

Profile of NAGANO BANK

2023

Financial Statements

March 31, 2023

## Profile

Nagano Bank is a regional bank established in 1950. It is based in Nagano Prefecture in central Japan. Since its founding, the bank has worked tirelessly to contribute to local communities by offering a wide range of financial products and services.

As of March 31, 2023, we operate 52 branches in Nagano Prefecture and 1 branch in Tokyo. At the same time, total deposits stood at ¥1,080 billion (US\$8,091 million) and total assets at ¥1,127 billion (US\$8,446million).

Moreover, the bank got listed in the Second Section of the Tokyo Stock Exchange in March 1997. The listing was subsequently moved to the First Section in September 1998. After the restructuring of the Tokyo Stock Exchange in April 2022, Nagano Bank was listed on the Standard Market.

Nagano Bank concluded a business consolidation with Hachijuni Bank on 1 June 2023. Both banks are currently negotiating and reviewing a fundamental plan of action to achieve a merger in the fiscal year 2025. Furthermore, given the realized consolidation with Hachijuni Bank, Ltd., Nagano Bank ceased to be listed on the Standard Market of the Tokyo Stock Exchange in May 2023.

## Message from the Management

I would like to express my appreciation to all stakeholders for their patronage and loyal support of Nagano Bank. We have published this disclosure report to provide stakeholders with a deeper understanding of the bank's operations and an easy-to-understand explanation of our business results and initiatives for the fiscal year that ended on March 31, 2023. We hope you will take the time to read this disclosure report and find it useful.

Nagano Bank's activities reflect the local business environment at the time the COVID-19 pandemic is winding down. However, during the ongoing process of a steady recovery, there have been various other areas demanding attention, such as the recent explosion in energy prices, the return of demand in conjunction with staff shortages, and concerns about a global economic downturn. In addition, there are medium-term challenges like a declining population together with a low birthrate and an aging society, as well as the drive toward carbon neutrality. In the midst of this, Nagano Bank has focused its efforts on supporting clients' core businesses and overcoming regional challenges. To respond to varied and complex needs, we believe it is necessary to liaise with clients even more than before and find solutions together.

To be able to increasingly contribute to local development under these circumstances, Nagano Bank and Hachijuni Bank, Ltd., a key institution in Nagano Prefecture, consolidated their businesses on 1 June 2023. Both banks are currently negotiating and reviewing a fundamental plan of action to achieve a merger in the fiscal year 2025.

Both banks have made it their mission to engage in local development by building a robust business foundation while solidifying their positions as financial intermediaries to meet clients' needs and transform business structures to institute sustainable business models. After careful deliberations, we concluded that a business consolidation was in the best interest of supporting the development of both banks' shareholders. From now on, we will operate under the new slogan "From competition to joint development" to transform into a bank that can grow with the region.

July 2023



Hitoshi Nishizawa, President

**Non-Consolidated Balance Sheets**

As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars
	2023	2022	2023
<b>Assets</b>			
Cash and due from banks	¥ 76,829	¥ 193,924	\$ 575,373
Call loans	—	5,000	—
Securities	336,003	395,282	2,516,314
Loans and bills discounted	695,082	647,880	5,205,441
Foreign exchanges	4,751	2,343	35,584
Other assets	7,728	9,284	57,874
Tangible fixed assets	8,430	8,503	63,137
Intangible fixed assets	572	616	4,287
Prepaid pension cost	740	694	5,548
Deferred tax assets	2,528	822	18,935
Customers' liabilities for acceptances and guarantees	1,409	1,556	10,556
Allowance for loan losses	(6,193)	(6,213)	(46,382)
Total assets	¥ 1,127,883	¥1,259,696	\$ 8,446,670
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Deposits	¥ 1,080,441	¥1,073,849	\$ 8,091,376
Borrowed money	1,210	127,814	9,067
Foreign exchanges	0	0	2
Other liabilities	5,525	9,085	41,379
Provisions	1,034	973	7,747
Acceptances and guarantees	1,409	1,556	10,556
Total liabilities	¥ 1,089,622	¥1,213,280	\$ 8,160,130
<b>Net assets</b>			
Capital stock	¥ 13,017	¥ 13,017	\$ 97,487
Capital surplus	9,681	9,681	72,501
Retained earnings	24,577	23,973	184,056
Treasury stock	(584)	(585)	(4,380)
Total shareholders' equity	¥ 46,690	¥46,086	\$ 349,664
Total valuation and translation adjustments	¥ (8,430)	¥328	\$ (63,132)
Subscription rights to shares	1	1	8
Total net assets	¥ 38,261	¥46,416	\$ 286,540
Total liabilities and net assets	¥ 1,127,883	¥1,259,696	\$ 8,446,670

Notes: 1. Japanese yen figures are expressed in millions. Broken-down numbers may therefore not add up to the indicated sum total.  
 2. The U.S. dollar amount corresponds to an exchange rate of JPY 133.53 to USD 1.00, the rate prevailing as of March 31, 2023 (last business day of the fiscal year).

