(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 162nd Fiscal Year (March 31, 2023)

(Unit: Millions of yen)

Accounts title	Amount	Accounts title	Amount
(Assets)		(Liabilities)	
Cash and due from banks	6,333,711	**Deposits**	17,777,124
Call loans and bills bought	268,146	**Negotiable certificates of deposit**	205,270
Monetary claims bought	24,747	**Call money and bills sold**	1,950,420
Trading assets	3,266	**Payables under repurchase agreements**	66,194
Securities	2,523,421	**Payables under securities lending transactions**	161,689
Loans and bills discounted	14,094,314	**Trading liabilities**	52
Foreign exchanges	23,195	**Borrowed money**	2,215,016
Lease receivables and investment assets	74,740	**Foreign exchanges**	541
Other assets	218,411	**Due to trust account**	34,603
Property, plant and equipment	141,254	**Other liabilities**	253,098
Buildings,net	53,427	**Provision for bonuses**	4,161
Land	78,175	**Provision for directors' bonuses**	22
Construction in progress	1,686	**Provision for share-based compensation**	157
Other	7,965	**Net defined benefit liability**	652
Intangible assets	14,770	**Provision for reimbursement of deposits**	1,772
Software	14,485	**Provision for contingent losses**	507
Other	284	**Reserves under special laws**	25
Net defined benefit asset	37,623	**Deferred tax liabilities**	73
Deferred tax assets	27,692	**Deferred tax liabilities for land revaluation**	16,270
Customers' liabilities for acceptances and guarantees	34,069	**Acceptances and guarantees**	34,069
Allowance for loan losses	(72,569)	Total liabilities	22,721,722
		(Equity)	
		Capital stock	215,628
		Capital surplus	177,244
		Retained earnings	596,145
		Total Shareholders' equity	989,019
		Valuation difference on available-for-sale securities	(11,476)
		Deferred gains or losses on hedges	3,457
		Revaluation reserve for land	36,360
		Foreign currency translation adjustment	779
		Remeasurements of defined benefit plans	1,157
		Accumulated other comprehensive income	30,279
		Noncontrolling interests	5,774
		Total equity	1,025,072
TOTAL	23,746,795	TOTAL	23,746,795

(TRANSLATION)

Consolidated Statement of Income for the 162nd Fiscal Year
From April 1, 2022 to March 31, 2023

(Unit: Millions of yen)

Accounts title	Amount	
Ordinary income:		283,078
Interest income	173,957	
Interest on loans and bills discounted	136,279	
Interest and dividends on securities	24,862	
Interest on call loans and bills bought	1,391	
Interest on due from banks	6,552	
Other interest income	4,871	
Trust fees	266	
Fees and commissions	65,050	
Trading income	1,317	
Other operating income	35,060	
Other income	7,424	
Recovery of claims previously charged off	2,331	
Other	5,092	
Ordinary expenses:		212,489
Interest expenses	29,124	
Interest on deposits	10,675	
Interest on negotiable certificates of deposit	7	
Interest on call money and bills sold	3,007	
Interest on payables under repurchase agreements	566	
Interest on payables under securities lending transactions	2,874	
Interest on borrowed money	3,268	
Other interest expenses	8,723	
Fees and commissions	13,353	
Trading expenses	15	
Other operating expenses	44,392	
General and administrative expenses	107,297	
Other expenses	18,306	
Loan losses	13,109	
Other	5,197	
Ordinary profit		70,589
Extraordinary income		2,355
Gain on disposals of non-current assets	201	
Gain on return of assets from retirement benefits trust	2,154	
Extraordinary losses		1,699
Loss on disposals of non-current assets	1,699	
Income before income taxes		71,245
Income taxes-current	24,384	
Income taxes-deferred	(2,576)	
Total income taxes		21,807
Net income		49,438
Net income attributable to noncontrolling interests		50
Net income attributable to owners of parent		49,387

(TRANSLATION)

Consolidated Statement of Changes in Equity for 162nd Fiscal Year (from April 1, 2022 to March 31, 2023)

(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	568,314	961,187
Changes in the year				
Cash dividends			(21,682)	(21,682)
Net income attributable to owners of the parent			49,387	49,387
Reversal of revaluation reserve for land			126	126
Net changes in the year				
Total net changes in the year	—	—	27,831	27,831
Balance at the end of current period	215,628	177,244	596,145	989,019

