126	1,363,304	646,921	152,412	61,128	268,127
Foreign Bonds	161,272	439,239	390,510	648,166	520,392	543,485
Loans and Bills Discounted (*2)	3,597,163	1,591,115	1,129,673	725,948	532,863	175,860
Total	23,708,729	4,651,612	3,900,869	1,845,989	2,720,177	2,131,757

*1. Current deposits, ordinary deposits, deposits at notice, and transfer deposits, included in “Due from Banks,” are stated under amounts redeemable “Within 1 year.”

*2. Loans do not include those of ¥2,206 million with no expected schedule of redemption, including those to Bankrupt Borrowers, Substantially Bankrupt Borrowers and Probably Bankrupt Borrowers.

Note 3: Amounts of deposits, debentures and other interest bearing debt scheduled for repayment after the balance sheet date

As of March 31, 2023

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*)	22,020,526	10,286,368	601,532	265,390	680,200	798,800
Debentures	399,930	541,650	511,380	—	—	—
Borrowed Money	1,379,800	1,684,000	772,400	162,480	—	—
Bills Sold and Call Money	6,804	—	—	—	—	—
Payables under Repurchase Agreements	2,620,729	—	—	—	—	—
Payables under Securities Lending Transactions	1,362,132	—	—	—	—	—
Total	27,789,923	12,512,018	1,885,312	427,870	680,200	798,800

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*)	164,947	77,051	4,505	1,987	5,095	5,983
Debentures	2,995	4,057	3,830	—	—	—
Borrowed Money	10,335	12,614	5,785	1,217	—	—
Bills Sold and Call Money	50	—	—	—	—	—
Payables under Repurchase Agreements	19,630	—	—	—	—	—
Payables under Securities Lending Transactions	10,203	—	—	—	—	—
Total	208,164	93,722	14,122	3,205	5,095	5,983

* Demand deposits, included in “Deposits,” are stated under amounts payable “Within 1 year.”

As of March 31, 2022

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*)	15,237,606	17,695,931	63,449	4,740	122,075	—
Debentures	351,850	691,830	501,690	—	—	—
Borrowed Money	1,058,000	2,235,800	711,600	162,480	—	—
Bills Sold and Call Money	5,637	—	—	—	—	—
Payables under Repurchase Agreements	1,195,089	—	—	—	—	—
Payables under Securities Lending Transactions	1,728,562	—	—	—	—	—
Total	19,576,744	20,623,561	1,276,739	167,220	122,075	—

* Demand deposits, included in “Deposits,” are stated under amounts payable “Within 1 year.”

3. Breakdown of financial instruments by the fair value hierarchy level

The fair value of financial instruments is classified into the following three levels on the basis of the observability and significance of the inputs used to calculate the fair value.

Level 1 fair value:

Fair value measured by using quoted market prices in active markets as observable inputs related to fair value measurement for assets or liabilities subject to fair value measurement

Level 2 fair value:

Fair value measured by using observable inputs related to fair value measurement other than those for Level 1

Level 3 fair value:

Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs that have a significant effect on the fair value measurement are used, the fair value is classified into the level with the lowest priority in the fair value measurement among the levels to which each input is assigned.

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

As of March 31, 2023

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	815	171,385	172,200
Trading Assets (Trading Securities)	2,202	396,707	—	398,910
Money Held in Trust (Trading Purposes, Others)	—	78,136	—	78,136
Securities (Other Securities) (*1)	3,643,801	8,536,269	195,852	12,375,924
Stocks	58,663	—	—	58,663
Japanese Government Bonds	2,406,868	—	—	2,406,868
Municipal Government Bonds	—	1,820,151	—	1,820,151
Corporate Bonds	—	2,691,967	546	2,692,513
Foreign Bonds	1,119,870	1,318,852	195,306	2,634,029
Investment Trusts	58,399	2,705,298	—	2,763,698
Total Assets	3,646,004	9,011,929	367,238	13,025,171
Trading Liabilities (Trading Securities)	5,895	—	—	5,895
Total Liabilities	5,895	—	—	5,895
Derivatives (*2)	3	71,329	—	71,333
Interest-Rate-Related Transactions	—	144,783	—	144,783
Currency-Related Transactions	—	(73,454)	—	(73,454)
Bond-Related Transactions	3	—	—	3

Millions of U.S. Dollars

	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	6	1,283	1,289
Trading Assets (Trading Securities)	16	2,971	—	2,988
Money Held in Trust (Trading Purposes, Others)	—	585	—	585
Securities (Other Securities) (*1)	27,294	63,942	1,467	92,703
Stocks	439	—	—	439
Japanese Government Bonds	18,028	—	—	18,028
Municipal Government Bonds	—	13,634	—	13,634
Corporate Bonds	—	20,164	4	20,168
Foreign Bonds	8,388	9,879	1,462	19,730
Investment Trusts	437	20,264	—	20,701
Total Assets	27,310	67,505	2,750	97,566
Trading Liabilities (Trading Securities)	44	—	—	44
Total Liabilities	44	—	—	44
Derivatives (*2)	0	534	—	534
Interest-Rate-Related Transactions	—	1,084	—	1,084
Currency-Related Transactions	—	(550)	—	(550)
Bond-Related Transactions	0	—	—	0

*1. Investment trusts to which the treatment that a net asset value (NAV) is regarded as the fair values has been applied in accordance with Paragraphs 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) are not included in the above table. The carrying value of investment trusts whose investment trust property is financial instruments based on the provision stipulated in Paragraph 24-3 as of March 31, 2023 amounted to ¥89,276 million (\$668 million), and the carrying value of investment trusts whose investment trust property is real estates based on the provision stipulated in Paragraph 24-9 as of March 31, 2023 amounted to ¥46,481 million (\$348 million).

*2. Derivative transactions stated in Trading Assets and Liabilities, and Other Assets and Liabilities are presented collectively. For net receivables and payables derived from derivative transactions, net amounts are stated. Sums that represent net payables are shown in parenthesis.

As of March 31, 2022

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	897	203,034	203,932
Trading Assets (Trading Securities)	2,640	302,615	—	305,255
Money Held in Trust (Trading Purposes, Others)	—	118,623	—	118,623
Securities (Other Securities) (*1)	5,778,995	6,532,779	224,488	12,536,262
Stocks	56,698	—	—	56,698
Japanese Government Bonds	4,418,385	—	—	4,418,385
Municipal Government Bonds	—	1,934,063	—	1,934,063
Corporate Bonds	—	3,458,909	1,556	3,460,466
Foreign Bonds	1,303,911	1,139,805	222,931	2,666,648
Total Assets	5,781,635	6,954,915	427,523	13,164,074
Trading Liabilities (Trading Securities)	3,228	—	—	3,228
Total Liabilities	3,228	—	—	3,228
Derivatives (*2)	(2)	(9,354)	—	(9,357)
Interest-Rate-Related Transactions	—	45,525	—	45,525
Currency-Related Transactions	—	(54,879)	—	(54,879)
Bond-Related Transactions	(2)	—	—	(2)

*1. Investment trusts to which the transitional measures stipulated in Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) have been applied are not included in the above table. The amount of these investment trusts on the consolidated balance sheet was ¥2,940,447 million.

*2. Derivative transactions stated in Trading Assets and Liabilities, and Other Assets and Liabilities are presented collectively. For net receivables and payables derived from derivative transactions, net amounts are stated. Sums that represent net payables are shown in parenthesis.

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

As of March 31, 2023

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	—	—	—
Securities (Held-to-Maturity Debt Securities)	792,302	130,458	—	922,760
Japanese Government Bonds	792,302	—	—	792,302
Municipal Government Bonds	—	69,524	—	69,524
Corporate Bonds	—	41,762	—	41,762
Foreign Bonds	—	19,170	—	19,170
Loans and Bills Discounted	—	—	9,485,504	9,485,504
Total Assets	792,302	130,458	9,485,504	10,408,265
Deposits	—	34,660,489	—	34,660,489
Debentures	—	1,451,523	—	1,451,523
Borrowed Money	—	3,836,200	163,493	3,999,693
Total Liabilities	—	39,948,213	163,493	40,111,707
Derivatives (*)	—	(28,172)	—	(28,172)
Interest-Rate-Related Transactions	—	(28,172)	—	(28,172)

	Millions of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	—	—	—
Securities (Held-to-Maturity Debt Securities)	5,934	977	—	6,912
Japanese Government Bonds	5,934	—	—	5,934
Municipal Government Bonds	—	520	—	520
Corporate Bonds	—	312	—	312
Foreign Bonds	—	143	—	143
Loans and Bills Discounted	—	—	71,052	71,052
Total Assets	5,934	977	71,052	77,964
Deposits	—	259,629	—	259,629
Debentures	—	10,872	—	10,872
Borrowed Money	—	28,735	1,224	29,960
Total Liabilities	—	299,237	1,224	300,462
Derivatives (*)	—	(211)	—	(211)
Interest-Rate-Related Transactions	—	(211)	—	(211)

* The fair value of interest rate swaps for exceptional treatment of interest rate swaps is shown.
For net receivables and payables derived from derivative transactions, net amounts are stated. Sums that represent net payables are shown in parenthesis.

