(TRANSLATION)

The Business Report and the accompanying supplemental schedules referred to in the "Other Information" section of the attached "INDEPENDENT AUDITOR'S REPORT" is not included in this English translation of financial statements.

Consolidated Balance Sheet as of the End of the 161st Fiscal Year (March 31, 2022)

(Unit: Millions of yen)

Accounts title	Amount	Accounts title	Amount
(Assets)		(Liabilities)	
Cash and due from banks	5,251,504	**Deposits**	17,260,461
Call loans and bills bought	119,366	**Negotiable certificates of deposit**	208,070
Monetary claims bought	26,930	**Call money and bills sold**	756,869
Trading assets	4,908	**Payables under repurchase agreements**	10,915
Securities	2,360,707	**Payables under securities lending transactions**	64,530
Loans and bills discounted	13,387,749	**Trading liabilities**	33
Foreign exchanges	25,667	**Borrowed money**	2,037,321
Lease receivables and investment assets	71,857	**Foreign exchanges**	505
Other assets	216,303	Due to trust account	26,152
Property, plant and equipment	143,424	**Other liabilities**	216,516
Buildings,net	55,400	**Provision for bonuses**	4,272
Land	78,470	**Provision for directors' bonuses**	14
Construction in progress	322	**Provision for share-based compensation**	276
Other	9,230	**Net defined benefit liability**	575
Intangible assets	13,358	**Provision for reimbursement of deposits**	1,078
Software	13,073	**Provision for contingent losses**	608
Other	285	**Reserves under special laws**	25
Net defined benefit asset	48,129	**Deferred tax liabilities**	33
Deferred tax assets	16,213	**Deferred tax liabilities for land revaluation**	16,325
Customers' liabilities for acceptances and guarantees	39,195	**Acceptances and guarantees**	39,195
Allowance for loan losses	(63,987)	Total liabilities	20,643,780
		(Equity)	
		Capital stock	215,628
		Capital surplus	177,244
		Retained earnings	568,314
		Total Shareholders' equity	961,187
		Valuation difference on available-for-sale securities	7,818
		Deferred gains or losses on hedges	3,020
		Revaluation reserve for land	36,487
		Foreign currency translation adjustment	421
		Remeasurements of defined benefit plans	2,659
		Accumulated other comprehensive income	50,406
		Noncontrolling interests	5,953
		Total equity	1,017,547
TOTAL	21,661,327	TOTAL	21,661,327

Consolidated Statement of Income for the 161st Fiscal Year
From April 1, 2021 to March 31, 2022

(Unit: Millions of yen)

Accounts title	Amount	
Ordinary income:		256,962
Interest income	148,940	
Interest on loans and bills discounted	120,955	
Interest and dividends on securities	20,365	
Interest on call loans and bills bought	258	
Interest on due from banks	5,252	
Other interest income	2,108	
Trust fees	252	
Fees and commissions	64,183	
Trading income	3,218	
Other operating income	33,627	
Other income	6,739	
Recovery of claims previously charged off	1,662	
Other	5,076	
Ordinary expenses:		185,884
Interest expenses	5,200	
Interest on deposits	1,955	
Interest on negotiable certificates of deposit	8	
Interest on call money and bills sold	486	
Interest on payables under repurchase agreements	16	
Interest on payables under securities lending transactions	243	
Interest on borrowed money	881	
Other interest expenses	1,607	
Fees and commisions	13,783	
Trading expenses	4	
Other operating expenses	36,950	
General and administrative expenses	111,519	
Other expenses	18,424	
Loan losses	12,624	
Other	5,800	
Ordinary profit		71,078
Extraordinary income		508
Gain on disposals of non-current assets	508	
Extraordinary losses		3,695
Loss on disposals of non-current assets	3,669	
Impairment loss	25	
Other	0	
Income before income taxes		67,891
Income taxes-current	22,182	
Income taxes-deferred	(742)	
Total income taxes		21,440
Net income		46,451
Net income attributable to noncontrolling interests		461
Net income attributable to owners of parent		45,989

Consolidated Statement of Changes in Equity for 161st Fiscal Year (from April 1, 2021 to March 31, 2022)

(Unit: One million yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total Shareholders' equity
Balance at the beginning of current period	215,628	177,244	542,298	935,171
Cumulative effects due to change in accounting policies			(754)	(754)
Adusuted balance	215,628	177,244	541,543	934,417
Changes in the year				
Cash dividends			(19,393)	(19,393)
Net income attributable to owners of the parent			45,989	45,989
Change in ownership interest of parent due to transactions with non-controlling interests		0		0
Reversal of revaluation reserve for land			174	174
Net changes in the year				
Total net changes in the year	—	0	26,770	26,770
Balance at the end of current period	215,628	177,244	568,314	961,187

	Accumulated other comprehensive income						Non-controlling interest	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive		
Balance at the beginning of current period	38,778	(1,319)	36,661	(416)	845	74,548	5,851	1,015,571
Cumulative effects due to change in accounting policies								(754)
Adusuted balance	38,778	(1,319)	36,661	(416)	845	74,548	5,851	1,014,816
Changes in the year								
Cash dividends								(19,393)
Net income attributable to owners of the parent								45,989
Change in ownership interest of parent due to transactions with non-controlling interests								0
Reversal of revaluation reserve for land								174
Net changes in the year	(30,960)	4,340	(174)	837	1,814	(24,142)	102	(24,039)
Total net changes in the year	(30,960)	4,340	(174)	837	1,814	(24,142)	102	2,730
Balance at the end of current period	7,818	3,020	36,487	421	2,659	50,406	5,953	1,017,547

Notes to Consolidated Financial Statements

The amount is stated by rounding down to the nearest million yen.
The definitions of subsidiaries, subsidiary corporations, etc. and affiliated corporations, etc. are in accordance with Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Ordinance for Enforcement of the Banking Act.