	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 income		
Balance at the beginning of current period	7,818	3,020	36,487	421	2,659	50,406	5,953	1,017,547
Changes in the year								
Cash dividends								(21,682)
Net income attributable to owners of the parent								49,387
Reversal of revaluation reserve for land								126
Net changes in the year	(19,294)	437	(126)	358	(1,501)	(20,126)	(179)	(20,306)
Total net changes in the year	(19,294)	437	(126)	358	(1,501)	(20,126)	(179)	7,525
Balance at the end of current period	(11,476)	3,457	36,360	779	1,157	30,279	5,774	1,025,072

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) 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. 8

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 8

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 that are legally or formally subject to bankruptcy, such as insolvency or special liquidation
Virtual bankruptcy:	Borrowers that are in a situation effectively equivalent to that of bankrupt borrowers
Possible bankruptcy:	Borrowers that 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 that 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 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 13,025 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 "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 the special treatment for interest rate swaps is applied for some assets and liabilities.

16. Application of Japanese Group Tax Sharing System

The Bank and certain consolidated subsidiaries of the Bank have applied Japanese Group Tax Sharing System.

Change in Accounting Policies

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

The Bank and certain consolidated subsidiaries of the Bank have applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, June 17, 2021) from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Bank and certain consolidated subsidiaries of the Bank have prospectively applied the new accounting policy set forth in Implementation Guidance on Accounting Standard for Fair Value Measurement. There are no effects on the consolidated financial statements due to the application of the Implementation Guidance.

Significant Accounting Estimates

An item 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 72,569 million yen

The calculation method of allowance for loan losses is as shown in “5. 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.

While the impact of Novel Coronavirus Infectious Disease on domestic economic activities has weakened, the impact on the credit risk of debtors remains unclear. Accordingly, the allowance for loan losses is estimated as follows. The Bank and certain consolidated subsidiaries of the Bank expect credit losses from some debtors due to deterioration of business performance and cash flows, and the Bank and certain consolidated subsidiaries of the Bank collect latest detailed information as much as possible and determines the debtor classification based on the future prospects to calculate the allowance for loan losses. In addition, for some debtors in certain industries whose business activities have been significantly affected by Novel Coronavirus Infectious Disease, the Bank of and certain consolidated subsidiaries of the Bank calculate the amount of expected credit losses with additional necessary adjustments considering the uncertainty of future prospects and credit risk. The assumption of the impact of Novel Coronavirus Infectious Disease is uncertain, and actual credit losses may exceed the expected credit losses if the deterioration of debtors’ business performance and the period required for recovery exceed the assumption based on the latest available information due to sluggish consumer spending and stagnant production activities.

Additional Information

(Transition from Consolidated Tax Return Filing System to Japanese Group Tax Sharing System)

The Bank and certain consolidated subsidiaries of the Bank have adopted Japanese Group Tax Sharing System in place of Consolidated Tax Return Filing System from the current fiscal year. Accordingly, the accounting treatments and disclosures of income taxes, local corporate taxes and tax effect accounting are in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42). Based on the treatment of Paragraph 32 (1) of ASBJ PITF No.42, it is deemed that there is no impact of changes in accounting policies due to the adoption of ASBJ PITF No. 42.

Notes

(Consolidated balance sheet-related matters)

1. Japanese national government bonds and others under “Securities” include 92,904 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	43,580 million yen
Doubtful claims	118,804 million yen
Loans overdue for three months or more	3,792 million yen
Restructured loans	10,698 million yen
Total	176,876 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.

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 16,026 million yen.

4. Assets pledged as collateral are as follows.

Assets pledged as collateral

Cash and due from banks	36,600 million yen
Securities	1,267,572 million yen
Loans and bills discounted	1,777,400 million yen
Other assets	836 million yen

Relevant liabilities to above assets

Deposits	31,936 million yen
Payables under repurchase agreements	66,194 million yen
Payables under securities lending transactions	161,689 million yen
Borrowed money	2,120,789 million yen

In addition, securities of 30,860 million yen and other assets of 62,030 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 22,894 million yen, and guarantee deposits of 4,211 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 2,669,047 million yen. This includes 1,360,995 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	34,438 million yen

7. The accumulated depreciation of property, plant, and equipment 168,621 million yen

8. Amount of compressed entry of property, plant and equipment 80,305 million yen

9. Among Japanese corporate bonds of 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 76,171 million yen.

10. The principal amount of trusts with principal compensation agreement is 34,603 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, 2022	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	Number of shares as of March 31, 2023	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, 2022 Board of Directors meeting	Common stock	8,793 million yen	7.30 yen	March 31, 2022	May 17, 2022
November 11, 2022 Board of Directors meeting	Common stock	12,888 million yen	10.70 yen	September 30, 2022	November 18, 2022