As of March 31, 2022

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	—	527	527
Securities (Held-to-Maturity Debt Securities)	492,019	5,155	—	497,174
Japanese Government Bonds	492,019	—	—	492,019
Municipal Government Bonds	—	—	—	—
Corporate Bonds	—	—	—	—
Foreign Bonds	—	5,155	—	5,155
Loans and Bills Discounted	—	—	7,744,553	7,744,553
Total Assets	492,019	5,155	7,745,080	8,242,255
Deposits	—	33,136,138	—	33,136,138
Debentures	—	1,543,995	—	1,543,995
Borrowed Money	—	4,005,400	165,229	4,170,629
Total Liabilities	—	38,685,533	165,229	38,850,762
Derivatives (*)	—	(40,633)	—	(40,633)
Interest-Rate-Related Transactions	—	(40,633)	—	(40,633)

* The fair value of interest rate swaps for exceptional treatment of interest rate swaps is shown.
For net receivables and payables derived from derivative transactions, net amounts are stated. Sums that represent net payables are shown in parenthesis.

Note 1: Explanation on valuation techniques used to measure fair value and inputs used in fair value measurement

Assets

- Monetary Claims Bought

Of the Monetary Claims Bought, the beneficiary rights in trust accounted for in the same way as securities adopt the valuation price obtained from a third party, such as a broker, as the fair value. If significant unobservable inputs, such as the default rate, recovery rate and prepayment rates, are used for valuation, the fair value is classified as Level 3 fair value, otherwise it is classified as Level 2 fair value. The fair value of Monetary Claims Bought other than these beneficiary rights in trust is calculated by the same method as for loans, and is classified as Level 3 fair value.

- Trading Assets

Regarding securities such as bonds held for trading purposes, the fair value for which unadjusted market price in active markets is used is classified as Level 1 fair value. If the market is not active even if the published market price is used, or if the fair value is estimated by discounting the future cash flows using the market interest rate as of the valuation date, the fair value is classified as Level 2 fair value.

- Money Held in Trust

For securities managed as trust assets in Money Held in Trust whose main purpose is to trade securities, the fair value of stocks is based on exchange prices, and that of bonds is based on market prices, etc. They are classified into Level 2 fair value based on the level of the main components of the trust assets.

Notes regarding the trust of money for each purpose of holding are described in "Money Held in Trust."

- Securities

For securities, the fair value for which unadjusted quoted market price in active markets is used is classified as Level 1 fair value. These securities mainly include listed stocks and government bonds. If the market is not active even if the published market price is used, or if the fair value is estimated by discounting the future cash flows using the market interest rate as of the valuation date, the fair value is classified as Level 2 fair value. These securities mainly include municipal bonds, short-term corporate bonds and corporate bonds.

If the quoted market price is not available, the valuation price obtained from a third party such as a broker is used. When the valuation uses important unobservable inputs, such as default rate, recovery rate, prepayment rates and credit spread, the fair value is classified as Level 3 fair value.

The fair value of investment trusts for which transaction price in active markets is used is classified as Level 1 fair value. If there are no quoted market prices and there are no material restrictions for which market participants would ask to bear the cost of risk with respect to such redemption or repurchase requests, the fair value of investment trust is based on a published net asset value (NAV) or the like and classified as Level 2 fair value.

Notes regarding securities for each purpose of holding are described in "Securities."

- Loans and Bills Discounted

Of the Loans and Bills Discounted, those with variable interest rates reflect the market interest rate in a short period of time. For this reason, as long as the credit status of the lender does not change significantly after drawdown, the fair value approximates the carrying value.

Accordingly, the carrying value is used as the fair value. For Loans and Bills Discounted with fixed interest rates, the fair value is determined by category based on loan type and credit rating, discounting the total amount of principal and interest using the interest rates, determined by reflecting credit spread and other factors on market interest rates, that are expected when granting similar loans. For Loans and Bills Discounted under short-term contracts, the carrying value is used as the fair value since the fair value approximates the carrying value.

With regard to loans to Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers, the Bank estimates loan loss based on the present value of estimated future cash flows or the estimated recoverable value from collateral and guarantees. Since the fair value therefore approximates the total loan value on the consolidated balance sheet at the closing date less the total recorded value of the reserve for possible loan losses, this value is used for the fair value. The fair values determined are classified into Level 3 fair value.

Liabilities

- Deposits

For demand deposits, the amount payable upon demand on the balance sheet date (carrying value) is used as fair value. Of term deposits, those with variable interest rates reflect the market interest rate in a short period of time. For this reason, the fair value approximates the carrying value. Accordingly, the carrying value is used as the fair value. For term deposits with fixed interest rates, the fair value is calculated by discounting future cash flows using the interest rate that would be applicable to newly taken deposits. The fair values determined are classified into Level 2 fair value.

- Debentures

The fair value of debentures issued by the Bank is based on the market price, and is classified as Level 2 fair value in consideration of market liquidity.

- Trading Liabilities

The fair value of trading bonds sold is based on the unadjusted market price in an active market and is classified as Level 1 fair value.

- Borrowed Money

For borrowed money, the present value is calculated by type, discounting the total amount of principal and interest using the expected interest rate for similar borrowings. If the impact of unobservable inputs on the fair value is important, the fair value is classified as Level 3 fair value, and otherwise it is classified as Level 2 fair value.

For Borrowed Money under short-term contracts, since the fair value approximates the carrying value, the carrying value is used as the fair value and is classified as Level 2 fair value.

Derivative Transactions

For derivative transactions, exchange-traded transactions are valued on the basis of closing prices on exchanges, etc., while over the counter transactions are valued using discounted present value or calculation models for option prices, etc. The inputs used in the valuation technique for calculating the value of over the counter transactions are mainly interest rates, exchange rates and volatility. The fair value of exchange-traded transactions is classified as Level 1 fair value, and that of over the counter transactions is classified as Level 2 fair value if unobservable inputs are not used or their impact is not significant.

Note 2: Information about the Level 3 fair value of financial instruments recorded at fair value in the consolidated balance sheet

(1) Reconciliation of beginning balance to ending balance, unrealized gains (losses) recognized in profit (loss) for the fiscal year ended March 31, 2023 and 2022

As of March 31, 2023

Millions of Yen

	Balance as of April 1, 2022	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2023		Net of purchases, sales, issuances, and settlements	Transfers to Level 3 fair value	Transfers from Level 3 fair value (*3)	Balance as of March 31, 2023	Amount of unrealized gains or losses on financial assets and liabilities held at March 31, 2023 that is recognized in profit or loss for the fiscal year ended March 31, 2023
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Monetary Claims Bought	203,034	0	(2,470)	(29,179)	—	—	171,385	—
Securities (Other Securities)	224,488	6,395	(556)	(25,094)	—	(9,379)	195,852	—
Corporate Bonds	1,556	—	(3)	(1,006)	—	—	546	—
Foreign Bonds	222,931	6,395	(553)	(24,088)	—	(9,379)	195,306	—

Millions of U.S. Dollars

	Balance as of April 1, 2022	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2023		Net of purchases, sales, issuances, and settlements	Transfers to Level 3 fair value	Transfers from Level 3 fair value (*3)	Balance as of March 31, 2023	Amount of unrealized gains or losses on financial assets and liabilities held at March 31, 2023 that is recognized in profit or loss for the fiscal year ended March 31, 2023
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Monetary Claims Bought	1,520	0	(18)	(218)	—	—	1,283	—
Securities (Other Securities)	1,681	47	(4)	(187)	—	(70)	1,467	—
Corporate Bonds	11	—	(0)	(7)	—	—	4	—
Foreign Bonds	1,669	47	(4)	(180)	—	(70)	1,462	—

*1. Mainly included in "Other Operating Income" and "Other Operating Expenses" in the consolidated statement of income.

*2. Included in "Net Unrealized Gains (Losses) on Other Securities" in "Other Comprehensive Income" in the consolidated statement of comprehensive income.