Policy in preparing consolidated financial statements

1. Scope of consolidation

(1) No. of consolidated subsidiaries and subsidiary corporations, etc. 7

Names of principal companies

Yokohama Guarantee Co., Ltd.
Hamagin Finance Co., Ltd.
Hamagin Tokai Tokyo Securities Co., Ltd.

(2) Non-consolidated subsidiaries and subsidiary corporations, etc. 5

Non-consolidated subsidiaries and subsidiary corporations, etc. are excluded from the scope of consolidation since the impact of their exclusion is immaterial in making rational judgments concerning the Bank of Yokohama Ltd., (the "Bank") and its consolidated subsidiaries (collectively, the "Group")'s financial position and business performance in terms of assets, ordinary income, net income (amount corresponding to the Bank's equity position), retained earnings (amount corresponding to the Bank's equity position) and accumulated other comprehensive income (amount corresponding to the Bank's equity position).

2. Application of the equity method

(1) Non-consolidated subsidiaries and subsidiary corporations accounted for using the equity method

None

(2) Affiliated corporations, etc. accounted for by the equity method 3

Sky Ocean Asset Management Co., Ltd.
P.T. Bank Resona Perdania
P.T. Resona Indonesia Finance

(3) Non-consolidated subsidiaries and subsidiary corporations, etc. not accounted for using the equity method 5

Non-consolidated subsidiaries and subsidiary corporations, etc. that are not accounted for using the equity method are excluded as there is no material effect on the Group's consolidated financial statements in terms of net income (amount corresponding to the Bank's equity position), retained earnings (amount corresponding to the Bank's equity position) and accumulated other comprehensive income (amount corresponding to the Bank's equity position).

(4) Affiliated corporations, etc. not accounted for using the equity method 4

Affiliates not accounted for using the equity method are excluded as there is no material effect on the Group's consolidated financial statements in terms of net income (amount corresponding to the Bank's equity position), retained earnings (amount corresponding to the Bank's equity position) and accumulated other comprehensive income (amount corresponding to the Bank's equity position).

3. Amortization of goodwill

Amortized by the straight-line method for 10 years.

Accounting Policies

1. Basis for the valuation of trading assets and trading liabilities and recording income and expenses
Transactions held for the purpose to gain profits by utilizing the short-term fluctuation of interest rates, currency values, financial product market prices or other indexes, or differences between markets (hereinafter, "specified trading purpose") are recorded as "trading assets" or "trading liabilities" on the consolidated balance sheet on a trading date basis. The profits and losses from the transactions are recorded as "trading income" or "trading expenses" on the consolidated statement of income.
The valuation of trading assets and trading liabilities, securities and monetary claims, etc. are stated at fair value at the end of the fiscal year, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the end of the previous consolidated fiscal year.
Trading income and trading expenses include the interest received and interest paid during the consolidated fiscal year, the gains or losses resulting from any change in the values of securities and other monetary claims between the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year, and the gains or losses resulting from any change in the value of the derivatives between the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year, assuming they are settled at the end of the current consolidated fiscal year.

2. Valuation standards and methods for securities
Held-to-maturity securities are carried at amortized cost based on the moving average method (straight-line method). Other securities are stated using the fair value method (sale cost is calculated by the moving average method). However, stocks, etc. for which there is no market value are recorded at cost using the moving average method.
The valuation difference on available-for-sale securities is included directly in net assets, net of applicable income taxes.

3. Valuation standards and methods for derivative transactions
The valuation of derivative transactions (excluding specified trading purposes) is determined using the fair value method.

4. Depreciation method of non-current assets
(1) Property, plant, and equipment (excluding lease assets)
Property, plant, and equipment are principally depreciated based on the straight-line method.
The range of useful lives is as follows.

Buildings	2 to 60 years
Equipment	2 to 20 years

(2) Intangible assets (excluding lease assets)
Intangible assets are depreciated based on the straight-line method. Software for internal use is amortized on a straight-line basis over the period of internal use (mainly 5 to 7 years) specified by the Group.
(3) Lease assets
Lease assets in "property, plant, and equipment" or "intangible assets," under finance leases that do not involve transfer of ownership to the lessee are amortized based on the straight-line method using the lease term as the useful life. The salvage value is either zero or the guaranteed amounts when these are specified in the lease contracts.

5. Allowance for loan losses
The Group's allowance for loan losses is stated in accordance with the predetermined write-off and allowance standards based on the borrower classifications as follows.

Legal bankruptcy:	Borrowers which are legally or formally subject to bankruptcy, such as insolvency or special liquidation
Virtual bankruptcy:	Borrowers which are in a situation effectively equivalent to that of bankrupt borrowers
Possible bankruptcy:	Borrowers which are not currently in a state of bankruptcy, but are considered to be at high risk of becoming bankrupt in the future
In need of special caution based on borrowers:	Among "In need of caution", borrowers requiring caution whose loans either in whole or in part require special monitoring (loans overdue for three months or more, restructured loans)
In need of caution:	Borrowers with problems regarding lending conditions and performance of repayment, borrowers who will require monitoring in the future, such as borrowers whose business conditions are stagnant or unstable, etc.
Normal:	Borrowers which are recognized as having good business conditions and no particular financial problems

(1) For loans relating to “legal bankruptcy” and “virtual bankruptcy”, the estimated disposable amount of collateral and the estimated recoverable amount under guarantee are deducted from the book value after direct reduction as described in the following and the balance is recorded.

