

# ANNUAL REPORT

CHUGIN FINANCIAL GROUP, INC.

# 2025



CHUGIN FINANCIAL GROUP, INC.

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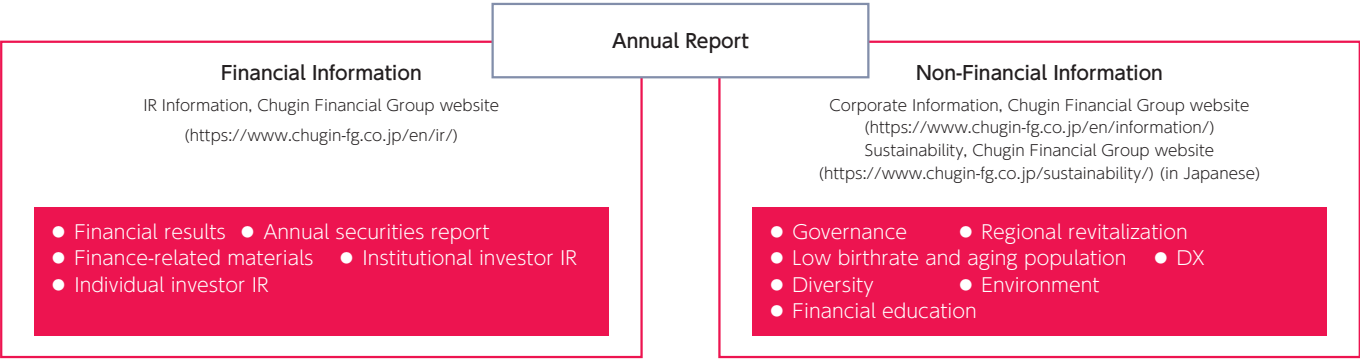
The Chugin Financial Group created this report in order for our stakeholders to understand our initiatives for sustainable value creation.

It was edited with reference to the International Integrated Reporting Council's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation.



Reporting Scope	Period : Period : April 1, 2024–March 31, 2025 (includes some information from April 2025 onward)
	Scope : Chugin Financial Group and Group companies

Information Disclosure and Communication

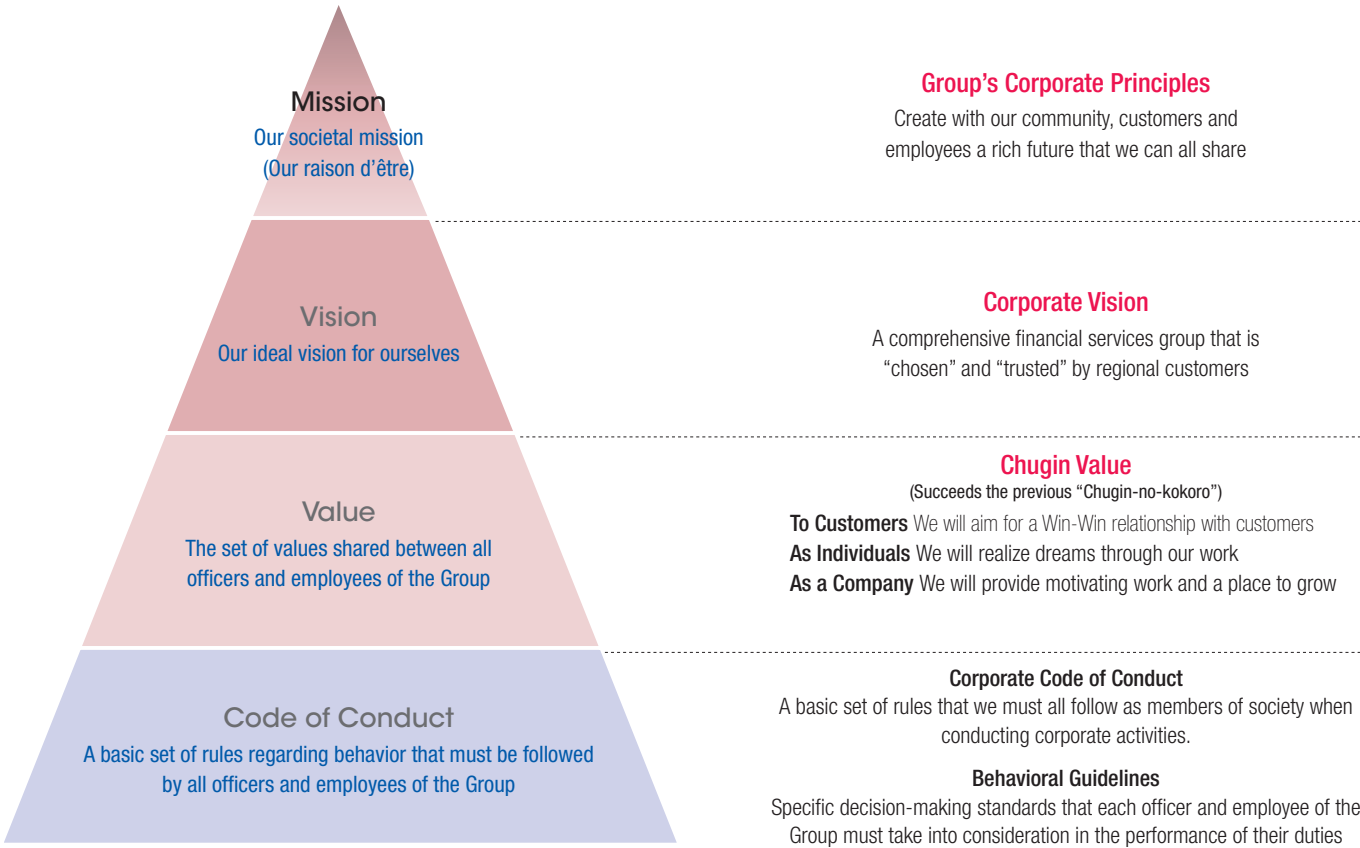


For details, please see our website: <https://www.chugin-fg.co.jp/en/>



System of Principles

The Chugin Group's System of Principles is comprised of the Group's Corporate Principles in which the Group's stated mission is set out, the Corporate Vision which is the ideal state the Group sees for itself, and the Chugin Value which are the set of values shared between all officers and employees of the Group.



Group Slogan and Statement

The Group Slogan and Statement are a written representation of the Chugin Financial Group's commitment to our regional customers. Based on the slogan "Our challenges build our future," we will evolve alongside our customers to deliver to customers and communities the kind of value that opens up the future.

Group Slogan

Group Statement

Our challenges build our future.

In an era of change, we will not become defensive but rather take the offensive. We will think outside the box and bring dreams to fruition. Chugin will evolve into a comprehensive financial group that creates a rich future together with our customers.

In addition to deepening our financial services, we will listen to customer voices in creating optimal solutions to diverse and complex issues. There may be some failures in the course of our ambitious expansion of our business area. We may struggle and flounder over questions with no right answers. However, we will face these challenges head-on.