(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, 2023 Board of Directors meeting	Common stock	11,804 million yen	Retained earnings	9.80 yen	March 31, 2023	May 17, 2023

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, the risk is partially 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, 2023, 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 the carrying amounts approximate fair value. 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	595,960	587,184	(8,775)
Available-for-sale securities (*1)	1,869,471	1,869,471	―
(2) Loans and bills discounted	14,094,314		
Allowance for loan losses (*2)	(71,978)		
	14,022,336	14,068,224	45,887
Total assets	16,487,768	16,524,880	37,111
(1) Deposits	17,777,124	17,777,404	279
(2) Negotiable certificates of deposit	205,270	205,270	0
(3) Borrowed money	2,215,016	2,214,636	(380)
Total liabilities	20,197,411	20,197,310	(100)
Derivative transactions (*3)			
Derivative transactions not designated as a hedge	10,165	10,165	―
Derivative transactions designated as a hedge (*4)	3,357	3,357	―
Total derivative transactions	13,523	13,523	―

(*1) Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) is treated as fair value are included in the available-for-sale securities.

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

(*3) 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.

(*4) 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)	8,928
Partnership investments (*3)(*4)(*5)	34,667

(*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 7,671 million yen are not included.

(*3) In the current consolidated fiscal year, the amount of impairment for unlisted stocks is 140 million yen and for partnership investments 4 million yen.

(*4) Partnership investments are not subject to disclosure under Paragraph 24-16 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 6,721 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, the fair value is classified at the level with the lowest priority in the fair value calculation based on the level to which each respective input belongs.

(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	277,899	34,234	—	312,134
Japanese local government bonds	—	129,106	—	129,106
Japanese corporate bonds	—	290,505	82,840	373,346
Stocks	141,246	11,077	—	152,324
Other securities (*1)	63,589	643,946	156,649	864,185
Total Assets	482,735	1,108,870	239,490	1,831,096
Derivative transactions (*2)				
Interest rate-related	—	11,449	—	11,449
Currency-related	—	2,049	—	2,049
Stock-related	—	—	—	—
Bond-related	(18)	—	—	(18)
Other	—	—	42	42
Total derivative transactions	(18)	13,498	42	13,523

(*1) Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) is treated as fair value are not included. The amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-3 is ¥31,942 million, and the amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-9 is ¥6,431 million.

①Reconciliation of beginning balance to ending balance of investment trusts that apply the treatment of Paragraph 24-3

(Millions of Yen)

	Current fiscal year (From April 1, 2022 to March 31, 2023)
Beginning balance	—
Profit or loss or other comprehensive income for the current period	
Included in profit or loss (*1)	—
Included in other comprehensive income	(57)
Net purchases, sales and redemptions	32,000
The amount of net asset value of investment trusts that is deemed to be the fair value	—
The amount of net asset value of investment trusts that is not deemed to be the fair value	—
Ending balance	31,942
Net unrealized gain (loss) on investment trusts held as of the reporting date that is included in profit or loss for the current period (*1)	—

(*1) Included in “Other ordinary income” and “Other ordinary expenses” presented in the Consolidated Statement of Income.

②Details of the restrictions on the cancellation of investment trusts that apply the treatment of Paragraph 24-3 as of the end of the current fiscal year

Investment trusts that require several months from the time of application for cancellation to the time of execution of cancellation: ¥31,942 million

③Reconciliation of beginning balance to ending balance of investment trusts that apply the treatment of Paragraph 24-9

(Millions of Yen)

	Current fiscal year (From April 1, 2022 to March 31, 2023)
Beginning balance	4,887
Profit or loss or other comprehensive income for the current period	
Included in profit or loss (*1)	61
Included in other comprehensive income	24
Net purchases, sales and redemptions	1,458
The amount of net asset value of investment trusts that is deemed to be the fair value	—
The amount of net asset value of investment trusts that is not deemed to be the fair value	—
Ending balance	6,431
Net unrealized gain (loss) on investment trusts held as of the reporting date that is included in profit or loss for the current period (*1)	—

(*1) Included in “Other ordinary income” and “Other ordinary expenses” presented in the Consolidated Statement of Income.