(2) For loans of large borrowers, which are “possible bankruptcy” and “in need of special caution based on borrowers” with a certain amount of credit and whose cash flow related to the recovery of the loan principal and receipt of interest can be reasonably estimated, the difference between the cash flow discounted using the initial contracted interest rate and the book value of the loan is recorded as an allowance for loan losses (cash flow estimation method). For borrowers other than those noted above, the expected loss amount is recorded based on historical cash flow estimations, and loans related to borrowers who meet certain requirements within the period of the management improvement plan, etc., an allowance on these loans will continue to be recorded according to the cash flow estimation method.

(3) For loans relating to potentially “legal bankruptcy” borrowers other than in (2), the expected loss amount for the next three years is estimated and recorded. The expected loss amount is determined by deducting the estimated disposable amount of collateral and estimated recoverable amount under guarantee from the loan amount, and calculating the loan loss ratio for the balance, which is based on the average value of the loan loss ratio over a certain historical period, and making necessary adjustments that take into account future prospects and other factors.

(4) For loans other than the above, the expected loss amount for “in need of special caution based on borrowers” for the next three years and for “normal” and “in need of caution based on borrowers” for the next one year is estimated and recorded. For “in need of special caution based on borrowers”, the expected loss amount is determined by deducting the estimated disposable amount of collateral and estimated recoverable amount under guarantee from the loan amount, and calculating the loan loss ratio for the balance, which is based on the average value of the loan loss ratio over a certain historical period, and for “normal” and “in need of caution”, the loan amount is used, and necessary adjustments is take into account future prospects and other factors.

Sales-related departments assess all loans based on the self-assessment rules, and the asset audit department, which is independent of these departments, reviews these assessment results.

For collateralized or guaranteed loans to “legal bankruptcy” and “virtual bankruptcy”, the estimated uncollectible amount, which was calculated by deducting from the loan amount the valuation amount of collateral and the amount under guarantee that was deemed to be from the loan amount, was directly reduced from the loan amount as the estimated uncollectible amount, and that amount was 15,807 million yen.

With respect to the allowance for loan losses of consolidated subsidiaries and subsidiary corporations, etc., the amounts deemed necessary for general receivables are provided based on the historical default rate, and the amounts expected to be uncollectible are provided for receivables designated as potentially irrecoverable after considering the recoverability of each claim.

6. Provision for bonuses

Provision for bonuses is provided for bonus payments to employees based on estimated future payments attributed to the current consolidated fiscal year.

7. Provision for directors’ bonuses

Provision for directors’ bonuses is provided for the bonus (short-term performance-based compensation) payments to directors based on estimated amounts of the future payments attributed to the current consolidated fiscal year.

8. Provision for share-based compensation

Provision for share-based compensation is provided for the bonus payments to directors, etc. based on estimated future payments attributed to the current consolidated fiscal year.

9. Provision for reimbursement of deposits

To prepare for refund claims from depositors on those deposits that have ceased to be recorded as liabilities, the loss that could occur due to refund claims in the future is estimated and the amount deemed necessary is posted as provision for reimbursement of deposits.

10. Provision for contingent losses

For contingencies excluding those provisions allocated for other purposes, the loss that could occur in the future is estimated and the amount deemed necessary is posted as provision for contingent losses.

11. Reserve under special laws

The reserve under special laws is a reserve for liability for financial instruments transactions. To compensate for a loss incurred in an accident in relation to securities, a consolidated subsidiary records an amount calculated in accordance with provisions set forth in Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business, etc.

12. Method of accounting for retirement benefits

For the calculation of retirement benefit obligations, the Bank uses the payment calculation method to discount the estimated retirement benefit to the period up to the end of the consolidated fiscal year. The difference in mathematical calculation is reported as profit or loss as follows.

Difference in mathematical calculation:	Difference in mathematical calculation is amortized by the straight-line method over a defined period not exceeding the average remaining period of employment (15 years) and is recognized as profit or loss in the consolidated fiscal year subsequent to its occurrence.

Consolidated subsidiaries and subsidiary corporations, etc. apply the non-actuarial method that assumes the amount required for voluntary resignation at the end of the one-year period to be the projected benefit obligation in computing the net defined benefit liability and retirement benefit expenses.

13. Standards for translation of assets and liabilities in foreign currencies into yen

Foreign currency assets and liabilities and overseas branches' accounts are principally translated into yen equivalents at the exchange rates at the consolidated balance sheet date.

14. Lease revenue and costs

Revenue and costs associated with finance leases are recognized as sales and cost of sales over the lease period.

15. Significant hedge accounting method

(1) Hedging of interest risk

For the hedge accounting method applied to hedging transactions for interest rate risk of the Bank arising from financial assets and liabilities, the deferred hedge accounting method is applied in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accountants' (JICPA) Industry Committee Report No. 24). Hedge effectiveness of the hedging that offsets the market fluctuations is evaluated by identifying and grouping the hedge subjects such as deposits and loans as well as interest rate swap transactions, etc. as hedging instruments by their maturities. The effectiveness of the hedge, of which cash flow is fixed, is evaluated by verifying the correlation between hedge subjects and the elements of hedge instruments that are affected by the interest rate fluctuations for each remaining period.

(2) Hedging of exchange fluctuation risk

Hedge instruments used to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities of the Bank are accounted for using the deferral method, in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry" (JICPA Industry Committee Report No.25). Hedge effectiveness is evaluated as a hedging means for currency-swap transactions and foreign exchange swap transactions aimed at offsetting the exchange fluctuation risk of foreign currency denominated monetary claims, etc., by confirming that an amount equivalent to the foreign currency position, commensurate with the foreign currency denominated monetary claims, etc. to be hedged exists.

As a hedge accounting method other than (1) and (2) above, the deferral method or special treatment of interest rate swaps is applied for certain assets and liabilities.