*3. These are transfers from Level 3 fair value to Level 2 fair value because observable data for foreign bonds became available. The transfers are made on the last day of fiscal year.

As of March 31, 2022

	Millions of Yen							Amount of unrealized gains or losses on financial assets and liabilities held at March 31, 2022 of recognized in profit (loss) for the fiscal year ended March 31, 2022
	Balance as of April 1, 2021	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2022		Net of purchases, sales, issuances, and settlements	Transfers to Level 3 fair value (*3)	Transfers from Level 3 fair value	Balance as of March 31, 2022	
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Monetary Claims Bought	160,377	0	(938)	43,595	—	—	203,034	—
Securities (Other Securities)	244,413	3,767	(734)	(30,049)	7,091	—	224,488	—
Corporate Bonds	5,094	—	(12)	(3,525)	—	—	1,556	—
Foreign Bonds	239,318	3,767	(722)	(26,523)	7,091	—	222,931	—

*1. Mainly included in “Other Operating Income” and “Other Operating Expenses” in the consolidated statement of income.

*2. Included in “Net Unrealized Gains (Losses) on Other Securities” in “Other Comprehensive Income” in the consolidated statement of comprehensive income.

*3. These are transfers from Level 2 fair value to Level 3 fair value due to a lack of observable market data resulting from reduced market activities for foreign bonds.
The transfers are made on the last day of fiscal year.

(2) Explanation on the fair value measurement process

The fair value calculation department of the Group has established the policies and procedures for fair value measurement and determines fair value in accordance with these policies and procedures. In determining fair value, the Group uses the method that can most appropriately reflect the nature, characteristics and risks of each asset. Regarding the fair value measurement results and level classification, the Group verifies the appropriateness of the valuation techniques and inputs used for the fair value measurement by comparing prices between similar products, checking price trend of the same securities and matching with benchmarks published in the market for consistency. In addition, when using the prices obtained from a third party, the Group verifies the appropriateness of those prices by confirming the valuation techniques and inputs and comparing them with the fair values of similar financial products.

Note 3: Information about investment trusts to which the treatment that a net asset value (NAV) is regarded as the fair values has been applied

(1) Reconciliation of beginning balance to ending balance, unrealized gains (losses) recognized in profit or loss for the fiscal year ended March 31, 2023

As of March 31, 2023

	Millions of Yen							Amount of unrealized gains or losses on investment trusts held at March 31, 2023 that is recognized in profit or loss for the fiscal year ended March 31, 2023
	Balance as of April 1, 2022	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2023		Net of purchases, sales and redemption	Amount of investment trusts whose net asset value (NAV) is regarded as fair value	Amount of investment trusts whose net asset value (NAV) is not regarded as fair value	Balance as of March 31, 2023	
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Investment trusts whose investment trust property is financial instruments	49,305	4,262	2,344	33,364	—	—	89,276	—
Investment trusts whose investment trust property is real estates	37,615	191	757	7,917	—	—	46,481	—

Millions of U.S. Dollars

	Balance as of April 1, 2022	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2023		Net of purchases, sales and redemption	Amount of investment trusts whose net asset value (NAV) is regarded as fair value	Amount of investment trusts whose net asset value (NAV) is not regarded as fair value	Balance as of March 31, 2023	Amount of unrealized gains or losses on investment trusts held at March 31, 2023 that is recognized in profit or loss for the fiscal year ended March 31, 2023
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Investment trusts whose investment trust property is financial instruments	369	31	17	249	—	—	668	—
Investment trusts whose investment trust property is real estates	281	1	5	59	—	—	348	—

*1. Mainly included in “Other Operating Income” and “Other Operating Expenses” in the consolidated statement of income.

*2. Included in “Net Unrealized Gains (Losses) on Other Securities” in “Other Comprehensive Income” in the consolidated statement of comprehensive income.

(2) Breakdown of restrictions related to redemption and repurchase requests of investment trusts whose investment trust property is financial instruments

As of March 31, 2023

Restrictions related to redemption or repurchase requests	Millions of Yen	Millions of U.S. Dollars
	Carrying value	Carrying value
Restrictions that require a certain period for redemption or repurchase due to factors such as limited redemption or repurchase dates	89,276	668

28. Fair Value of Securities and Money Held in Trust:

1. Securities

The following tables contain information relating to Securities, Trading Assets (trading account securities and short-term corporate bonds), Cash and Due from Banks (negotiable certificates of deposit) and Monetary Claims Bought (beneficiary rights in trust) in the consolidated balance sheet.

(1) Trading Securities

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Net Unrealized Gains (Losses) Recognized as Income	(26)	(32)	(0)

(2) Held-to-Maturity Debt Securities
As of March 31, 2023

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	649,375	694,152	44,776
	Municipal Government Bonds	68,851	69,425	573
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	40,200	40,525	325
	Others	462	470	7
	Total		758,890	804,573
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	100,358	98,150	(2,208)
	Municipal Government Bonds	100	99	(0)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,237	1,236	(0)
	Others	19,133	18,700	(433)
	Total		120,829	118,186
Total		879,720	922,760	43,040

		Millions of U.S. Dollars		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	4,864	5,199	335
	Municipal Government Bonds	515	520	4
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	301	303	2
	Others	3	3	0
	Total		5,684	6,026
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	751	735	(16)
	Municipal Government Bonds	0	0	(0)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	9	9	(0)
	Others	143	140	(3)
	Total		905	885
Total		6,589	6,912	322

As of March 31, 2022

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	445,204	492,019	46,815
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	3,097	3,138	40
	Total	448,301	495,157	46,856
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	2,054	2,016	(37)
	Total	2,054	2,016	(37)
Total		450,356	497,174	46,818

(3) Other Securities

As of March 31, 2023

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	56,752	31,594	25,158
	Bonds	2,532,045	2,522,404	9,640
	Japanese Government Bonds	861,053	855,722	5,331
	Municipal Government Bonds	405,975	405,054	921
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,265,015	1,261,627	3,387
Others	1,240,267	1,127,770	112,496	
Total	3,829,064	3,681,768	147,295	
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	1,911	2,202	(291)
	Bonds	4,387,488	4,476,970	(89,481)
	Japanese Government Bonds	1,545,814	1,610,999	(65,185)
	Municipal Government Bonds	1,414,175	1,425,374	(11,198)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,427,497	1,440,596	(13,098)
Others	4,564,810	4,923,572	(358,761)	
Total	8,954,210	9,402,744	(448,534)	
Total		12,783,275	13,084,513	(301,238)

		Millions of U.S. Dollars		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	425	236	188
	Bonds	18,966	18,894	72
	Japanese Government Bonds	6,449	6,409	39
	Municipal Government Bonds	3,041	3,034	6
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	9,475	9,450	25
	Others	9,290	8,447	842
	Total	28,682	27,578	1,103
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	14	16	(2)
	Bonds	32,865	33,535	(670)
	Japanese Government Bonds	11,579	12,067	(488)
	Municipal Government Bonds	10,593	10,676	(83)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	10,692	10,790	(98)
	Others	34,193	36,880	(2,687)
	Total	67,072	70,432	(3,359)
Total	95,754	98,011	(2,256)	

As of March 31, 2022

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	53,407	27,284	26,123
	Bonds	4,195,524	4,152,204	43,320
	Japanese Government Bonds	1,762,989	1,728,552	34,437
	Municipal Government Bonds	645,234	643,151	2,083
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,787,300	1,780,500	6,799
	Others	3,084,409	2,836,093	248,315
	Total	7,333,341	7,015,582	317,759
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	3,290	3,422	(131)
	Bonds	5,617,391	5,679,671	(62,280)
	Japanese Government Bonds	2,655,396	2,707,253	(51,857)
	Municipal Government Bonds	1,288,829	1,294,219	(5,390)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,673,166	1,678,198	(5,032)
	Others	2,758,260	2,870,871	(112,610)
	Total	8,378,942	8,553,965	(175,022)
Total	15,712,283	15,569,547	142,736	

(4) Held-to-Maturity Debt Securities Sold during the Fiscal Year
Not applicable.