**Non-Consolidated Statements of Income**

For the years ended March 31, 2023 and 2022

	millions of yen		Thousands of U.S.dollars
	2023	2022	2023
<b>Income</b>			
Interest on loans and discounts	¥ 7,546	¥ 7,570	\$ 56,516
Interest and dividends on securities	3,370	3,522	25,241
Interest on call loans	4	6	37
Other interest income	110	191	824
Fees and commissions	2,437	1,665	18,254
Other operating income	1,322	628	9,903
Other income	1,055	914	7,901
<b>Total income</b>	<b>¥ 15,847</b>	<b>¥ 14,498</b>	<b>\$ 118,680</b>
<b>Expenses</b>			
Interest on deposits	¥ 114	¥ 119	\$ 859
Interest on call money	0	(0)	0
Other interest expenses	42	45	316
Fees and commissions	1,508	1,504	11,293
Other operating expenses	2,164	770	16,211
General and administrative expenses	9,620	9,589	72,049
Other expenses	901	727	6,747
<b>Total expenses</b>	<b>¥ 14,351</b>	<b>¥ 12,756</b>	<b>\$ 107,478</b>
Income before income taxes	1,495	1,741	\$ 11,202
Income taxes-current	498	484	3,732
Income taxes-deferred	(59)	26	(447)
<b>Net income</b>	<b>¥ 1,057</b>	<b>¥ 1,231</b>	<b>\$ 7,916</b>

Notes: 1. Japanese yen figures are expressed in millions. Broken-down numbers may therefore not add up to the indicated sum total.  
2. The U.S. dollar amount corresponds to an exchange rate of JPY 133.53 to USD 1.00, the rate prevailing as of March 31, 2023 (last business day of the fiscal year).

***Loans based on the Financial Reconstruction Act as well as the status of risk-monitored loans***

As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bankrupt and quasi-bankrupt loans <sup>1</sup>	¥ 3,311	¥ 4,134	\$ 24,798
Doubtful loans <sup>2</sup>	11,609	10,362	86,941
Substandard loans <sup>3</sup>	1,962	1,820	14,699
Loans delinquent for 3 months or more <sup>4</sup>	—	—	—
Restructured loans <sup>5</sup>	1,962	1,820	14,699
Subtotal	16,883	16,317	126,439
Performing loans	684,676	637,341	5,127,508
<b>Total</b>	<b>¥ 701,559</b>	<b>¥ 653,658</b>	<b>\$ 5,253,947</b>

- Notes:
1. Bankrupt and quasi-bankrupt loans are loans where either bankruptcy proceedings or a reorganization or rehabilitation process has commenced after the debtor has been declared bankrupt or quasi-bankrupt.
  2. Doubtful loans are loans where debtors have not been declared bankrupt but their financial position or operating result has deteriorated and contractually due loan repayments or interest payments are unlikely to be made.
  3. Substandard loans are loans delinquent for 3 months or more or loans that have been restructured.
  4. Loans delinquent for 3 months or more are loans where loan repayments or interest payments were due, as contractually agreed, at least three months prior, but where the loan cannot be classified as "bankrupt and quasi-bankrupt" or "doubtful".
  5. Restructured loans are loans where the debtor aspires to a management reorganization or seeks support in the form of a reduced interest rate, deferred interest payments, deferred loan repayments, debt forgiveness, or other agreements beneficial to the debtor to ensure that "bankrupt and quasi-bankrupt", "doubtful", or "delinquent" conditions do not apply.
  6. Japanese yen figures are expressed in millions. Broken-down numbers may therefore not add up to the indicated sum total.
  7. The U.S. dollar amount corresponds to an exchange rate of JPY 133.53 to USD 1.00, the rate prevailing as of March 31, 2023 (last business day of the fiscal year).

## Risk Management System

Evolving regulatory frameworks, internationalization and derivatives trading are only some of the elements of the changing world of finance.