16. Application of the consolidated tax payment system

From the current consolidated fiscal year, the Bank and some certain consolidated subsidiaries and subsidiary corporations have applied the consolidated tax payment system to the Concordia Financial Group, Ltd. as the consolidating parent company.

Change in Accounting Policies

(Accounting Standard for Fair Value Measurement)

From the beginning of the current consolidated fiscal year, the Bank has applied the Accounting Standards Board of Japan ("ASBJ") Statement No. 30 "Accounting Standard for Fair Value Measurement" (hereinafter "Fair Value Measurement Accounting Standard"), and in accordance with Paragraph 8 of the Fair Value Measurement Accounting Standard has revised the market value adjustment method for measuring the market value of derivative transactions to a method that makes maximum use of observable inputs estimated from derivatives traded in the market. This revision is based on application of the Fair Value Measurement Accounting Standard, etc., and the Bank has retroactively applied the new accounting policy prior to the beginning of the current consolidated fiscal year in accordance with transitional measures prescribed in Paragraph 20 of the Fair Value Measurement Accounting Standard, and has reflected the cumulative impact in the retained earnings at the beginning of the current consolidated fiscal year.

As a result, retained earnings brought at the beginning of the current consolidated fiscal year decreased by 754 million yen, other assets decreased by 1,114 million yen, other liabilities decreased by 27 million yen, deferred tax assets increased by 332 million yen, and net assets per share decreased by 0.62 yen.

Significant Accounting Estimates

An item whose amount is recorded in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates, which may have a significant impact on the consolidated financial statements for the following consolidated fiscal year is as follows:

Allowance for loan losses 63,987 million yen

The calculation method of allowance for loan losses is as shown in "Basis for recording allowance for loan losses" under "Accounting Policies", and the following main assumptions were used to calculate the allowance.

- The future financial outlook of borrowers used in the determination of the borrower classification based upon the evaluation of their actual current financial performance and management improvement plan
- The estimated amount of real estate collateral that can be disposed of in the future, which was determined based on actual disposition in the past
- The outlook for future principal collection and interest receipt on loans based on the recent performance of the borrower determined using the cash flow estimation method
- In the calculation of the amount of expected losses, the future outlook based on long-term past performance, future prospects based on trends in past performance that were considered in necessary adjustments to loss ratios based on the past average.

These assumptions may be affected by changes in uncertain future economic conditions. If there are significant differences between the assumptions and actual results, this may have a material impact on the amounts of the allowance for loan losses and provision of allowance for loan losses for the following consolidated fiscal year.

The Bank also assumes that although the impact of the COVID-19 pandemic will continue for the foreseeable future, it will gradually decline over time. As the Bank is expected to incur loan and other losses due to deteriorating financial conditions or worsening business results of some borrowers resulting from prolonged economic stagnation, it has gathered the latest detailed information available as much as possible and incorporated the future outlook of borrowers in the determination of the borrower's classification to calculate the allowance of loan losses. With respect to certain borrowers in industries that are significantly affected and have highly uncertain future outlooks, the amount of expected losses is calculated by incorporating a possible decline in business results in the calculation and making additional adjustments as necessary based upon the situation of such credit risk. Note that this assumption on the impact of the COVID-19 pandemic is uncertain. If borrowers are affected by declining consumer spending and product activities and their actual business results are worse than expected based upon the latest information available, the Bank is likely to incur loan and other losses exceeding the amount of expected losses.

Additional Information

(Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

The Bank and certain consolidated subsidiaries and subsidiary corporations, etc. do not apply the provisions of Paragraph 44 of ASBJ Guidance No. 28, "Implementation Guidance on Tax Effect Accounting," to the items revised under the stand-alone taxation system in connection with the transition from the consolidated taxation system to the group tax-sharing system established under the "Partial Amendments to Income Tax Act, etc." (Act No. 8 of 2020) due to the treatment under Paragraph 3 of ASBJ PITF No. 39, "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System," and instead applies the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

Notes

(Consolidated balance sheet-related matters)

1. Japanese national government bonds and Japanese local government bonds under “Securities” include 183,712 million yen of unsecured securities lent under lending agreements.

2. Claims under the Banking Act and Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims are included as Japanese corporate bonds under “Securities” on the consolidated balance sheet (limited to those bonds for which redemption of the principal and payment of interest are guaranteed in whole or in part, and the issuance of the said bonds is a private offering in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans, foreign exchanges, accrued interest and provisional payments in "other assets," receivables recorded in each account of customers’ liabilities for acceptance and guarantees, and securities (limited to those securities based on a loan for use or lease agreement) when the securities are loaned.

Bankrupt or De facto bankrupt	45,043 million yen
Doubtful claims	108,084 million yen
Loans overdue for three months or more	2,779 million yen
Restructured loans	9,679 million yen
Total	165,587 million yen

Bankrupt or De facto bankrupt claims are claims to borrowers that have fallen into bankruptcy due to reasons such as the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or a petition for the commencement of rehabilitation proceedings, and claims equivalent to these.

Doubtful claims are claims to borrowers that have not reached a state of bankruptcy, but whose financial position and business performance have deteriorated, are at high risk of the principal and interest becoming unrecoverable in accordance with the agreement, and do not fall under Bankrupt or De facto bankrupt.

Loans overdue for three months or more are loans whose principal or interest payments are in arrears for three months or more from the day following the contract payment date and do not fall under Bankrupt, De facto bankrupt, or Doubtful claims.

Restructured loans are loans where an arrangement such as interest rate reduction or exemption, interest payment deferment, principal repayment deferment, debt waiver or other arrangement advantageous to the borrower has been made for the purpose of reorganizing or supporting the borrower's business, and do not fall under Bankrupt, De facto bankrupt, Doubtful claims, or loans that are overdue for three months or more.