(5) Other Securities Sold during the Fiscal Year
For the Fiscal Year Ended March 31, 2023

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	31,144	9,222	(325)
Bonds	2,898,617	28,384	(44,164)
Japanese Government Bonds	2,797,490	28,062	(44,154)
Municipal Government Bonds	52,152	214	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	48,974	107	(9)
Others	1,049,422	1,089	(101,418)
Total	3,979,183	38,695	(145,908)

	Millions of U.S. Dollars		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	233	69	(2)
Bonds	21,712	212	(330)
Japanese Government Bonds	20,954	210	(330)
Municipal Government Bonds	390	1	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	366	0	(0)
Others	7,860	8	(759)
Total	29,806	289	(1,092)

For the Fiscal Year Ended March 31, 2022

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	33,939	7,606	(100)
Bonds	701,612	1,483	(1,872)
Japanese Government Bonds	700,812	1,482	(1,872)
Municipal Government Bonds	100	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	700	0	—
Others	1,070,455	13,024	(26,927)
Total	1,806,007	22,114	(28,900)

(6) Impaired Securities

Of Securities other than Trading Securities (excluding stocks and other equity securities, with no market prices and investment in investment partnerships), those whose fair value significantly declines compared with the acquisition cost and is not expected to recover up to the acquisition cost, are devalued and the fair value is recorded as the carrying amount on the consolidated balance sheet. In addition, the difference between the fair value and the acquisition cost is recognized as impairment losses in the fiscal year. When determining that the fair value of stocks and investment trusts has significantly declined, the amount calculated based on the average market price for one month before the end of the current fiscal year is used.

In the case where the issuer is classified as a Bankrupt Borrower, Substantially Bankrupt Borrower, or Probably Bankrupt Borrower, impairment loss is recognized for securities when the market value is below the acquisition cost.

In the fiscal year ended March 31, 2023, there were no impairment losses.

In the fiscal year ended March 31, 2022, the amount of impairment losses on securities was ¥246 million (all impairment losses were incurred on stocks).

Furthermore, the criteria are set to determine whether the fair value declines significantly, and the general outline is as follows:

Bonds:

- The fair value is more than 50% and 70% or less of the acquisition cost, and changes in the fair value and the issuer's business condition meet certain requirements
- The fair value is 50% or less of the acquisition cost

Stocks and investment trusts:

- The fair value is 70% or less of the acquisition cost

2. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

As of March 31, 2023

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	29,993	—

	Millions of U.S. Dollars	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	224	—

As of March 31, 2022

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	69,998	—

(2) Held-to-Maturity Money Held in Trust

Not applicable.

(3) Other Money Held in Trust (Money Held in Trust other than Held for Trading Purposes or Held-to-Maturity)

As of March 31, 2023

	Millions of Yen				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trust	48,142	50,000	(1,857)	—	(1,857)

	Millions of U.S. Dollars				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trust	360	374	(13)	—	(13)

Note:

Breakdown of "Unrealized Gains (Losses)" is shown in "Items with Carrying Value Exceeding Acquisition Cost" and "Items with Carrying Value not Exceeding Acquisition Cost."

As of March 31, 2022

Millions of Yen

	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trust	48,624	50,000	(1,375)	—	(1,375)

Note:

Breakdown of “Unrealized Gains (Losses)” is shown in “Items with Carrying Value Exceeding Acquisition Cost” and “Items with Carrying Value not Exceeding Acquisition Cost.”

3. Net Unrealized Gains (Losses) on Other Securities and Other Money Held in Trust

Breakdown of Net Unrealized Gains (Losses) on Other Securities in the consolidated balance sheet is as follows:

As of March 31, 2023

	Millions of Yen	Millions of U.S. Dollars
Other Securities	(298,649)	(2,237)
Other Money Held in Trust	(1,857)	(13)
Net Unrealized Gains (Losses)	(300,506)	(2,250)
Deferred Tax Assets	84,612	633
Net Unrealized Losses (Prior to Equity Method Adjustment)	(215,893)	(1,617)
Non-Controlling Interests' Portion	—	—
Parent Company's Portion of Net Unrealized Gains (Losses) for Other Securities Held by Equity-Method-Applicable Companies	—	—
Net Unrealized Gains (Losses)	(215,893)	(1,617)

Note:

Translation adjustments of foreign currency-denominated stocks and other equity securities, with no market prices, and Unrealized Gains (Losses) on investment in investment partnerships are included in “Other Securities” within “Net Unrealized Gains (Losses).”

As of March 31, 2022

	Millions of Yen
Other Securities	145,484
Other Money Held in Trust	(1,375)
Net Unrealized Gains (Losses)	144,109
Deferred Tax Liabilities	39,673
Net Unrealized Gains (Prior to Equity Method Adjustment)	104,436
Non-Controlling Interests' Portion	—
Parent Company's Portion of Net Unrealized Gains (Losses) for Other Securities Held by Equity-Method-Applicable Companies	—
Net Unrealized Gains (Losses)	104,436

Note:

Translation adjustments of foreign currency-denominated stocks and other equity securities, with no market prices, and Unrealized Gains (Losses) on investment in investment partnerships are included in “Other Securities” within “Net Unrealized Gains (Losses).”

29. Derivatives:

1. Derivative transactions to which hedge accounting is not applied

The following tables summarize the notional amount or the contracted principal equivalents, fair values and net unrealized gains (losses) of the Bank's derivative transactions that do not qualify for hedge accounting as of the consolidated balance sheet date, which are classified by types of financial instruments. Please note that the notional amount in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2023

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Floating Rate Payable	6,529,603	5,627,910	(53,644)	(53,644)
Floating Rate Receivable/Fixed Rate Payable	6,377,202	5,328,134	54,593	54,593
Floating Rate Receivable/Floating Rate Payable	72,750	61,750	37	37
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	1,279,800	767,600	(1,007)	(1,051)
Bought	1,381,200	859,700	6,028	4,941
Total			6,008	4,877

	Millions of U.S. Dollars			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Floating Rate Payable	48,910	42,156	(401)	(401)
Floating Rate Receivable/Fixed Rate Payable	47,769	39,911	408	408
Floating Rate Receivable/Floating Rate Payable	544	462	0	0
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	9,586	5,749	(7)	(7)
Bought	10,346	6,439	45	37
Total			45	36

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.

As of March 31, 2022

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Floating Rate Payable	3,847,075	3,218,135	6,620	6,620
Floating Rate Receivable/Fixed Rate Payable	3,924,176	3,068,971	(6,479)	(6,479)
Floating Rate Receivable/Floating Rate Payable	80,750	72,750	63	63
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	466,000	299,800	(71)	(71)
Bought	442,200	303,500	855	17
Total			987	149

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are recognized in the consolidated statement of income.

(2) Currency-Related Transactions
As of March 31, 2023

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:				
	15	—	0	0
Forward Foreign Exchange Contracts:				
Sold	219,714	881	290	290
Bought	338,306	760	441	441
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			731	731

	Millions of U.S. Dollars			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:				
	0	—	0	0
Forward Foreign Exchange Contracts:				
Sold	1,645	6	2	2
Bought	2,534	5	3	3
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			5	5

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are recognized in the consolidated statement of income.
2. Fair value and Net Unrealized Gains (Losses) on currency swaps are stated at the amounts net of principal.

As of March 31, 2022

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	30	30	0	0
Forward Foreign Exchange Contracts:				
Sold	275,560	—	(11,888)	(11,888)
Bought	223,050	—	8,493	8,493
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(3,394)	(3,394)

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are recognized in the consolidated statement of income.
2. Fair value and Net Unrealized Gains (Losses) on currency swaps are stated at the amounts net of principal.

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions
As of March 31, 2023

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	2,373	—	3	3
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			3	3

	Millions of U.S. Dollars			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	17	—	0	0
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			0	0

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are recognized in the consolidated statement of income.

As of March 31, 2022

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	1,643	—	(2)	(2)
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(2)	(2)

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are recognized in the consolidated statement of income.

(5) Commodity-Related Derivative Transactions

Not applicable.

(6) Credit Derivative Transactions

Not applicable.

2. Derivative transactions to which hedge accounting is applied

The following summarizes the notional amount or the contracted principal equivalents and fair values of the Bank's derivative transactions that qualify for hedge accounting as of the consolidated balance sheet date, which are classified by types of financial instruments and methods for hedge accounting. Please note that the notional amount in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2023

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	2,486,000	2,486,000	797
	Floating Rate Receivable/Fixed Rate Payable	2,664,239	2,494,400	138,096
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	1,012,182	977,382	(28,172)
	Total			110,721

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	18,621	18,621	5
	Floating Rate Receivable/Fixed Rate Payable	19,956	18,684	1,034
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	7,581	7,321	(211)
	Total			829

Notes:

- Most of hedged items subject to Basic Treatment are Interest-bearing assets and liabilities including Loans and Bills Discounted, Other Securities (Bonds) and Deposits.
- Hedged items subject to Exceptional Treatments for Interest Rate Swaps include Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
- The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 24.