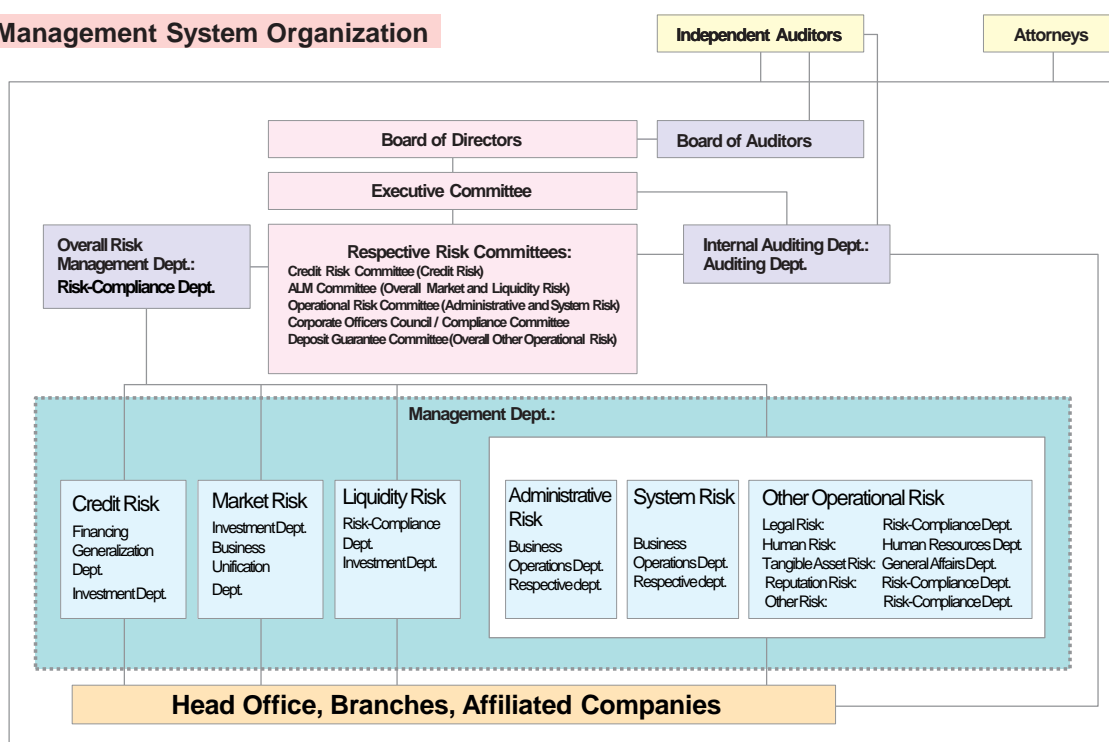
It is necessary to ensure more diversification and find ways to deal with increasingly complex settings for financial organizations to be able to find new business opportunities. For this reason, risk management in the financial sector is more important than ever.

To ensure that our financial situation remains sound and revenue growth develops as anticipated within this environment, we consider risk management an issue of the highest priority and therefore engage in ongoing efforts to strengthen our comprehensive risk management system.

The main risks financial institutions are exposed to include credit risk, market risk, liquidity risk and operational risk. To adequately address these issues, Nagano Bank has drafted internal policies and regulations to clearly define responsibilities within the organization in regards to risk management. Furthermore, to monitor the effectiveness of our risk management system, we conduct internal audits that are carried out by the Main Audit Department and also implement external audits performed by an affiliated certified accountant. In addition, to align the risk management practices of our entire organization, we have established a Risk Management Section within the Risk-Compliance Department.

Also, we provide integrated management of “earnings, risks and capital” by applying this comprehensive risk management to Risk Appetitive Framework. The frame of risk management will develop into the frame of business management.

### Risk Management System Organization



## Corporate Data

As of March 31, 2023

Founded: November 1950  
Capital stock: ¥13,017 million  
Number of Employees: 621

## Board of Directors

As of June 30, 2023

<b>President</b>	Hitoshi Nishizawa	<b>Directors</b>	Hiroyuki Agata	<b>Standing Auditor</b>	Shinji Horikawa
<b>Managing Directors</b>	Koichi Osawa		Kazuhisa Kaneki	<b>Auditors</b>	Mika Godo
	Sachio Miyazaki		Takahiko Asai		Hayato Todoroki
			Sayuri Uchikawa		Seiichiro Furihata
			Akira Iguchi		
			Hiroyuki Nomoto		

## Service Network

As of March 31, 2023

**Head Office** Address: 2-9-38, Nagisa, Matsumoto City,  
Nagano 390-8708, Japan  
Phone: +81-263-27-3311  
URL: <https://www.naganobank.co.jp/>  
Email: [enagagin@naganobank.co.jp](mailto:enagagin@naganobank.co.jp)

**Tokyo Branch** Address: 2-12-6, Uchikanda, Chiyoda-ku,  
Tokyo 101-0047, Japan  
Phone: +81-3-3258-6351

**Securities & International  
Department** Address: 2-9-38, Nagisa, Matsumoto City,  
Nagano 390-8708, Japan  
Phone: +81-263-27-3311  
Fax: +81-263-28-6550  
SWIFT: NAGAJPJZ

**Number of Branches** Nagano: 52 Offices  
Tokyo: 1 Office

**Money Exchange Offices** 11 Offices



THE NAGANO BANK, LTD.

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