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

(Change in presentation)

In line with the enforcement of the Cabinet Office Ordinance for Partial Revision of the Banking Act Enforcement Regulations, etc. (Cabinet Office Ordinance No. 3 of January 24, 2020) on March 31, 2022, the classification of "risk-monitored loans" is presented according to the classification of disclosed loans under the Act on Emergency Measures for the Revitalization of the Financial Functions.

3. Bills discounted are treated as financial transactions in accordance with JICPA Industry Committee Report No.24. The Bank holds the right to freely dispose of commercial notes, foreign bills bought, etc. accepted as financial transactions by means of sale or (re)-collateralization, and the face value is 17,148 million yen.

4. Assets pledged as collateral are as follows.

Assets pledged as collateral

Cash and due from banks	19,762 million yen
Securities	986,888 million yen
Loans and bills discounted	1,949,735 million yen
Other	915 million yen

Relevant liabilities to above assets

Deposits	64,948 million yen
Payables under repurchase agreements	10,915 million yen
Payables under securities-lending transactions	64,530 million yen
Borrowed money	1,920,559 million yen

In addition, securities of 30,859 million yen and other assets of 62,036 million yen were pledged as collateral in settlement for transactions such as settlement of foreign exchange or as substitutes for margins of futures markets.

Other assets include margin payments for future transactions of 1,653 million yen, cash collateral paid for financial instruments and others of 34,564 million yen, and guarantee deposits of 4,893 million yen.

5. Commitment line contracts on overdrafts and loans are agreements to lend to a customer up to a prescribed amount, as long as there is no violation of any condition established in the contracts, if a loan request is received from the customer. The balance of unexecuted loans based on these agreements is 2,502,414 million yen. This includes 2,097,750 million yen of loans with a remaining contract term of less than one year.

   Since most of these loan contacts will expire without being executed, the undrawn loan amount does not necessarily impact the future cash flow of the Bank. Most contracts have a clause that allows the Bank to refuse the provision of requested loans or allow the Bank to reduce the borrower's credit limit due to changes in financial markets, the preservation of receivables and other rational reasons. In addition, at the time of the contract, real estate and securities, etc. are considered as collateral as required. After the execution of a contract, a borrower's status is also periodically checked following predefined internal procedures. The Bank reviews the contract and implements measures to evaluate the borrower's credibility, as required.

6. Under the "Law of Land Revaluation," (Act No. 34 of March 31, 1998), the land for business was revaluated. Of the valuation difference, the amount corresponding to taxes on the valuation difference is included under the item "Deferred tax liabilities for land revaluation," and the corresponding deduction amount is recorded under net assets as "Revaluation reserve for land."

   Date of revaluation March 31, 1998

   Method of revaluation by Article 3, Paragraph 3 of the Act

   Based on the "Land price of standard land published in accordance with the provision of Article 6 of the Land Prices Public Announcement Act" which is described in Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998), the price was reasonably revaluated and corrected using cases of land sales in the neighborhood, etc. as reference.

Difference between the sum of the fair value of the land for business which was revaluated based on Article 10 of the Act at the end of the consolidated fiscal year and the sum of the book value of the land for business after the revaluation	34,416 million yen

7. The accumulated depreciation of property, plant, and equipment 166,802 million yen

8. Amount of compressed entry of property, plant and equipment 80,527 million yen

9. Among Japanese corporate bonds in "Securities", the amount of guaranteed obligations of the Bank for the bond obtained with the private placement of securities (Article 2, Paragraph 3 of the Financial Instrument and Exchange Act) is 74,055 million yen.

10. The principal amount of trusts with principal compensation agreement is 26,152 million yen of money trust.

(Consolidated Statement of Changes in Net Assets)

1. Class and total number of issued shares and treasury stock

(Thousands of Shares)

		Number of Shares as of April 1, 2021	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	Number of shares as of March 31, 2022	Abstract
Issued shares						
	Common stock	1,204,576	–	–	1,204,576	
	Total	1,204,576	–	–	1,204,576	
Treasury stock						
	Common stock	–	–	–	–	
	Total	–	–	–	–	

2. Dividends

(1) Cash dividends paid during the current consolidated fiscal year

(Resolution)	Class of shares	Total amount of dividends	Dividend per share	Record date	Effective date
May 12, 2021 Board of Directors meeting	Common stock	5,300 million yen	4.40 yen	March 31, 2021	May 19, 2021
November 11, 2021 Board of Directors meeting	Common stock	14,093 million yen	11.70 yen	September 30, 2021	November 18, 2021

(2) The effective date of dividends whose record date belongs to the current consolidated fiscal year is after the last day of the current consolidated fiscal year.

(Resolution)	Class of shares	Total amount of dividends	Dividend resource	Dividend per share	Record date	Effective date
May 12, 2022 Board of Directors meeting	Common stock	8,793 million yen	Retained earnings	7.30 yen	March 31, 2022	May 17, 2022

Financial Instruments

1. Financial instruments

(1) Group policies for financial instruments

The Group engages in banking as its main business, as well as securities services, leasing, research services and other information services, venture capital businesses, and other financial service businesses. As the Group positions services exclusively for local small and medium-sized businesses and individuals as its core business, it is a fundamental objective of the Group to aim to minimize any adverse effects of the economic fluctuations and the market change, and to provide ongoing financial services reliably. Under this objective, the Group works to maintain healthy operations by continuously identifying, assessing, monitoring, and controlling the various risks inherent in the financial instruments that correspond to the strategic goals of the Bank, including medium-term management plans and management policies.