As of March 31, 2022

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	640,000	640,000	(98)
	Floating Rate Receivable/Fixed Rate Payable	2,837,500	1,981,584	44,730
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	1,035,638	1,017,638	(40,633)
Total				<u>3,998</u>

Notes:

1. Most of hedged items subject to Basic Treatment are Interest-bearing assets and liabilities including Loans and Bills Discounted, Other Securities (Bonds) and Deposits.
2. Hedged items subject to Exceptional Treatments for Interest Rate Swaps include Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
3. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 24.

(2) Currency-Related Transactions

As of March 31, 2023

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	701,162	550,345	(4,246)
	Forward Foreign Exchange Contracts:			
	Sold	40,735	—	(701)
	Bought	—	—	—
Total				<u>(4,948)</u>

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	5,252	4,122	(31)
	Forward Foreign Exchange Contracts:			
	Sold	305	—	(5)
	Bought	—	—	—
Total				<u>(37)</u>

Notes:

1. Most of hedged items include foreign currency-denominated securities and Due from Banks.
2. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 25.
3. Fair value on currency swaps is stated at the amount net of principal.

As of March 31, 2022

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	514,851	403,667	(1,997)
	Forward Foreign Exchange Contracts:			
	Sold	37,446	—	(1,679)
	Bought	—	—	—
	Total			<u>(3,677)</u>

Notes:

1. Most of hedged items are foreign currency-denominated securities, Due from Banks, etc.
2. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 25.
3. Fair value on currency swaps is stated at the amount net of principal.

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions

Not applicable.

30. Related Party Transactions:

For the Fiscal Year Ended March 31, 2023

There were no significant related-party transactions.

For the Fiscal Year Ended March 31, 2022

There were no significant related-party transactions.

31. Revenue Recognition:

Disaggregation of Revenue from Contracts with Customers is provided in Note 32.

32. Segment Information:

(1) Description of Reportable Segments

The Group classifies the businesses of the Bank and its consolidated subsidiaries as single business segment, respectively. Among those business segments, the business of the Bank is determined as the reportable segment.

The Bank, as an individual financial institution, provides such services as deposits, debentures, lending, market fund management, trading operations, clearing and trust business. As the central financial institution for Shinkin Banks, the Bank complements the functions of the Shinkin Banks and operates the shinkin bank industry's own safety net, including the Shinkin Bank Management Reinforcement System. By doing so, the Bank strives to maintain an orderly financial system within the shinkin bank industry.

(2) Method of Calculating Amounts by Reportable Segment

The accounting methods of the reportable segment are consistent with those described in the "Significant Accounting Policies." Reportable segment profit is based on profit attributable to owners of parent.

(3) Amounts by Reportable Segment
For the Fiscal Year Ended March 31, 2023

(Millions of Yen)

	Reportable segment		Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business					
Income						
External customers	337,262	36,497	373,759	(32)	373,727	
Inter-segment	3,097	2,274	5,372	(5,372)	—	
Total	340,360	38,771	379,131	(5,404)	373,727	
Segment profit	24,776	2,092	26,868	(646)	26,221	
Segment assets	45,924,710	272,082	46,196,793	(101,460)	46,095,333	
Segment liabilities	44,621,617	178,383	44,800,001	(49,829)	44,750,172	
Other items						
Depreciation	3,909	5,948	9,858	—	9,858	
Interest Income	208,050	293	208,344	(91)	208,252	
Interest Expenses	105,276	9	105,285	(22)	105,263	
Income Taxes	8,149	1,075	9,225	(124)	9,101	
Increase in Tangible and Intangible Fixed Assets	7,190	5,790	12,980	—	12,980	

(Millions of U.S. Dollars)

	Reportable segment		Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business					
Income						
External customers	2,526	273	2,799	(0)	2,799	
Inter-segment	23	17	40	(40)	—	
Total	2,549	290	2,839	(40)	2,799	
Segment profit	185	15	201	(4)	196	
Segment assets	344,005	2,038	346,043	(760)	345,283	
Segment liabilities	334,244	1,336	335,580	(373)	335,207	
Other items						
Depreciation	29	44	73	—	73	
Interest Income	1,558	2	1,560	(0)	1,559	
Interest Expenses	788	0	788	(0)	788	
Income Taxes	61	8	69	(0)	68	
Increase in Tangible and Intangible Fixed Assets	53	43	97	—	97	

Notes:

- The "Other" is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.
The Bank's consolidated subsidiaries provide such financial services as brokerage & dealing, regional business supports operations, overseas business support, consumer credit guarantees, asset management, investment and M&A advisory operations, and data processing services.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥646 million (\$4 million) comprises reduction of ¥327 million (\$2 million) on profit attributable to non-controlling interests and ¥318 million (\$2 million) on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥101,460 million (\$760 million) comprises reduction of ¥44,295 million (\$331 million) on eliminations relating to capital consolidation and ¥57,164 million (\$428 million) on inter-segment eliminations, etc.
 - The adjustment for other items including reduction of ¥49,829 million (\$373 million) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from profit attributable to owners of parent presented in the consolidated statement of income.

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	212,986	36,674	249,660	(8)	249,652
Inter-segment	3,109	2,142	5,251	(5,251)	—
Total	216,095	38,816	254,911	(5,259)	249,652
Segment profit	34,046	2,534	36,580	(638)	35,942
Segment assets	43,757,754	262,701	44,020,455	(88,659)	43,931,795
Segment liabilities	42,199,230	170,821	42,370,052	(34,586)	42,335,466
Other items					
Depreciation	3,864	5,911	9,776	(0)	9,776
Interest Income	174,827	467	175,295	(96)	175,199
Interest Expenses	70,180	34	70,214	(30)	70,183
Income Taxes	10,815	1,183	11,998	(101)	11,897
Increase in Tangible and Intangible Fixed Assets	4,810	1,935	6,745	(11)	6,734

Notes:

1. The “Other” is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.

The Bank’s consolidated subsidiaries provide such financial services as brokerage & dealing, regional business supports operations, overseas business support, consumer credit guarantees, asset management, investment and M&A advisory operations, and data processing services. Shinkin Regional Innovation Co., Ltd. was established on July 1, 2021 to provide regional business supports operations, etc.

2. Adjustment comprises the following.

- (i) Within adjustment of segment profit, reduction of ¥638 million comprises reduction of ¥341 million on profit attributable to non-controlling interests and ¥297 million on inter-segment eliminations, etc.
- (ii) Within adjustment of segment assets, reduction of ¥88,659 million comprises reduction of ¥44,295 million on eliminations relating to capital consolidation and ¥44,364 million on inter-segment eliminations, etc.
- (iii) The adjustment for other items including reduction of ¥34,586 million on the adjustment of segment liabilities comprises inter-segment eliminations, etc.

3. Segment profit has been adjusted from profit attributable to owners of parent presented in the consolidated statement of income.

(4) Disaggregation of Revenue from Contracts with Customers

For the Fiscal Year Ended March 31, 2023

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented on the consolidated statement of income
	Shinkin Central Bank business				
Investment Trust Commission	5,622	6,808	12,431	(2,974)	9,456
Trust Fees	2,391	—	2,391	—	2,391
Fund Transfer Operations Commission	1,561	—	1,561	(1)	1,560
Others	2,005	23,180	25,186	(1,584)	23,602
Revenue from Contracts with Customers	11,581	29,988	41,570	(4,560)	37,010
Other Total Income	328,778	8,782	337,561	(844)	336,716
Total Income	340,360	38,771	379,131	(5,404)	373,727

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented on the consolidated statement of income
	Shinkin Central Bank business				
Investment Trust Commission	42	50	93	(22)	70
Trust Fees	17	—	17	—	17
Fund Transfer Operations Commission	11	—	11	(0)	11
Others	15	173	188	(11)	176
Revenue from Contracts with Customers	86	224	311	(34)	277
Other Total Income	2,462	65	2,528	(6)	2,522
Total Income	2,549	290	2,839	(40)	2,799

Notes:

1. “Investment Trust Commission” mainly arises from investment trust management services and is recorded under “Fees and Commissions” in the consolidated statement of income.
2. “Trust Fees” mainly arise from trustee services for trust assets and are recorded under “Trust Fees” in the consolidated statement of income.
3. “Fund Transfer Operations Commission” mainly arises from fund transfer services and is recorded under “Fees and Commissions” in the consolidated statement of income.
4. “Others,” services not included in 1-3 above, mainly arise from contracted data processing services, etc. and are recorded under “Fees and Commissions” in the consolidated statement of income.