Our challenges build our future. Challenges for individuals build our future. In that belief, each of us will proactively address each challenge that arises toward creating a region with a virtuous cycle of happiness and a future in which dreams come into full bloom.

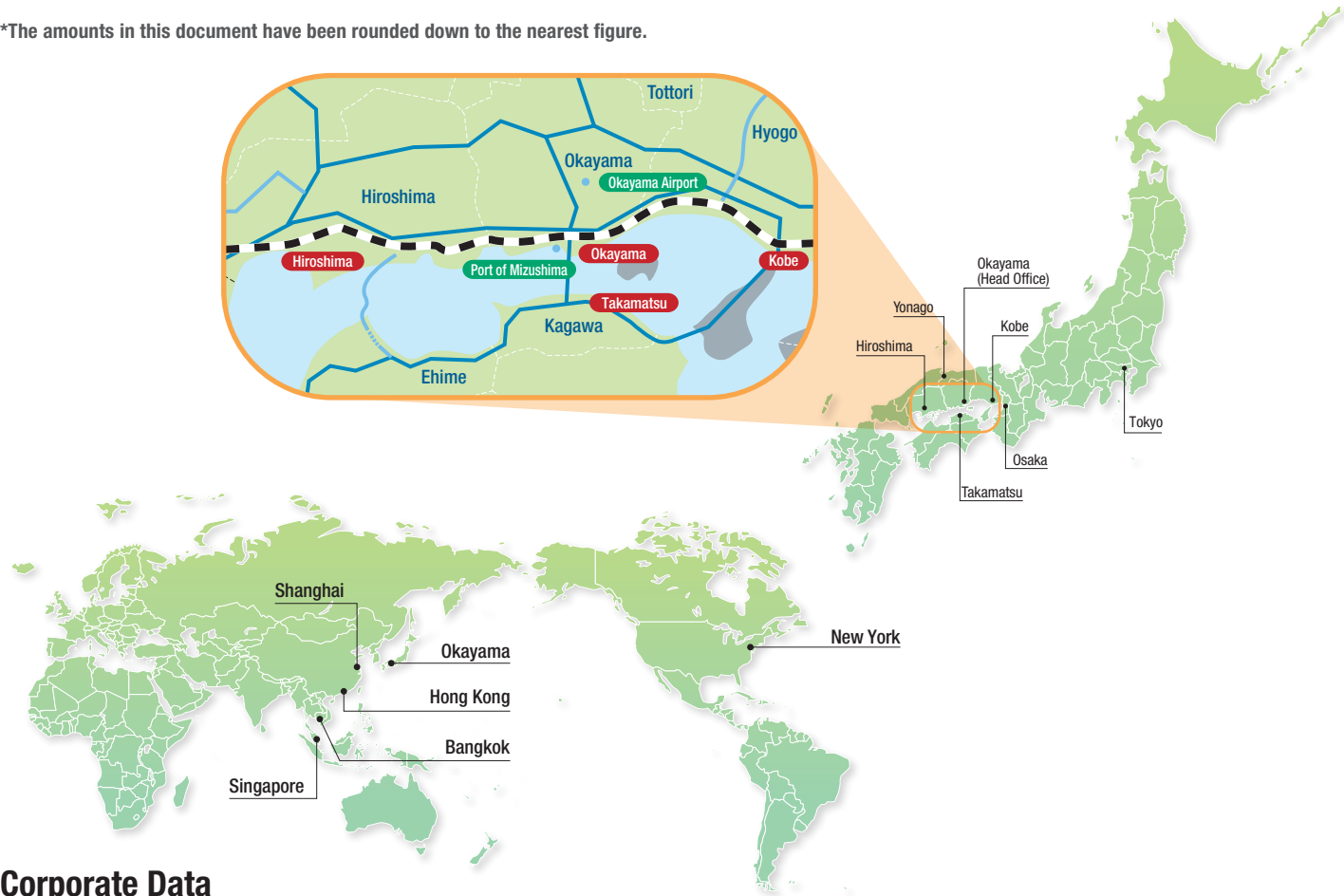
Today too, we face the future with racing hearts.

Profile

Okayama Prefecture, home to the head office of the Chugin Financial Group, is situated approximately 700 kilometers west of Tokyo. Facing the Seto Inland Sea, the prefecture is known throughout Japan as “the sunny land” due to its mild climate and consistently nice weather.

With a population of 1.83 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,345 billion (U.S.\$49,123 million), or an impressive 1.30% of Japan's GDP. Manufacturing is the core industry in Okayama, having evolved around the Mizushima Waterfront Industrial District—the world’s leading petrochemical complex—which was constructed in the 1960s. Given the prefecture’s ever-improving highways, airports, and harbors, there is further growth anticipated, with the area serving as an important economic and cultural center for the Eastern Setouchi region.

\*The amounts in this document have been rounded down to the nearest figure.



Corporate Data

(As of March 31, 2025)

Chugin Financial Group,Inc.

Address: 1-15-20, Marunouchi, Kita-ku, Okayama, Japan  
Telephone: (81) 86-223-3110  
  
Website: https://www.chugin-fg.co.jp  
Date of Establishment: October 3, 2022  
Stated Capital: 16,000 million yen  
Number of Authorized Shares: 500,000,000  
Number of Issued and Outstanding Shares of Common Stock: 184,771,461  
Number of Shareholders: 18,504  
Number of Employees: 3,015

Note: Number of employees does not include part-time and temporary staff or overseas local staff.

THE CHUGOKU BANK, LTD.

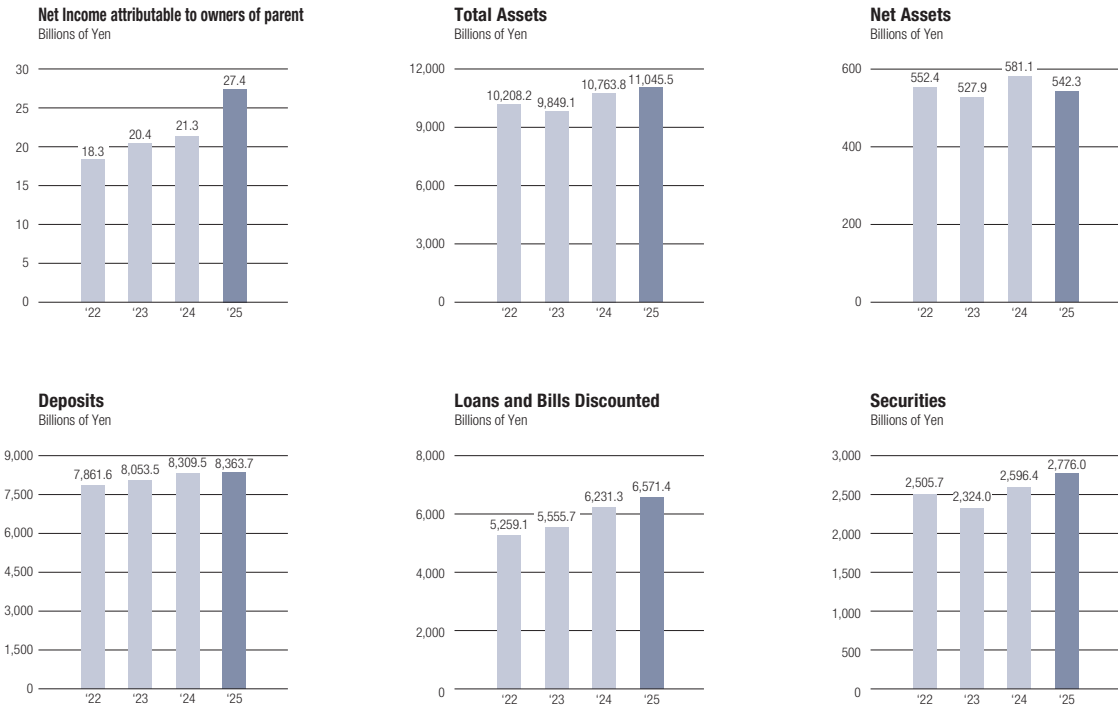
Address: 1-15-20, Marunouchi, Kita-ku, Okayama, Japan  
Telephone: (81) 86-223-3111  
SWIFT Code: CHGKJPJZ  
Website: https://www.chugin.co.jp  
Date of Establishment: December 21, 1930  
Stated Capital: 15,149 million yen