(2) Nature and extent of risks arising from financial instruments

The financial assets of the Bank, which mainly consist of loans to small and medium-sized businesses and individuals in the Kanagawa Prefecture and southwestern Tokyo, which is the business base of the Bank, are exposed to customer credit risk due to the default of customer contracts. Securities mainly consist of debt securities, equity securities and investment trusts, and are accounted for as trading securities, held-to-maturity securities, and available-for-sale securities. These securities are exposed to issuers' credit risk and the risk of market price fluctuations.

The financial liabilities are mainly personal deposits in the Kanagawa Prefecture and southwestern Tokyo, which is the business base of the Bank, and consist of liquidity deposits and fixed-term deposits. However, these deposits are exposed to liquidity risk, such as losses generated by unexpected withdrawals in certain environments.

There are certain mismatches in interest rates and contract periods between financial assets, such as loans, and financial liabilities, such as deposits, that are exposed to interest rate fluctuation risk. However, part of this risk is mitigated by using interest-rate swap derivatives.

Financial assets and liabilities denominated in foreign currencies are exposed to foreign exchange risk which causes losses due to fluctuations in exchange rates.

For derivative transactions, the Bank provides customers with risk-hedging methods, and, for the purpose of managing the Bank's assets and liability structures (ALM: Asset Liability Management) and hedging against market fluctuation risk, the Bank engages in interest swap transactions to strengthen earnings. Similar to other market transactions, derivative transactions are subject to a variety of risks, including market, credit, and liquidity risks. For derivative transactions undertaken for the purpose of hedging, the Bank has adopted "hedge accounting" that complies with the "Practical Guidelines for Financial Instruments Accounting" (hereinafter "Practical Guidelines"). The hedged items and hedging instruments to which hedge accounting was applied in the current consolidated fiscal year are as follows:

・ Hedging targets: loans and bonds, foreign currency-denominated monetary claims and debts, stocks
・ Hedging method: interest rate swaps, currency swaps, stock forward transactions

The Bank reviews the effectiveness of hedging activities using methods permitted under the Practical Guidelines. In addition, some consolidated subsidiary corporations hold lease receivables and instalment receivables. These financial instruments are exposed to interest rate fluctuation risk, credit risk, etc.

(3) Risk management for financial instruments

(a) Credit risk management

The Bank conducts rigorous screening of individual credit decisions in accordance with the five principles of "publicness," "safety," "profitability," "growth potential," and "liquidity" stipulated in the "Credit Policy." From the perspective of strengthening governance, individual large-scale credits are analyzed and examined by the Investment and Loan Committee (a management committee consisting of Officers, etc.) to determine whether or not to accept them.

In addition, the Bank has developed an "Internal Credit Rating System" and a "Self-Assessment System" to categorize the credibility of debtors and individual loan projects from an independent point of view and appropriately controls credit risk and appropriate writes off and reserves as needed.

Furthermore, under the Internal Credit Rating System, the Bank evaluates the health and profitability by statistically quantifying the credit risk of the entire credit portfolio using default performance and collateral and guarantee data for each debtor rating, comparing risk and management strength, and applying the appropriate lending interest rate.

(b) Market risk management

≪Management system≫

As part of its ALM, the Bank controls interest risk, exchange risk and price fluctuation risk. Specifically, the risk management department reports directly to management on the status of compliance with various risk limits, the operational status of market transactions, and the status of profits and losses, and then reports on the status of market risk at the monthly ALM meeting.

In addition, the Bank categorizes market operations between trading operations and banking operations. For trading operations, the Bank engages in transactions for the purpose of earning profits by taking advantage of interest rates, currency prices, short-term fluctuations in market prices and other indicators in the financial instruments market and disparities between markets, etc., or for reducing potential losses due to transactions (specific transactions) conducted for those purposes. The trading operations manages government bonds, government bond futures, interest rate swaps, interest rate futures and other products. Banking operations refers to business other than trading. The Bank conducts trading operations strictly in accordance with internal rules that clearly define specific trading transactions and the authority and methods for fair value measurement.

≪Measurement of market risk≫

To measure market risk, the Bank uses a combination of VaR (value at risk), BPV (basis point value), and effective and efficient measurement methods in line with the characteristics and management policies of its business. In addition, the Bank conducts regular stress tests to be able to deal with risks that cannot be fully captured using VaR alone. The Bank uses two types of scenarios: a worst-case scenario, which can have a significant impact with significant market fluctuations and a sharp decline in liquidity, and a scenario that supplements the characteristics of market risk measurement methods.

(c) Liquidity risk management

The Bank formulates strategy goals and business operation policies taking liquidity risk into consideration.

≪Management system≫

The risk management department reports directly to management the status of compliance with various risk limits, and then reports on the status of liquidity risk and the status of cash flows at the monthly ALM meeting.

When there are signs indicating that liquidity risk is becoming apparent, the relevant department can immediately hold a "Liquidity Risk Emergency Measures Meeting" to collect and organize information and make swift decisions on necessary measures.

(4) Supplementary explanation on fair value of financial instruments

As certain preconditions are used for the fair value of financial products, the prices may differ when different preconditions are used.

2. Matters relating to fair value of financial instruments and others

The carrying values, fair values and the differences between them as of March 31, 2022, are indicated below. Stocks and others without a quoted market price and investment in partnerships are excluded from the table below (see (Note 1)). In addition, cash and due from banks, call loans and bills bought, receivables under resale agreements, call money and bills sold, and payables under securities lending transactions are omitted as those items are mainly settled in a short time period and thus their fair values approximate book values. Furthermore, items for which the "consolidated balance sheet amount" is not material are omitted.