For the Fiscal Year Ended March 31, 2022

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented on the consolidated statement of income
	Shinkin Central Bank business				
Investment Trust Commission	5,297	6,687	11,984	(2,908)	9,075
Trust Fees	1,921	—	1,921	—	1,921
Fund Transfer Operations Commission	1,648	—	1,648	(1)	1,646
Others	1,684	22,554	24,239	(1,433)	22,805
Revenue from Contracts with Customers	10,550	29,242	39,792	(4,343)	35,449
Other Total Income	205,544	9,574	215,118	(916)	214,202
Total Income	216,095	38,816	254,911	(5,259)	249,652

Notes:

1. “Investment Trust Commission” mainly arises from investment trust management services and is recorded under “Fees and Commissions” in the consolidated statement of income.
2. “Trust Fees” mainly arise from trustee services for trust assets and are recorded under “Trust Fees” in the consolidated statement of income.
3. “Fund Transfer Operations Commission” mainly arises from fund transfer services and is recorded under “Fees and Commissions” in the consolidated statement of income.
4. “Others,” services not included in 1-3 above, mainly arise from contracted data processing services, etc. and are recorded under “Fees and Commissions” in the consolidated statement of income.

(Related Information)

For the Fiscal Year Ended March 31, 2023

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	216,928	19,468	137,330	373,727

(Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	1,624	145	1,028	2,799

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
203,605	40,248	11,746	118,127	373,727

(Millions of U.S. Dollars)

Japan	United States	Europe	Other	Total
1,525	301	87	884	2,799

Note: Income from derivative transactions and Trading income are included in Other.

(2) Tangible fixed assets

The Group's tangible fixed assets located in Japan account for over 90% of the tangible fixed assets presented in the consolidated balance sheet. Consequently, this information is omitted.

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	19,309	Shinkin Central Bank business

(Millions of U.S. Dollars)

Name of customer	Income	Related segment
The Government of Japan	144	Shinkin Central Bank business

For the Fiscal Year Ended March 31, 2022

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	174,607	15,759	59,285	249,652

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
104,932	24,610	15,632	104,476	249,652

Note: Income from derivative transactions and Trading income are included in Other.

(2) Tangible fixed assets

The Group's tangible fixed assets located in Japan account for over 90% of the tangible fixed assets presented in the consolidated balance sheet. Consequently, this information is omitted.

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	26,642	Shinkin Central Bank business

(Information related to Impairment Losses of Fixed Assets by Reportable Segment)

For the Fiscal Year Ended March 31, 2023

Disclosure of data omitted due to immateriality.

For the Fiscal Year Ended March 31, 2022

Not applicable.

(Information related to Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment)

Not applicable.

(Information related to Accrual of Income from Negative Goodwill by Reportable Segment)

Not applicable.

33. Amounts per Share:

	Yen		U.S. Dollars
	2023	2022	2023
Net Assets per Share	239,364.73	292,802.41	1,792.99
Net Income per Share	3,592.19	5,041.19	26.90
Net Income per Share after Adjustment for Common Share equivalents	—	—	—

Notes:

1. The basis for calculation of net assets per share is as follows:

		2023	2022	2023	
Total Net Assets	Millions of Yen	1,345,160	1,596,329	Millions of U.S. Dollars	10,076
Amount Deducted from Total Net Assets	Millions of Yen	218,178	217,751	Millions of U.S. Dollars	1,634
Non-Controlling Interests	Millions of Yen	13,053	12,626	Millions of U.S. Dollars	97
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	15
Dividend Attributable to Specific Common Shares	Millions of Yen	3,000	3,000	Millions of U.S. Dollars	22
Distribution of Residual Assets Attributable to Specific Common Shares	Millions of Yen	200,000	200,000	Millions of U.S. Dollars	1,498
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,126,982	1,378,578	Millions of U.S. Dollars	8,441
Number of Share Units at Fiscal Year-end Used to Calculate Net Assets per Share	Unit	4,708,222	4,708,222	—	—
Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Number of Preferred Share Units	Unit	708,222	708,222	—	—

* When calculating net assets per share, of dividend attributable to preferred shares, preferred dividends are deducted from total net assets whereas participating dividends are not deducted from total net assets.

Dividend attributable to specific common shares and distribution of residual assets attributable to specific common shares are deducted from total net assets, and the number of specific common shares is not included within the number of shares.

2. The basis for calculation of net income per share is as follows:

		2023	2022	2023	
Profit Attributable to Owners of Parent	Millions of Yen	26,221	35,942	Millions of U.S. Dollars	196
Amount Deducted from Profit Attributable to Owners of Parent	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	15
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	15
Profit Attributable to Owners of Parent Used to Calculate Net Income per Share	Millions of Yen	24,097	33,817	Millions of U.S. Dollars	180
Average Number of Share Units for the Fiscal Year	Unit	6,708,222	6,708,222	—	—
Average Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Average Number of Specific Common Share Units	Unit	2,000,000	2,000,000	—	—
Average Number of Preferred Share Units	Unit	708,222	708,222	—	—

* When calculating net income per share, of dividends attributable to preferred securities, dividends attributable to preferred shares are deducted from profit attributable to owners of parent whereas participating dividends are not deducted from profit attributable to owners of parent.

3. Net income per share after adjustment for common share equivalents is not listed as there are no dilutive securities.

34. Subsequent Events:

Not applicable.

Independent Auditor's Report

The Board of Directors
Shinkin Central Bank

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of determination of the borrower classification in light of the effect of COVID-19 and the appropriateness of the inputs applied to the cash flow estimate method

Description of Key Audit Matter	Auditor's responses
<p>The Group extends loans to central and local governments, public service corporations, as well as domestic and overseas companies mainly including listed companies, and recorded Loans and Bills Discounted of ¥ 9,511,310 million, representing 20.6% of total assets, on its consolidated balance sheet as of March 31, 2023.</p> <p>It is possible that these loans may default due to domestic and global economic situation, fluctuations in the real estate and stock markets, deterioration in the business conditions of individual borrowers, and the impact of stagnant economy caused by COVID-19 .</p> <p>Consequently, the Group calculates the amount of expected losses from future defaults and records them as Reserve for Possible Loan Losses.</p> <p>As of March 31, 2023, the Group had Reserve for Possible Loan Losses of ¥23,974 million on its consolidated balance sheet. The specific principles to calculate reserve for possible loan losses are stated in Note 2 Significant Accounting Policies (9) Reserve for Possible Loan Losses and (19) Significant Accounting Estimates.</p> <p>The reserve for possible loan losses is calculated in accordance with the Group's internal rules for self-assessment of asset quality and write-offs/provision, and the calculation process includes determination of the borrower classification in the self-assessment of asset quality based on the credit rating system, by which the Group evaluates the borrower's debt servicing capacity in terms of the borrower's repayment history, financial condition, business performance and prospects thereof. For certain borrowers' loans, the reserve for loan losses is calculated using the cash flow estimate method (hereinafter referred to as the "DCF method").</p>	<p>We performed the following audit procedures to examine the reasonableness of determination of the borrower classification and the appropriateness of the inputs applied to the DCF method, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of the Group's internal control over assignment of internal credit ratings and determination of the borrower classification as well as application of the DCF method. • We involved our credit risk assessment experts to examine the appropriateness of the credit rating system used as the basis for determining the borrower classification, by inspecting the results of the Group's validation of its internal rating model in the credit rating system and comparing the internal rating model with industry practices. • In order to examine the reasonableness of the assumptions made by the Group about the timing when the spread of COVID-19 will be contained and its effect on the borrower's debt servicing capacity, we compared those assumptions with available external information such as economic forecasts published by public institutions. • In order to examine the appropriateness of the classification of individual borrowers, we selected sample borrowers, taking into account factors such as borrowers' industry, repayment history, financial position, operating performance and the effect of COVID-19 on the borrowers' debt servicing capacity, in addition to the monetary impact of the migration of the borrower classification on the amount of the reserve for possible loan losses.

In determining the debtor classification, the Group assumed that the impact of COVID-19 on economic activity is generally improving due to the government's measures to tackle the COVID-19 pandemic and that for certain industries such as airline industry susceptible to lesser flyers, the impact will continue for a considerable period of time. For specific obligors whose business performance is expected to be significantly impacted based on this assumption, we categorize obligors taking into consideration such impact. In applying the DCF method, the expected loss amount is calculated based on key assumptions such as the repayment plan formulated by the obligor, credit status, lending policy, and the default rate according to the obligor's credit status.