Consolidated Financial Highlights

Chugin Financial Group,Inc. and its Consolidated Subsidiaries  
Years ended March 31, 2025

	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)	
	2025	2024	2025	
For the year:				
Total income .....	¥ 211,853	¥ 184,709	\$ 1,416,887	
Total expenses .....	173,570	153,809	1,160,848	
Net income attributable to owners of parent .....	27,434	21,389	183,480	
Per share of common stock (yen/U.S. dollars):				
Basic net income .....	¥ 152.61	¥ 117.06	\$ 1.020	
Diluted net income .....	152.46	116.90	1.019	
At year-end:				
Deposits .....	¥ 8,363,790	¥ 8,309,572	\$ 55,937,600	
Loans and bills discounted .....	6,571,458	6,231,363	43,950,361	
Securities .....	2,776,089	2,596,411	18,566,673	
Total assets .....	11,045,576	10,763,804	73,873,568	
Net assets .....	542,366	581,115	3,627,380	
For the year:				
Cash flows from operating activities .....	46,944	115,595	313,964	
Cash flows from investing activities .....	(265,073)	(198,394)	(1,772,826)	
Cash flows from financing activities .....	4,214	(7,930)	28,183	
Cash and cash equivalents at end of year .....	1,201,718	1,415,632	8,037,172	

Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥149.52 = US\$1 in effect on March 31, 2025.  
2. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).



\* The figures for FY 2023 are shown on a consolidated basis of Chugin Financial Group, while the figures for FY 2022 and previous fiscal years are shown on a consolidated basis of the Chugoku Bank.



Sadanori Kato

President, CHUGIN FINANCIAL GROUP, INC.

# Change is the power to open the future

## The Chugin Group is evolving together with the community

### Progress of the long-term management plan

#### Deepening management that balances profitability and social aspects toward 2027

The Chugin Financial Group (the “Chugin Group”) has been operating under the long-term management plan “Vision 2027: Plan for Creating the Future Together” (the “long-term management plan”), which started in 2017, with a long-term perspective of ten years.

Currently, progress on the long-term management plan is generally favorable, and we are beginning to see results that exceed the numerical targets initially set. These achievements can be attributed to the fact that we have continuously pursued structural reforms and improvements in profitability while flexibly incorporating changes in society and the economy. In addition, we have steadily strengthened our management foundation through measures such as the transition to a holding company structure.

On the other hand, with regard to the regional revitalization SDGs that were set forth in Stage II of the long-term management plan, there are limits to measures that a single financial institution can carry out to address the increasingly serious issues that are common to regional areas, such as declining and aging populations and the outflow of young people. Although we are steadily producing results, there is still a way to go. Accordingly, as groundwork looking ahead to the next ten years, we intend to focus on solving regional issues through collaboration with local governments, support for

corporate decarbonization, and collaboration between industry, government, academia, finance, and the press. We earnestly hope these initiatives will spread to multiple local governments and companies and emerge as the seeds of a sustainable regional model.

When we first declared that we would make the regional revitalization SDGs a pillar of our management, there were skeptical views both inside and outside the Company regarding its effectiveness. In contract, we strongly feel that the Chugin Group’s initiatives have come to align with the demands of the times, as momentum has grown both internally and externally to reaffirm the importance of facing social issues in the face of the COVID-19 pandemic. In particular, the growth of sustainable finance and the increasing need for support for the decarbonization investments of companies demonstrate the role that the Chugin Group should play and the significance of the long-term management plan, and we see this as a result of resonance with society.

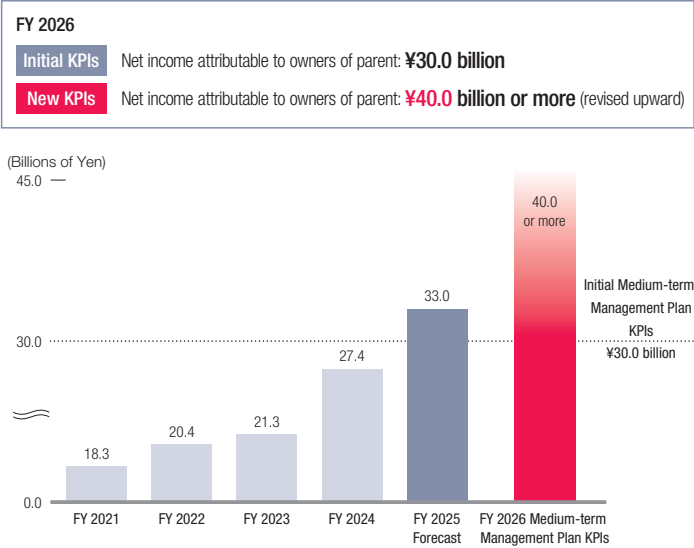
The next two years toward the goals of the long-term management plan will be a phase that will ensure the achievement of financial targets and lay the foundation for the next stage. On May 14, 2025, we made an upward revision to the KPIs for “Plan for Creating the Future Together: Stage III,” a medium-term management plan that will reach its goal at the same time as the long-term management plan. While the initial target for net income attributable to owners of parent for FY 2026 was set at ¥30.0 billion, it was revised upward to ¥40.0 billion or more. In addition, the ROE target was revised upward from 5% or more to 7% or more. In addition to the expansion

### Consolidated financial results for the Chugin Financial Group

(Unit: Billions of Yen)

	FY 2024 results	FY 2025 forecast	Change
Consolidated ordinary profit	38.3	47.6	9.3
Net income attributable to owners of parent	27.4	33.0	5.6
<Reference: Non-consolidated for the Chugoku Bank>			
Core business gross profit	99.7	111.1	11.4
Expenses (△)	55.2	62.7	7.5
Core business net profit	44.5	48.4	3.9
Of which, credit cost (△)	13.4	7.5	△5.9
Of which, profits and losses related to securities	2.5	1.5	△1.0
Ordinary profit	34.5	43.3	8.8
Net income	25.2	30.3	5.1

### Net income attributable to owners of parent



Interview with the Management

of high-quality assets resulting from the implementation of capital controls, one of the reasons for the upward revision is the increase in net interest income due to higher market interest rates. Furthermore, initiatives on multiple fronts including sales, investment, DX, and operational reforms are advancing, which has contributed to improved profitability and capital efficiency.