(Millions of Yen)

	Carrying Amount	Fair value	Difference
(1) Securities			
Held-to-maturity securities	390,676	386,933	-3,742
Available-for-sale securities	1,923,834	1,923,834	—
(2) Loans and bills discounted	13,387,749		
Allowance for loan losses (*1)	-63,545		
	13,324,204	13,382,555	58,351
Total assets	15,638,715	15,693,324	54,608
(1) Deposits	17,260,461	17,260,843	382
(2) Negotiable certificates of deposit	208,070	208,070	0
(3) Borrowed money	2,037,321	2,037,114	-206
Total liabilities	19,505,852	19,506,027	175
Derivative transactions (*2)			
Derivative transactions not designated as a hedge	7,646	7,646	—
Derivative transactions designated as a hedge (*3)	(14,034)	(14,034)	—
Total derivative transactions	(6,387)	(6,387)	—

(*1) General and individual allowances for losses are excluded from the relevant loans and bills discounted.

(*2) Derivative transactions recorded in trading assets, trading liabilities and other assets and liabilities are presented in the aggregate. Receivable and liability balances arising from derivative transactions are presented on a net basis, and items that net to liabilities are presented in brackets.

(*3) The Group has applied the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force No. 40) to hedging relationships included in the scope of application of financial instruments that reference LIBOR, such as deferred hedging through interest rate swap transactions that aim to reduce market fluctuation risk in available-for-sale securities (debt securities), and deferred hedging through currency swap transactions that aim to reduce foreign exchange fluctuation risk in monetary receivables and payables denominated in foreign currencies in accordance with the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No.25).

(Note 1) Stocks and others without a quoted market price and investments in partnerships and others are indicated below, and are not included in “available-for-sale securities” in fair value information on financial instruments.

(Millions of Yen)

Classification	Amount recorded on the consolidated balance sheet
Equity securities without readily available market price (*1)(*2)(*3)	8,497
Partnership investments (*3)(*4)(*5)	25,940

(*1) Equity securities without readily available market price are not subject to fair value disclosure under Paragraph 5 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19).

(*2) Stocks of affiliated corporations, etc. of 7,469 million yen are not included.

(*3) In the current consolidated fiscal year, the amount of impairment for unlisted stocks is 241 million yen and for partnership investments 3 million yen.

(*4) Partnership investments are not subject to disclosure under Paragraph 27 of the Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31).

(*5) Investment in non-consolidated subsidiaries, subsidiary corporations, and affiliated corporations, etc. of 4,288 million yen is not included.

3. Breakdown by fair value levels of financial instruments

The fair values of financial instruments are classified into the following three levels in accordance with the observability and significance of the inputs used in the measurement of fair value.

Level 1 fair value: Fair value calculated using the (unadjusted) market price in an active market for an identical asset or liability.
Level 2 fair value: Fair value calculated using inputs that are directly or indirectly observable, other than the Level 1 inputs.
Level 3 fair value: Fair value calculated using significant unobservable inputs.

In cases where multiple inputs with significant effect on the calculation of the fair value are used, based on the level each respective input belongs to, the fair value is classified at the level with the lowest priority in the fair value calculation.

(1) Financial instruments other than those carried at fair value recorded on the consolidated balance sheet

(Millions of Yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Debt securities				
Japanese national government bonds	352,529	64,116	—	416,646
Japanese local government bonds	—	144,779	—	144,779
Japanese corporate bonds	—	309,701	78,988	388,690
Stocks	130,323	6,574	—	136,897
Other securities (*1)	90,183	124,107	84,158	298,449
Total Assets	573,037	649,279	163,147	1,385,463
Derivative transactions (*2)				
Interest rate-related	—	9,451	—	9,451
Currency-related	—	(15,887)	—	(15,887)
Stock-related	—	—	—	—
Bond-related	8	—	—	8
Other	—	—	40	40
Total derivative transactions	8	(6,436)	40	(6,387)

(*1) Values of investment trusts and others that apply the transitional measure stipulated in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) are not included in the above table. The financial asset of those investment trusts and others in the consolidated balance sheet is 538,370 million yen.

(*2) Derivative transactions recorded in trading assets and trading liabilities, derivatives and others are presented in the aggregate. Net positive and negative balances arising from derivative transactions are presented on a net basis, and items that are net debts in total are presented in brackets.

(2) Financial instruments other than those listed on the consolidated balance sheet at market value (Millions of Yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity securities				
Japanese government bonds	23,873	—	—	23,873
Japanese local government bonds	—	363,060	—	363,060
Japanese corporate stocks	—	—	—	—
Loans and bills discounted	—	—	13,387,749	13,387,749
Total Assets	23,873	363,060	13,387,749	13,774,682
Deposits	—	17,260,843	—	17,260,843
Negotiable certificates of deposit	—	208,070	—	208,070
Borrowed money	—	2,037,114	—	2,037,114
Total Liabilities	—	19,506,027	—	19,506,027

(Note 1) Explanation of the valuation techniques and inputs used in calculating fair values

<u>Securities</u>

Fair values of stocks are based on the prices quoted by exchanges and are mainly classified as Level 1 in accordance with active markets. Fair values of bonds are based on trading reference statistics published by the Japan Securities Dealers Association or prices presented by financial institutions. The fair values of government bonds are mainly classified as Level 1, and local government bonds and corporate stocks (excluding private placement bonds) as Level 2. Asset-backed securities included in other securities are based on prices presented by financial institutions, etc. and are classified as Level 3.

Fair values of private placement bonds are calculated by discounting future cash flows at a discount rate, which is the sum of the risk-free interest rate and the estimated credit risk premium based on the internal rating and are classified as Level 3 fair value.

Investment trusts are based on published standard prices, etc., and transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31). These are not categorized into levels.