Prospects of such factors as the individual borrowers' performance are highly uncertain because they are affected by changes in the business environment surrounding the borrowers, including the spread of COVID-19, and the outcome of the borrowers' business strategies. If the borrower classification is downgraded, the credit cost may increase, significantly affecting the financial performance and financial position of the Group. In addition, since the various inputs used in the DCF method cannot be objectively or uniquely determined, there is a high degree of reliance on management's judgment.

Therefore, we have determined that the reasonableness of determination of the borrower classification and the appropriateness of the inputs applied to the DCF method are key audit matters.

- In order to comprehend the recent repayment history, financial condition and operating performance of the borrowers selected as samples, we inspected the sets of the documents used for self-assessment of asset quality by the Group, which include but are not limited to explanatory materials on the borrowers' business profile, supporting materials on historical experiences of borrowing activities, supporting materials to understand the actual financial condition, financial statements and trial balances in light of the available external information. In addition, we made inquiries of the Credit Planning & Supervision Division as necessary.
- In order to examine the reasonableness of the Group's prospects of individual borrowers, we comprehended the Group's analysis of effect of COVID-19 on the individual borrowers and the borrowers' repayment history. We then analyzed the trend from the past in respect of forecasts of major income statement items, such as net sales and ordinary income, and major balance sheet items, such as shareholders' equity of the borrowers, in the Group's analysis, and compared the assumptions used in these forecasts with the available external information on the industry in which the borrower operates.
- In order to examine the appropriateness of the Group's assessment of the reasonableness and feasibility of the repayment plan which underlies the future cash flows used as inputs for the DCF method, we compared the assumptions in the repayment plan with available external information and the Group's lending policies, and compared the cash flows estimated in the previous year with the actual results.
- In order to assess the reasonableness of the probability of default used as an input for the DCF method, we compared it with the default rates available in external information. Also, we recalculated the present value of the cash flows using those inputs.

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Corporate Auditors for the Consolidated Financial Statements

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

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

The Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Convenience Translation

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 21, 2023

/s/ Ryuji Takagi
Designated Engagement Partner
Certified Public Accountant

/s/ Yasuo Iwasaki
Designated Engagement Partner
Certified Public Accountant

/s/ Mitsutaka Kumagai
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Assets			
Cash and Due from Banks	19,004,519	16,755,378	142,355
Call Loans	1,573,215	1,329,496	11,784
Receivables under Resale Agreements	289,999	31,999	2,172
Monetary Claims Bought	172,200	204,459	1,289
Trading Assets	465,786	314,639	3,489
Money Held in Trust	78,136	118,623	585
Securities	13,634,845	16,163,857	102,133
Loans and Bills Discounted	9,514,890	7,758,748	71,272
Foreign Exchanges Assets	22,701	19,622	170
Other Assets	1,036,294	999,560	7,762
Tangible Fixed Assets	67,042	67,614	502
Intangible Fixed Assets	6,902	4,309	51
Deferred Tax Assets	61,003	-	456
Customers' Liabilities for Acceptances and Guarantees	20,867	14,456	156
Reserve for Possible Loan Losses	(23,693)	(25,013)	(177)
Total Assets	45,924,710	43,757,754	344,005
Liabilities and Net Assets			
Liabilities			
Deposits	34,703,462	33,165,342	259,951
Debentures	1,458,660	1,547,370	10,926
Trading Liabilities	80,807	24,680	605
Borrowed Money	3,998,680	4,167,880	29,952
Call Money	6,804	5,637	50
Payables under Repurchase Agreements	2,617,988	1,191,685	19,610
Payables under Securities Lending Transactions	1,347,527	1,719,877	10,093
Foreign Exchanges Liabilities	652	1,159	4
Borrowed Money from Trust Account	43,534	42,821	326
Other Liabilities	307,119	242,749	2,300
Reserve for Employee Bonuses	1,283	1,296	9
Reserve for Directors' Bonuses	89	93	0
Reserve for Employee Retirement Benefits	27,729	27,224	207
Reserve for Directors' Retirement Allowances	378	430	2
Deferred Tax Liabilities	-	40,492	-
Deferred Tax Liabilities for Land Revaluation	6,033	6,033	45
Acceptances and Guarantees	20,867	14,456	156
Total Liabilities	44,621,617	42,199,230	334,244
Total Net Assets	1,303,092	1,558,523	9,760
Total Liabilities and Net Assets	45,924,710	43,757,754	344,005

Non-Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of
	2023	2022	U.S. Dollars
Income			2023
Interest Income:	208,050	174,827	1,558
Interest on Loans and Discounts	19,489	15,786	145
Interest on Due from Banks	8,238	7,112	61
Interest on Call Loans	885	(169)	6
Interest on Receivables under Resale Agreements	(610)	(1,170)	(4)
Interest and Dividends on Securities	178,371	152,714	1,336
Others	1,675	553	12
Trust Fees	2,391	1,921	17
Fees and Commissions	9,686	9,132	72
Trading Income	17,192	942	128
Other Operating Income	92,567	17,248	693
Other Income	10,471	12,023	78
Total Income	340,360	216,095	2,549
Expenses			
Interest Expenses:	105,276	70,180	788
Interest on Deposits	37,238	29,222	278
Interest on Debentures	1,166	1,163	8
Interest on Borrowed Money	1,771	1,771	13
Interest on Call Money	237	7	1
Interest on Payables under Repurchase Agreement	7,072	55	52
Interest on Payables under Securities Lending Transactions	31,894	1,480	238
Interest Payable on Interest Rate Swaps	19,885	36,390	148
Others	6,009	88	45
Fees and Commissions	8,501	7,925	63
Trading Losses	186	8	1
Other Operating Expenses	159,196	61,353	1,192
General and Administrative Expenses	33,632	31,398	251
Other Expenses	641	368	4
Total Expenses	307,434	171,233	2,302
Income before Income Taxes	32,925	44,861	246
Income Taxes			
Current	8,521	10,459	63
Deferred	(372)	355	(2)
Total Income Taxes	8,149	10,815	61
Net Income	24,776	34,046	185

	Yen		U.S. Dollars
	2023	2022	2023
Net Income Per Share	3,376.65	4,758.56	25.29
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	22.47
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	11.23
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	48.68

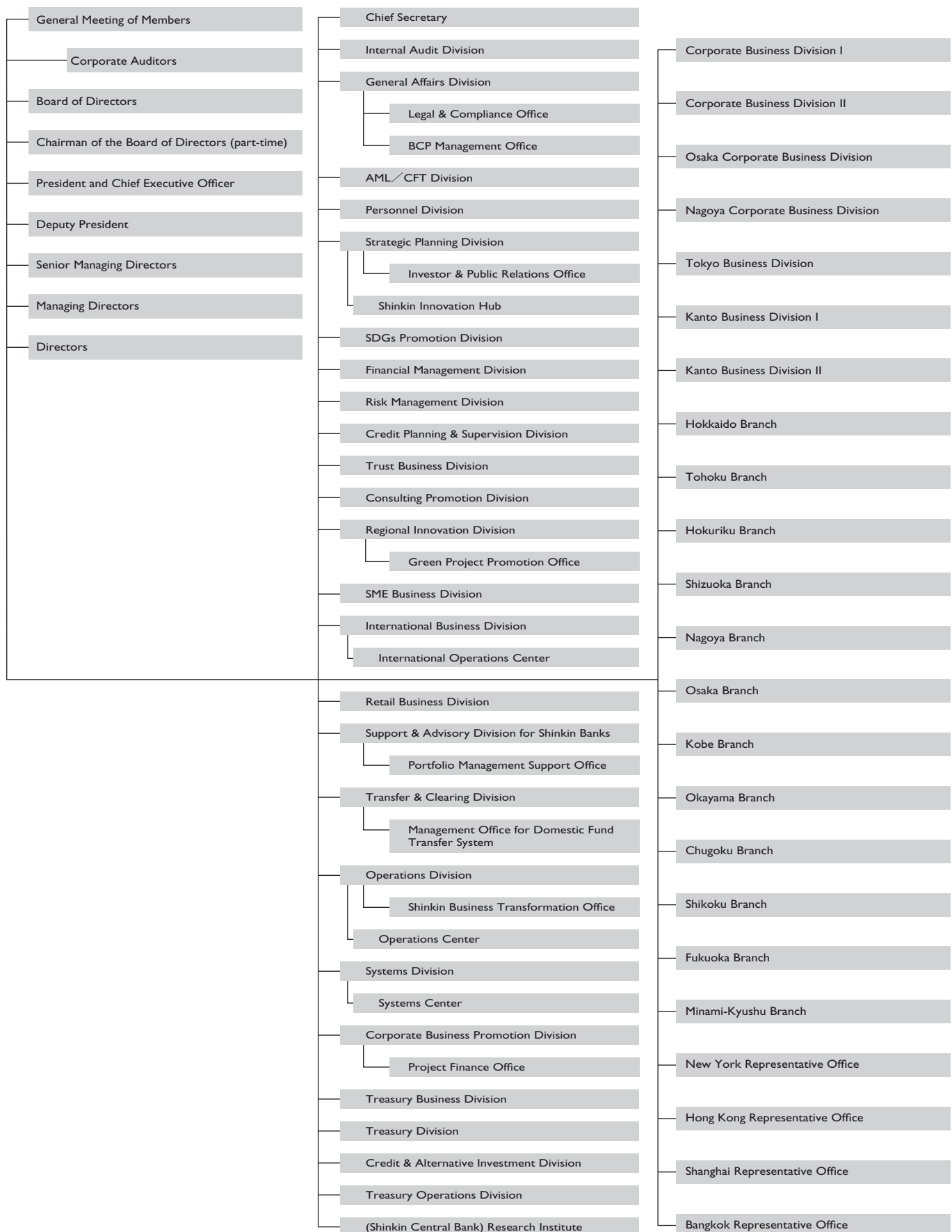
Statement of Trust Account (Consolidated)