In 2024, to strengthen sustained ROE improvement and shareholder returns, the Chugin Group revised its shareholder return policy from the conventional total payout ratio, which is based on the sum of dividends and share buybacks, to the implementation based on a dividend payout ratio. We conduct capital management by increasing dividends through profit growth and carrying out share buybacks through capital control, with a view to balancing soundness, profitability (capital efficiency), and enhanced shareholder returns.

➤ Social change and co-creation

Pursuing new finance that addresses regional issues

Recently signs of recovery have appeared in the regional economy as the impact of COVID-19 has subsided. Meanwhile, the effects of yen depreciation and rising prices are slowly putting pressure on daily life and business activities, and there is a strong sense of uncertainty about the future. Although capital investment remains strong, especially in the manufacturing industry, a cautious stance is spreading among managers, and the future economic outlook is uncertain. Against this backdrop, challenges facing regional society, such as population decline and aging, are becoming more serious every year. We believe that the Chugin Group has a significant role to play in the face of such regional challenges. We consider it an important role going forward to collaborate with various regional entities and to assume a function that creates positive cycles throughout the region by leveraging our creditworthiness and neutrality. In fact, the circle of cooperation is widening in a variety of fields, such as working on regional issues in collaboration with industry, government, academia, finance, and the press. Therefore, we have deepened our partnerships with stakeholders including local governments

Sustainable finance targets

The Chugin Group has set new sustainable finance targets to deepen regional customers' understanding of climate change and support efforts to achieve a carbon-neutral society as a regional financial institution.

Target content	¥3 trillion by the end of FY 2030 (including a ¥2 trillion environmental sector target)	Social sector	Medical care, nursing care, childcare, education, etc.
		Environmental sector	Solar, wind, biomass, EVs, etc.

● Sustainable finance performance (Group total) (Unit: Billions of Yen)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Cumulative total
Sustainable finance	303.5	141.1	197.2	300.4	210.3	1152.5
Social sector	237.4	101.6	87.5	96.9	90.9	614.3
Environmental sector	66.1	39.5	109.7	203.5	119.4	538.2

and businesses, and have established a system to play a role in solving issues by actively participating in initiatives such as regional revitalization and carbon neutrality. We feel encouraged that these activities are connecting with various entities in the region and expanding the circle of co-creation.

We sense a shift from the initially skeptical reactions when we made the regional revitalization SDGs a pillar of management, and we now feel that our efforts are gaining a certain degree of trust and empathy. By sincerely considering the future of the region and directly confronting social issues, our role as a financial institution is expanding.

Going forward, we need to deepen collaboration with more diverse entities and update our approach itself for how we connect with the region through the use of DX and digital channels. By strengthening the creation of contact points that are close to every generation in the region, we aim not only to provide financial intermediation functions but also to offer a space for co-creation (platform) as a comprehensive service company with a focus on finance.

➤ New challenges for the Chugin Group

Evolving growth strategies and business model innovation

For the three growth strategies set forth in the medium-term management plan–“deepening” the revitalization of regional economies and SDGs, creating innovation, and strengthening our Group management foundation, we are making steady progress in each of these areas and beginning to see certain results.

First, in “deepening” the revitalization of regional economies and SDGs, as awareness has spread both inside and outside the Company, we no longer receive questions about why we are addressing SDGs. Actually, there is a growing awareness of the need to be actively involved in addressing issues such as regional decarbonization and digitalization. Against this backdrop, for example, the amount of sustainable finance lending is steadily growing and this finance is functioning as a means to both raise funds and solve issues. Going forward, we will further strengthen the perspective of solving regional



issues together and take on the challenge of creating a scheme that combines both business and social aspects.

In addition, as the use of non-face-to-face digital channels continues to grow, we are also mindful of achieving a balance between the value of local presence and broader-area development. The number of subscribers to our smartphone app has exceeded 400,000. While further growth is expected, we also wish to maintain our strength as a regional bank that values face-to-face relationships. We aim to build a hybrid type of financial service that combines the convenience of non-face-to-face channels with the reliability of face-to-face services, thereby meeting diversifying needs.

Next, with regard to creating innovation, the companies that we have newly established recently are evolving while integrating with various existing functions within the Group. For example, Chugin Energy and C Cube Consulting are working to solve issues and improving operational efficiency for regional companies, and new businesses in collaboration with major companies and others are also beginning to take off. In particular, initiatives in solar power generation that utilize Okayama Prefecture's high rate of sunny weather are a good example of leveraging the advantages of regional resources, and we look forward to its future expansion. Moreover, we are deepening our partnerships with universities and research institutions, and we position the creation of a foundation for co-creation with an eye on the

future of industry and education as an important step.

We are also making steady progress across the Group with regard to DX. We are advancing the introduction of digital technologies throughout business processes by not only digitalizing customer contact points but also streamlining internal operations, sharing knowledge, and strengthening proposal capabilities through the use of data. In particular, the use of tablet devices at sales branches and the automation of routine tasks using robotic process automation (RPA) have led to higher employee productivity and improved service quality.

We are also working to enhance the coordination of information among Group companies and, through the integration of management foundation and the development of a common platform, we are realizing unified business operations originating from digital technology. An underlying thought behind these DX initiatives is a clear vision of creating an environment where people can concentrate on work that only people can do. We will continue to balance convenience for our regional customers with ease of working for our employees through implementation and continuous improvement from the viewpoint of the frontlines.

Furthermore, we are working to build new business models in areas such as business process outsourcing (BPO). In addition to the conventional work commissioned by major companies, we will support some of the

Interview with the Management

administrative functions of local SMEs with the aim of developing this service as a support measure to respond to regional issues such as human resource shortages and operational efficiency. We position such service as our unique value proposition that leverages the accuracy and confidentiality of a financial institution and as a model of sustainable coexistence with regional companies.

On the other hand, in strengthening our Group management foundation, we need to steadily enhance our organizational capabilities for the Group as a whole. To this end, we reorganized our headquarters to strengthen the functions of the holding company and introduced a two-business unit system for sales and investment. We are promoting cross-functional collaboration centered on these two business units and enhancing our ability to respond to growth areas. In addition, by optimally allocating our limited human resource from the perspective of overall optimization, we aim to create a company that can better meet the expectations of our stakeholders by having our human resources, as our greatest resources, acquire a high level of expertise.