Loans and bills discounted

As the book values of loans with floating interest rates reflect the market interest rate in the short term, as long as the credit status of the lenders do not differ significantly after execution, the book value is used as fair value. For loans and bills discounted with fixed interest rates, fair values are calculated by discounting future cash flows at a discount rate, which is the sum of the risk-free interest rate and the credit risk premium estimate based on the internal rating. In addition, for those with short contract periods (up to one year), the fair value approximates the book value, so the book value is used as fair value.

In regard to claims and others against "legal bankruptcy", "virtual bankruptcy" and "possible bankruptcy", since the estimated amount of bad debt is calculated mainly based on the present value of the expected future cash flows or the estimated amounts that the Bank would be able to collect from collateral and guarantees, fair value approximate the carrying value of claims and others minus the allowance for loan losses on the consolidated balance sheet as of the end of the fiscal year. Therefore, such amounts are used as fair values.

The fair values of loans and bills discounted are categorized as Level 3.

Deposits and negotiable certificates of deposit

For demand deposits, the Bank deems the payment amounts (book values) if required on the consolidated balance sheet date to be fair values. In addition, fair values of time deposits and negotiable certificates of deposits are calculated by classifying them according to commodity and remaining term by discounting the future cash flows. The discount rates used in such calculations are the market interest rates. For deposits whose deposit terms are short (i.e., within one year), the fair value approximates the book value, so the book values are mainly used as fair values.

The fair values of deposits and negotiable certificates of deposit are categorized as Level 2.

Borrowed money

The book value of borrowed money with floating interest rates approximates fair value because the market rates are reflected in the short term, and the credit conditions of the Group have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at an interest rate that takes into account the remaining period of the loan and credit risk. For short-term contracts (up to one year), the book value of borrowed money is used as it approximates fair value.

The fair value of borrowed money is categorized as Level 2.

Derivatives

Fair values of derivatives are categorized as Level 1 when unadjusted quoted prices in active markets can be used. This includes bond futures.

However, since the majority of derivatives are over-the-counter transactions for which no quoted price is publicly disclosed, their fair values are calculated using evaluation techniques such as the present value technique and the option price calculation model, depending on the type of transaction and the maturity period. The main inputs used in the evaluation techniques are interest rate, currency rate, volatility, etc. The Bank carries out price adjustments based on the credit risk of the trading partner and the Bank's credit risk. The fair values of derivatives are categorized as Level 2 if no unobservable inputs are used or if the effect of the unobservable inputs used is insignificant. This includes interest rate swaps and forward exchange contracts. Fair values are categorized as Level 3 when significant unobservable inputs are used.

(Note 2) Information related to financial instruments recorded on the consolidated balance sheet with fair values categorized as Level 3.

(1) Quantitative information about significant unobservable inputs

Classification	Evaluation technique	Significant unobservable input	Range	Weighted average
Securities				
Available-for-sale securities				
Private placement bonds	Discounted cash flow	Probability of default	0.0%－13.6%	0.6%
		Loss given default	20.0%－100.0%	72.2%

(2) Reconciliation between the opening and closing balances and loss/gain on valuation recognized in profit/loss as of March 31, 2022

(Millions of Yen)

	Balance as of the beginning of the year	Profit/loss or other comprehensive income		Net purchases, sales, issues and settlements	Transfers into Level 3 fair value	Transfers out of Level 3 fair value	Balance as of the end of the year	Loss/gain on valuation of held financial assets/liabilities recorded in the Consolidated Balance Sheet recorded in profit/loss (*1)
		Recorded in profit/loss (*1)	Recorded in other comprehensive income (*2)					
Securities								
Available-for-sale securities								
Japanese corporate bonds	80,563	-145	-312	-1,116	－	－	78,988	－
Other	41,921	6,944	-570	35,863	－	－	84,158	－
Total assets	122,484	6,799	-883	34,746	－	－	163,147	－
Derivative transactions								
Other	34	(41)	－	47	－	－	40	－
Total derivative transactions	34	(41)	－	47	－	－	40	－

(*1) Included in “Other operating income” or “Other operating expenses.”

(*2) Included in “Valuation difference on available-for-sale securities” under “Other comprehensive income”

(3) Explanation of fair value evaluation procedures

The Group has established policies and procedures for calculating fair value in the risk management department and verifies the appropriateness of the calculated fair value. An appropriate valuation model that can reflect the nature, characteristics and risks of individual assets is used to calculate the fair value. When the fair value obtained from a third party is used, the validity of the price is verified using appropriate methods such as confirmation of the evaluation technique and the input used, and comparison with self-estimated values.

(4) Explanation of the impact on fair value when there is a change in a significant unobservable input

Probability of default

Probability of default are estimates that show the possibility of the occurrence of a default event. A significant increase (decrease) in the probability of default causes a significant decrease (increase) in fair value.

Loss given default

Loss given default is an estimated value that indicates the ratio of losses expected to occur at the time of default to the total balance of bonds or loans and bills discounted. A significant increase (decrease) in loss given default causes a significant decrease (increase) in the fair value.

(Per share information)

Total net assets per share	839.79 yen
Net income per share attributable to owners of the parent	38.17 yen

(Significant subsequent events)

Not applicable

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 10, 2022

To the Board of Directors of
The Bank of Yokohama, Ltd.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Hiroaki Aoki

Designated Engagement Partner,
Certified Public Accountant:

Hiroyuki Hamahara

Designated Engagement Partner,
Certified Public Accountant:

Kazumasa Momose

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of The Bank of Yokohama, Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

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 Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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.

- 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. The other information in "the Business Report and the accompanying supplemental schedules" referred to in the "Other Information" section of this English translation is not translated.