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Assets			
Beneficiary Rights in Trust	2,564,599	2,248,331	19,210
Securities Held in Custody Accounts	63,000	63,000	471
Monetary Claims	343,778	354,167	2,575
Other Claims	0	-	0
Due from Banking Account	43,534	42,821	326
Cash and Due from Banks	145	166	1
Total Assets	3,015,058	2,708,486	22,584
Liabilities			
Money Trust	45,681	54,460	342
Investment Trusts	129,645	28,961	971
Money Held in Trust Other than Money Trust	7,567	7,557	56
Securities Trusts	67,100	70,100	502
Monetary Claims Trusts	343,878	354,274	2,575
Composite Trusts	2,421,185	2,193,133	18,136
Total Liabilities	3,015,058	2,708,486	22,584

(Note 1) Consolidated companies conducting trust business pursuant to the “Act on Engagement in Trust Business Activities by Financial Institutions” comprised only the Bank in the fiscal years ended March 31, 2023 and 2022.

(Note 2) No trust assets were entrusted to other trust banks for asset administration as of March 31, 2023 and 2022.

Organization (As of July 31, 2023)



International Directory (As of July 31, 2023)

Deputy President
(in charge of Strategic Planning)
Hiroshi Sudo

Deputy President
(in charge of Research Institute)
Hiroshi Nakahara

Managing Director
(in charge of Treasury Business)
Takehiko Murotani

Managing Director
(in charge of International Business/
Overseas Offices)
Kenji Tanaka

Managing Director
(in charge of Treasury/
Credit & Alternative Investment)
Yuji Takahashi

Managing Director
(in charge of Corporate Business Promotion/
Treasury Operations)
Yoshinori Jinno

Strategic Planning Division
(including International Planning)
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7624
Facsimile: +81-3-3278-7033

International Business Division
Address: 3-7, Yaesu 1-chome,
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Telephone: +81-3-5202-7703
Facsimile: +81-3-3278-7035

International Operations Center
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Facsimile: +81-3-5250-1780
SWIFT: ZENB JPJT

Corporate Business Promotion Division
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Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7679
Facsimile: +81-3-3278-7045

Treasury Business Division
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Chuo-ku, Tokyo 103-0028
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Facsimile: +81-3-3278-7040
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Treasury Division
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Facsimile: +81-3-3278-7043
SWIFT: ZENB JPJT

Credit & Alternative Investment Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7664
Facsimile: +81-3-3278-7044

Treasury Operations Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7666
Facsimile: +81-3-3278-7046
SWIFT: ZENB JPJT

Research Institute
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Telephone: +81-3-5202-7671
Facsimile: +81-3-3278-7048

Overseas Offices

New York
New York Representative Office
Address: 655 Third Avenue, Suite 2620,
New York, NY 10017, U.S.A.
Telephone: +1-212-642-4700
Facsimile: +1-212-730-6000
Chief Representative: Yuya Watanabe

Hong Kong
Hong Kong Representative Office
Address: Suite 4008, 40/F, Central Plaza, 18
Harbour Road, Wan Chai, Hong Kong, P.R. of China
Telephone: +852-2537-3777
Facsimile: +852-2537-4002
Chief Representative: Hiroyuki Narita

Shanghai
Shanghai Representative Office
Address: Room 508, Shanghai International Trade
Center, 2201 Yan-An Xi Road
Shanghai, P.R. of China
Telephone: +86-21-6270-3091
Facsimile: +86-21-6270-3095
Chief Representative: Susumu Makino

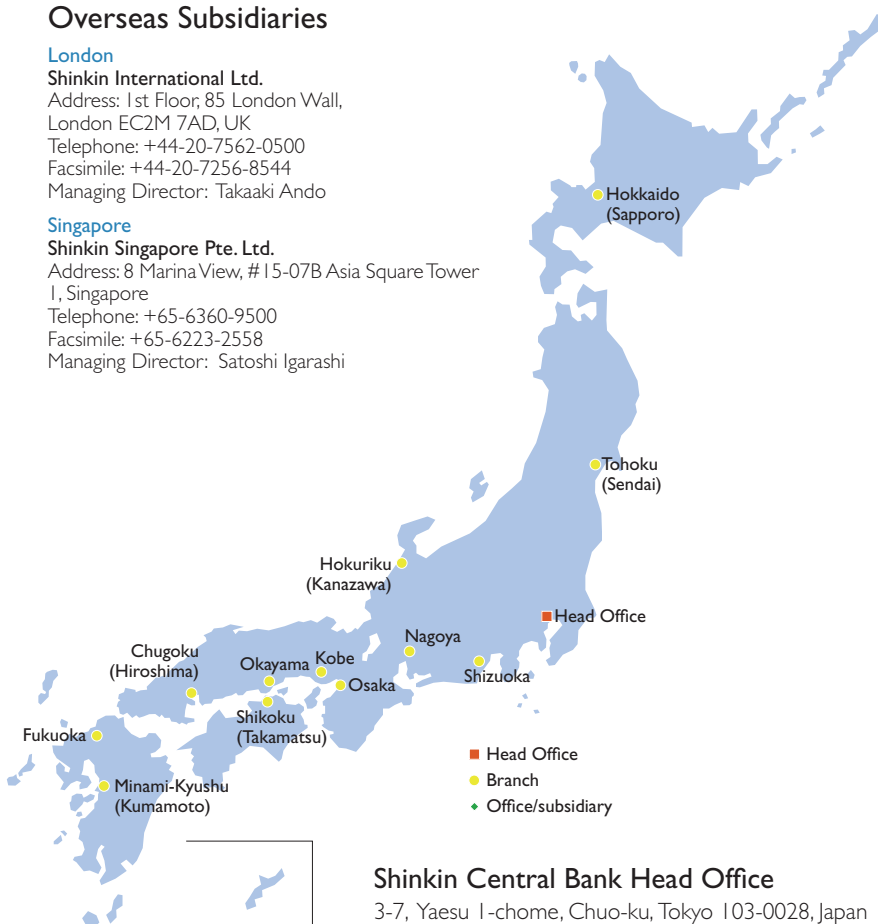
Bangkok
Bangkok Representative Office
Address: 19th Floor, 1903, Athenee Tower, 63
Wireless Road, Lumpini, Pathumwan, Bangkok
10330, Thailand
Telephone: +66-2-168-8796
Facsimile: +66-2-168-8799
Chief Representative: Naotaka Yoshikawa



Overseas Subsidiaries

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Shinkin International Ltd.
Address: 1st Floor, 85 London Wall,
London EC2M 7AD, UK
Telephone: +44-20-7562-0500
Facsimile: +44-20-7256-8544
Managing Director: Takaaki Ando

Singapore
Shinkin Singapore Pte. Ltd.
Address: 8 Marina View, #15-07B Asia Square Tower
1, Singapore
Telephone: +65-6360-9500
Facsimile: +65-6223-2558
Managing Director: Satoshi Igarashi



Shinkin Central Bank Head Office

3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan
Telephone: +81-3-5202-7711
<https://www.shinkin-central-bank.jp/>

ROAD TO 2030



SHINKIN CENTRAL BANK



SCB supports the Sustainable Development Goals.
3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan
<https://www.shinkin-central-bank.jp/>