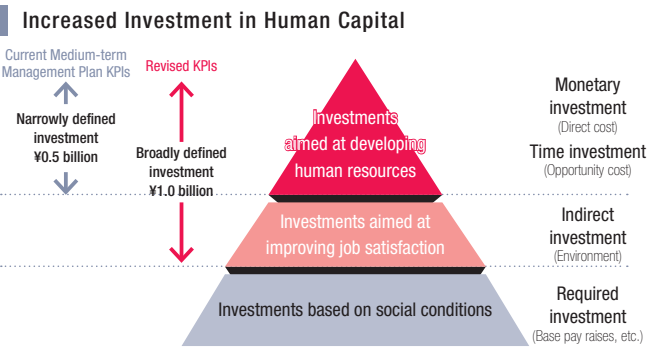
We also need to come to face with the imperative of capital utilization. Appropriate governance and risk management are indispensable to take on more risk than before and shift to a structure that generates income from investments. While building a structure that positions sales and investment on an equal footing with risk management, the Company also strive for active discussions with outside directors regarding Group management. The Board of Directors’ meetings that maintain constructive tension with outside

directors who are experts in fields such as IT, investment, and law are a great opportunity for raising the quality of management decisions and are also a great place of learning for me personally.

Human capital management and evolution of governance
Building a sustainable management foundation that enhances human value and organizational strength

The Chugin Group is focusing on deepening its human capital management based on the belief that people are the source of value creation. We have been working on continuous human resource development. From FY 2025, we will double the amount of human resource investment to ¥1.0 billion per year (from the initial ¥0.5 billion) to develop more robust measures. Our particular emphasis is on improving engagement with employees, and we are working to foster an organizational culture in which each person at work can feel conviction and pride in their role.

As part of these efforts, we are working to visualize and improve the workplace environment through the use of engagement surveys. Furthermore, we have established a system in which we closely monitor employees’ psychological changes through periodic simplified surveys called pulse surveys and respond swiftly as needed. We believe these mechanisms will



reduce the risk of employee turnover and increase motivation, and we will continue to roll out this system to all Group companies.

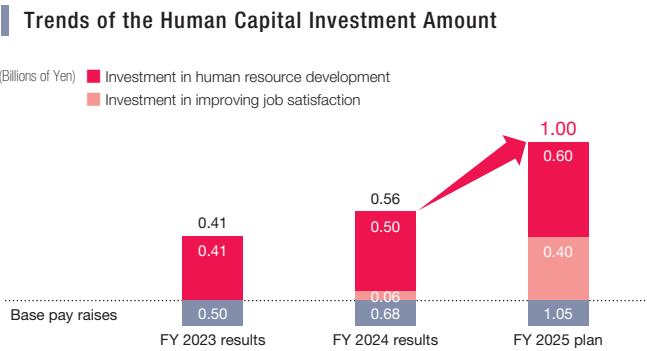
We are also committed to embracing the diversity of human resources and promoting their active participation. We are enhancing networking and career support measures within the workplace to enable people from diverse backgrounds, including mid-career hires, to play an active role. For mid-career employees in particular, the key is how to sustain their enthusiasm from when they join the company and turn them into a competitive force, and regular checks on their engagement are important in this regard. Recently, we have been enhancing development programs according to the attributes and position hierarchy of target personnel, and we are beginning to implement measures that include reskilling and recurrent perspectives, such as creating environments for relearning and taking on challenges.

Strengthening governance functions is indispensable to support such human capital management. We are working to foster an open corporate culture, led by the NEXT10 Promotion Committee and the D&I NEXT10 Promotion Department. We have created an environment where employees can openly raise questions, and we have made it clear that management takes these comments seriously. We believe that realizing a governance system with effectiveness, not merely the form of governance, will be the foundation for sustainable growth.

Furthermore, the check function by outside directors has been steadily strengthened, and discussions at the meetings of the Board of Directors are becoming more active year by year. Candid comments from people with expertise in fields such as IT, investment, law, and accounting are both a major stimulus to management and a source for improving the quality of management decisions. Although we sometimes receive tough questions and comments from different viewpoints, we regard the process of facing such opinions directly and reflecting them in management as precisely what underpins corporate soundness. We will continue to further enhance the transparency and soundness of management through dialogue conducted with constructive tension.

Outlook for the future
The future of the Chugin Group is built on trust, dialogue, and co-creation

Based on the corporate principle to “Create with our community, customers



and employees a rich future that we can all share,” the Chugin Group has aimed to become a comprehensive financial group that continues to grow and develop together with regional society. In order to achieve this, dialogue with our shareholders and investors is extremely important, and we are working to further enhance our IR activities.

We have resumed visits to overseas investors, which we had suspended during the COVID-19 pandemic, and we are working to create diverse contact points such as briefings for individual investors in our local region and online IR meetings in the evening. I also actively participate in IR meetings to increase opportunities to engage in direct dialogue with investors. The candid opinions and expectations we receive through these opportunities are valuable guidelines for our management, and we take them seriously as nourishment for future growth.

As we mark the milestone year of 2025, we realize daily that existing values and industrial structures are undergoing major changes. Precisely in such times, the role of financial institutions must evolve from the traditional provider of funds to a core player in co-creation that links information, people, and functions in the region. While keeping finance at the core of its business, the Chugin Group is committed to contributing to the co-creation of a sustainable future by addressing diverse issues faced by regional society.

To this end, it is of the utmost importance that we carefully listen to the voices of the region and engage sincerely and openly with our stakeholders. Even in the digital age, the trust between people remains the starting point of value creation. We will continue to strive for higher quality communication through the fusion of face-to-face dialogue and technology.

In 2030, it will be 100 years since the founding of our predecessor, the Chugoku Bank. The five years from 2025 will be an extremely important period for laying the foundation for the next 100 years ahead of that milestone year. We will continue to take on challenges and innovate to ensure that we complete the final stage of Vision 2027, and to formulate and implement a new vision that looks ahead to the future. Over the medium to long term, we would also like to strengthen our function as a flag bearer for the future of the region, and play a role as the core of regional co-creation in cooperation with various entities such as governments, private sector, and educational institutions. The Chugin Group will continue to walk together with you toward the future.

Performance

This section provides an overview of the Group's earnings results for FY 2024 and outlook for FY 2025.

We recorded profit growth for the fifth consecutive year in FY 2024. Steady results are emerging in both the asset business and the fee business. In FY 2025, we will accelerate our initiatives and aim to achieve the KPIs of the medium-term management plan one year ahead of schedule. We will then revise the KPIs upward and aim for further profit growth.

Fiscal Year 2024

In FY 2024, consolidated ordinary profit increased by ¥7.2 billion year on year to ¥38.3 billion and net income attributable to owners of parent increased by ¥6.1 billion year on year to ¥27.4 billion. We expanded both the asset business, in which we earn interest mainly from loans and investments by solving various local challenges, and the fee business, in which we earn fees mainly by providing consulting services.