(*2) Derivative transactions recorded in trading assets, trading liabilities, other assets and other liabilities 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	69,625	—	—	69,625
Japanese local government bonds	—	514,347	—	514,347
Japanese corporate bonds	—	202	—	202
Foreign bonds	—	3,008	—	3,008
Loans and bills discounted	—	—	14,068,224	14,068,224
Total Assets	69,625	517,559	14,068,224	14,655,409
Deposits	—	17,777,404	—	17,777,404
Negotiable certificates of deposit	—	205,270	—	205,270
Borrowed money	—	2,214,636	—	2,214,636
Total Liabilities	—	20,197,310	—	20,197,310

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

Securities

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 mainly 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 net asset value , etc., and are mainly classified as Level 2 fair value.

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 carrying values approximate 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, the carrying values approximate fair 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 carrying values approximate fair value.

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 carrying 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%－13.3%	0.4%
		Loss given default	20.0%－100.0%	72.8%

(2) Reconciliation between the opening and closing balances and loss/gain on valuation recognized in profit/loss as of March 31, 2023

(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					
Securities								
Available-for-sale securities								
Japanese corporate bonds	78,988	(15)	63	3,804	―	―	82,840	―
Other	84,158	5,182	(1,629)	68,937	―	―	156,649	―
Total assets	163,147	5,167	(1,566)	72,742	―	―	239,490	―
Derivative transactions								
Other	40	(0)	―	2	―	―	42	―
Total derivative transactions	40	(0)	―	2	―	―	42	―

(*1) Included in “Other ordinary income” and “Other ordinary expenses”,etc. presented in the Consolidated Statement of 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 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	846.18 yen
Net income per share attributable to owners of the parent	41.00 yen

(Significant subsequent events)

(Tender offer to The Kanagawa Bank, Ltd.)

At the meeting of the Board of Directors held on February 3, 2023, the Bank resolved to acquire common shares and Series 1 Class A Preferred Shares of The Kanagawa Bank, Ltd. (hereinafter, the "Target Company") through a public tender offer (hereinafter, the "Tender Offer") in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, including as amended) as a part of series of transactions to make the Target Company a wholly-owned subsidiary of the Bank. As a result of the Tender Offer implemented during the period from February 6 to April 13, 2023, the Target Company became a consolidated subsidiary of the Bank as of April 27, 2023 (the commencement date of settlement of the Tender Offer).

1. Purpose of the Tender Offer

The Bank and the Target Company, both of which is based in Kanagawa Prefecture, will work together to further fulfill their financial intermediation functions for all customers in the region. Through this initiative, Concordia Financial Group, Ltd. will fulfill its mission and role more than ever before as a regional financial institution to contribute to the sustainable development of vibrant local communities and aim to enhance the corporate value of the Group over the medium to long term.

2. Outline of the Target Company

(1) Name: The Kanagawa Bank, Ltd.

(2) Location: 9 – 166 Chojamachi, Naka-ku, Yokohama, Kanagawa, Japan

(3) Representative: Kazuaki Kondo, Director, President

(4) Business profile: Banking business

(5) Capital stock: ¥6,191 million (as of March 31, 2023)

(6) Date of establishment: July 30, 1953

3. Outline of the Tender Offer

(1) Planned number of shares to be purchased: 4,296,596 shares

(4,193,096 shares for common shares and 103,500 shares for Series 1 Class A Preferred Shares)

(2) Minimum number of shares to be purchased: 2,810,600 shares

(3) Maximum number of shares to be purchased: None

(4) Tender offer period: From February 6 to April 13, 2023 (47 business days)

(5) Tender offer price: ¥2,039 per share for common shares and ¥10,013 per share for Series 1 Class A Preferred Shares

(6) Commencement date of settlement: April 27, 2023

4. Outcome of the Tender Offer

(1) Result of the Tender Offer

As a result of the Tender Offer, the total number of shares tendered exceeded the minimum number of shares to be purchased, and the Bank purchased all of the shares tendered.

(2) Number of shares purchased: 3,477,304 shares of common shares and 103,500 shares of Series 1 Class A Preferred Shares

(3) Ownership ratio of shares after the Tender Offer: 84.63% (*1)

(4) Total purchase price: ¥8,126 million

(*1) The ownership ratio of shares before the Tender Offer was 7.76% for the Bank and 0.28% for consolidated subsidiaries of the Bank.

The Bank intends to make the Target Company a wholly-owned subsidiary of the Bank., but could not acquire all of the Target Company's common shares and Series 1 Class A Preferred Shares in the Tender Offer.

Therefore, the Bank plans to implement a series of procedures to make the Target Company a wholly-owned subsidiary of the Bank.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 10, 2023

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

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Hiroyuki Hamahara

Designated Engagement Partner,
Certified Public Accountant:

Takeshi Shimoiizaka

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, 2023, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2022 to March 31, 2023, 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, 2023, 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.