We achieved our publicly announced forecast and increased profits year on year for the fifth consecutive period. We believe that we have thus been able to show positive results to all of our stakeholders.

Asset Business

We have accumulated assets, primarily regional business loans and personal loans, by capturing funding needs through consulting sales.

In addition, we have strategically expanded structured financing by head office divisions, taking into account capital levels and our risk-taking capacity.

The impact of the policy rate hike, combined with the asset accumulation up until now, has led to a significant increase in yen loan interest.

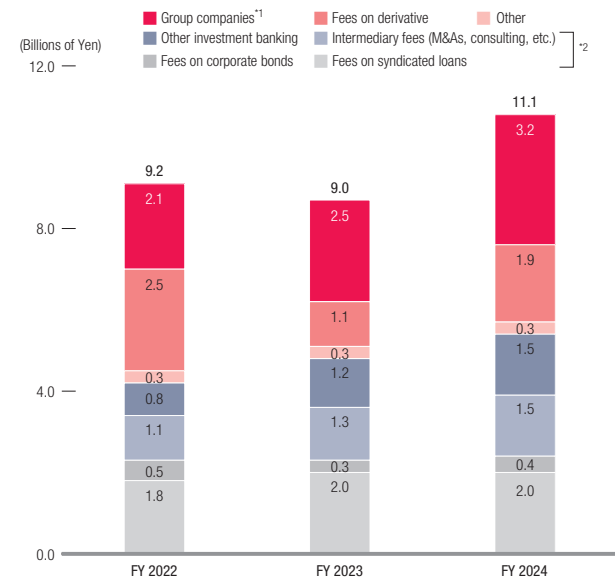
Fee Business

Through a wide range of solution proposals that leverage the strengths of our holding company structure, the Group as a whole achieved significant revenue growth.

Corporate solution-related revenue has seen strong growth in intermediary fees for business matching and other services and Group companies revenue.

Revenues related to assets in custody increased steadily thanks to a favorable market environment.

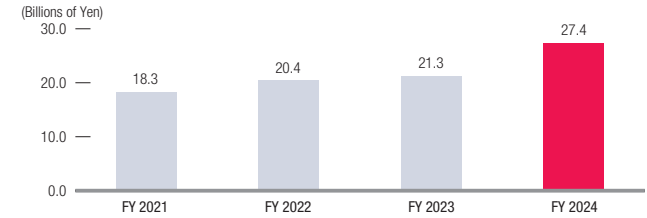
Corporate solution-related revenue (Consolidated for the FG)



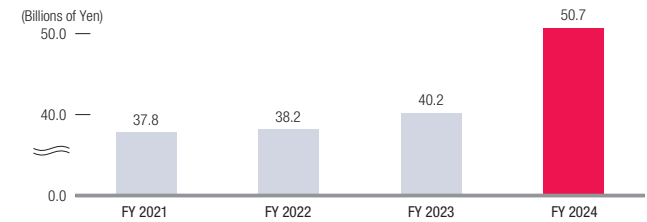
\*1 Total of lease gross profit and operating revenue from Chugin Card, Human Innovations, and C Cube Consulting (after excluding internal transactions)

\*2 Investment banking business included in net fee income

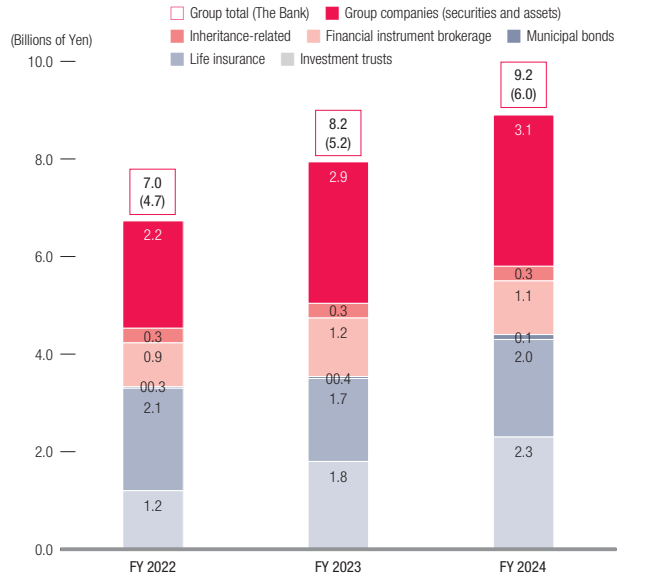
Net income attributable to owners of parent (Consolidated for the FG)



Yen loan interest (Non-consolidated for the Chugoku Bank)



Revenues related to assets in custody (Consolidated for the FG)

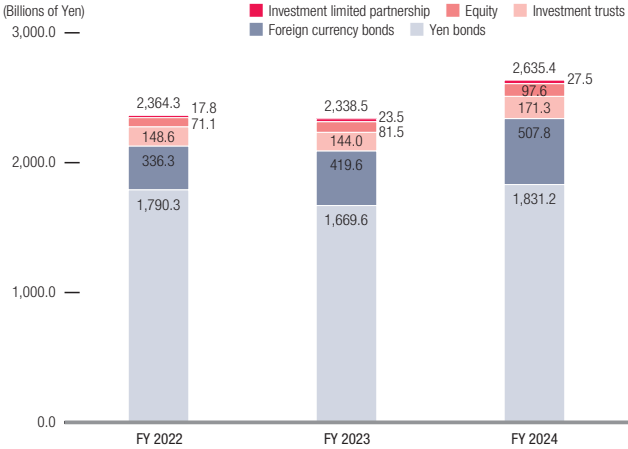


\* Total of operating revenues for Securities and Asset Management (after deducting internal transactions)

Securities Management

In response to rising interest rates in Japan, we replaced low-yielding yen bonds and strategically added to the balance based on our risk-taking capacity. While unrealized losses on yen bonds increased, we maintained a positive total of unrealized gains and losses by creating enough unrealized gains on other assets through asset swaps and through equity securities and investment trusts.

Average balance of securities (non-consolidated for the Chugoku Bank)



\*Foreign currency bonds: including foreign currency investment trusts

Unrealized gains/losses (non-consolidated for the Chugoku Bank)

	Mar. 31, 2024	Mar. 31, 2025	Term-end comparison
Total	84.8	12.5	△72.3
Securities	74.5	△18.1	△92.6
Held to maturity	△0.0	△ 2.3	△2.3
Other securities	74.6	△15.7	△90.3
Equity	73.2	66.1	△7.1
Investment trusts	48.4	36.0	△12.4
Foreign currency bonds	△17.2	△13.1	4.1
Yen bonds	△30.2	△104.1	△73.9
Asset swap	10.3	30.7	20.4
Foreign currency interest swap	5.2	3.2	△2.0
Yen interest swap	5.1	27.4	22.3

Outlook for FY 2025 and Upward Revision of Medium-term Management Plan KPIs

For FY 2025, we expect net income attributable to owners of parent to reach ¥33.0 billion and aim to achieve the KPIs for the medium-term management plan one year ahead of schedule.

We will continue to expand our asset business and fee business, through which we solve various local challenges. We will also accelerate strategic investments for the future, such as human capital investments and innovation-related investments. Against a backdrop of high prices and growing uncertainty in the global economy, we will continue to monitor the business conditions of our business partners and support them.

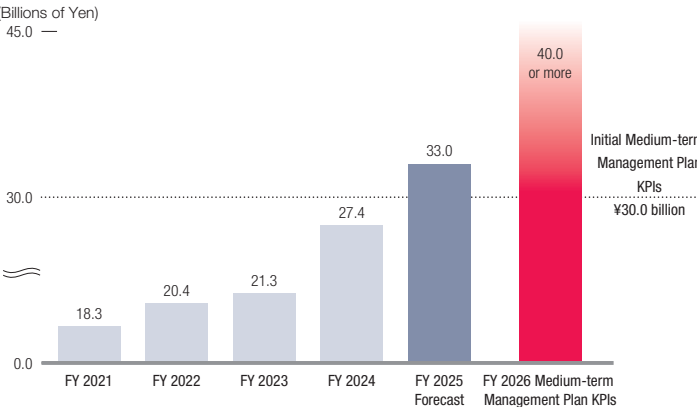
For FY 2026, we will revise the KPIs upward to net income attributable to owners of parent of ¥40.0 billion or more. We will continue to work together as a Group to pursue further profit growth.

Consolidated financial results for the Chugin Financial Group (Unit: Billions of Yen)

	FY 2024 results	FY 2025 forecast	Change
Consolidated ordinary profit	38.3	47.6	9.3
Net income attributable to owners of parent	27.4	33.0	5.6
<Reference: Non-consolidated for the Chugoku Bank>			
Core business gross profit	99.7	111.1	11.4
Expenses (△)	55.2	62.7	7.5
Core business net profit	44.5	48.4	3.9
Of which, credit cost (△)	13.4	7.5	△5.9
Of which, profits and losses related to securities	2.5	1.5	△1.0
Ordinary profit	34.5	43.3	8.8
Net income	25.2	30.3	5.1

Net income attributable to owners of parent

FY 2026	
Initial KPIs	Net income attributable to owners of parent: ¥30.0 billion
New KPIs	Net income attributable to owners of parent: ¥40.0 billion or more (revised upward)





We implement financial management based on soundness, profitability, and shareholder returns as part of efforts to enable regional development and improve corporate value.

Soichi Yamamoto  
Director and Senior Managing Executive Officer

Implementing Medium- and Long-term Strategies toward Corporate Value Enhancement

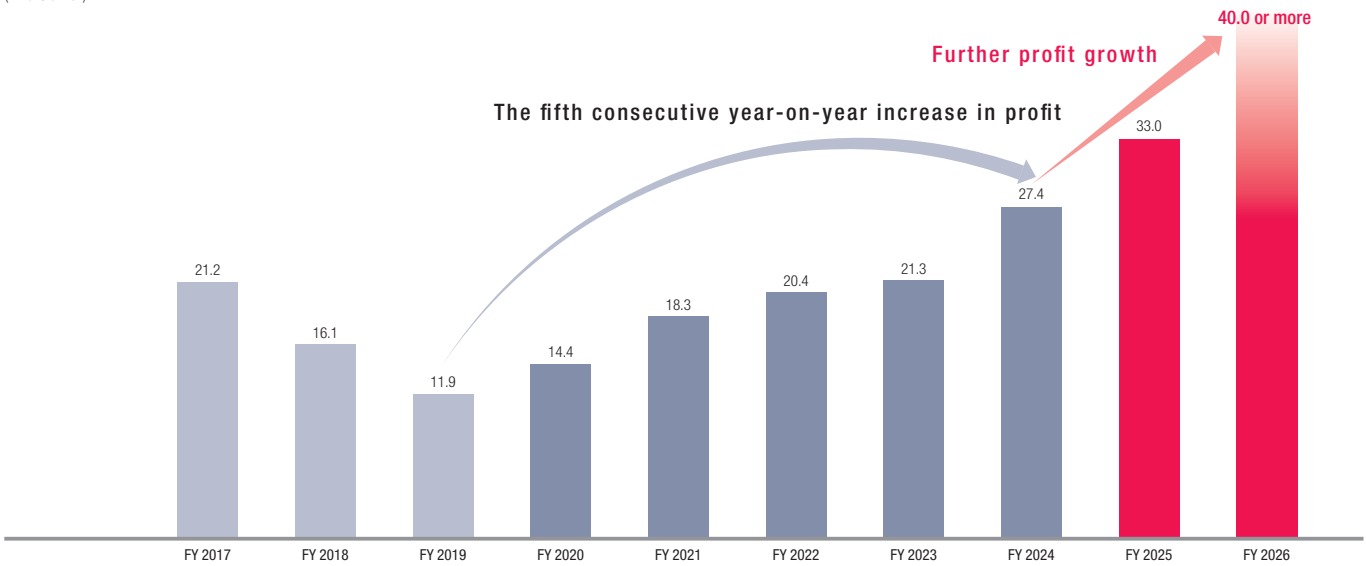
Initiatives in the Long-term Management Plan

In FY 2017, we launched the 10-year long-term management plan “Vision 2027: Plan for Creating the Future Together,” and we have made various efforts since then. In Stage I (April 2017–March 2020), we engaged in structural reforms, including overhauling sales personnel and business hours, while in Stage II (April 2020–March 2023), we instituted action reforms, such as transitioning to a holding company system. In the current Stage III (April 2023–March 2027), we will firmly demonstrate the results of our efforts up until now and take on new challenges through the implementation of the Chugin DX Strategy and the establishment of a business unit system.

The results to date have been steadily reflected in profits, and we achieved a fifth consecutive fiscal year of profit growth in FY 2024. In the two years from FY 2025 onward, we will aim for further profit growth as the culmination of the current medium-term management plan and the long-term management plan through the previous initiatives.

Net income attributable to owners of parent

(Billions of Yen)



Long-term management plan initiatives	Stage I 2017.4~2020.3	Structural reforms (Strengthening of hardware aspects) ● BPR investments (A shift from administrative affairs to sales activities)	Stage II 2020.4~2023.3	Action reforms (Strengthening of software aspects) ● Autonomous sales system and personnel system ● Acceleration of the development of new businesses ● Transition to a holding company system	Stage III 2023.4~2027.3	Demonstrating the results and taking on new challenges ● Chugin DX Strategy ● Establishment of a business unit system

Control and Strategic Use of Capital

Capital Control Indicator

The capital control indicator is set at a common equity Tier 1 ratio (FG consolidated; excluding valuation difference on available-for-sale securities, etc.) of 11–12%. We will implement an asset strategy that is not affected by market fluctuations and make more effective use of capital for future profit growth.

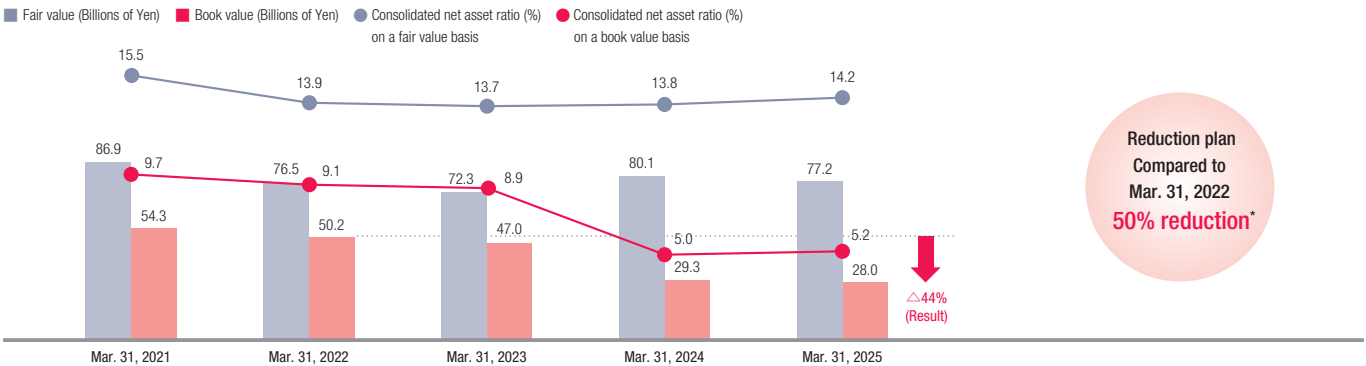
At the same time, we obviously recognize that we must maintain strong soundness as a regional financial group. We will manage soundness through our consolidated capital adequacy ratio and arrange coverage using subordinated loans, etc. to prepare against risk.

By managing with two indicators, we will strive to achieve both high capital efficiency and strong soundness.

Cross Shareholdings

Our basic approach is for cross shareholdings to be held only when deemed necessary for achieving sustainable growth of the holding party and the Group or for increasing corporate value. Looking at it from the perspective of capital efficiency and managing shareholding risk, we intend to promote a reduction of cross shareholdings upon dialogue with the holding parties.

We are making steady progress toward our reduction plan at the end of FY 2026. We will continue to reduce our cross shareholdings pursuant to our basic approach and work to improve our capital efficiency.

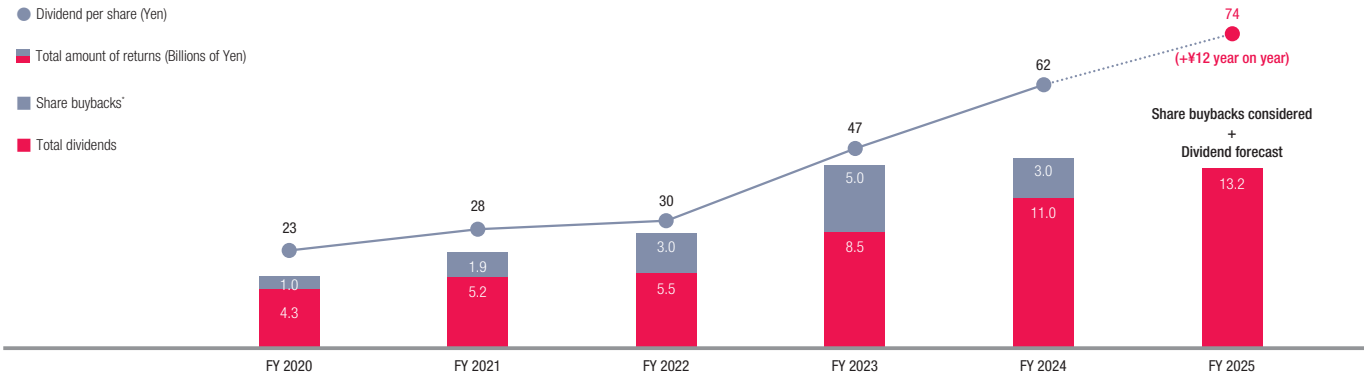


\* Book value. Including listed shares, unlisted shares, and deemed holding shares.

Shareholder Returns

In FY 2025, we aim to increase dividends through profit growth, targeting a dividend payout ratio of approximately 40%.

We will carry out share buybacks flexibly through capital control (Already announced a share buyback of ¥3.0 billion in FY 2024).



Dividend payout ratio	29.8%	28.4%	26.9%	40.0%	40.4%	Approx. 40%
Total payout ratio	36.9%	38.9%	41.6%	63.4%	51.3%	Not yet determined

\* On a Chugoku Bank-consolidated basis up to FY 2021, and on a Chugin Financial Group-consolidated basis since FY 2022

Future Initiatives

Boosting Net Sales

In June 2024, a business unit system was established as part of efforts to strengthen our financial group function. The system is divided into two units: the Business Strategy Unit to oversee business strategies centered on the local region and the Investment Strategy Unit to oversee strategic investments and loans, equity, and a wide range of asset strategies. Under the system we will accelerate our strategies and measures through rapid decision-making, and boost net sales.

Business Strategy Unit

1 Asset business

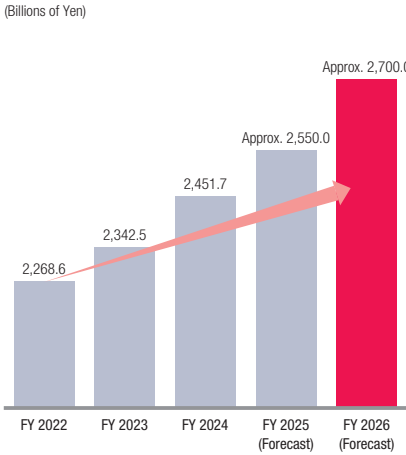
The net interest income generated by high-quality assets that we have built up through long relationships with our business partners is our greatest strength. We will continue to further strengthen efforts centered on the local region.

2 Fee business

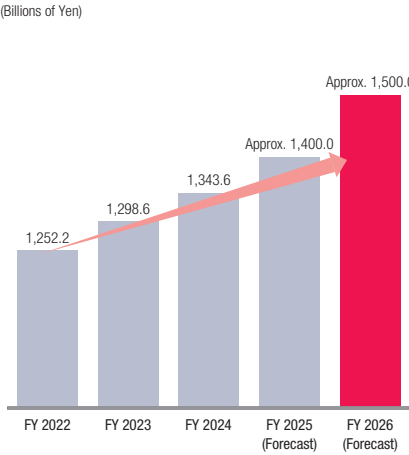
We will leverage our strengths in various solution services to respond to business partners' increasingly diverse and sophisticated needs.

Bank to Group companies increasing approximately 1.2 times year on year in FY 2024 compared to FY 2022, when the Bank transitioned to a holding company structure.

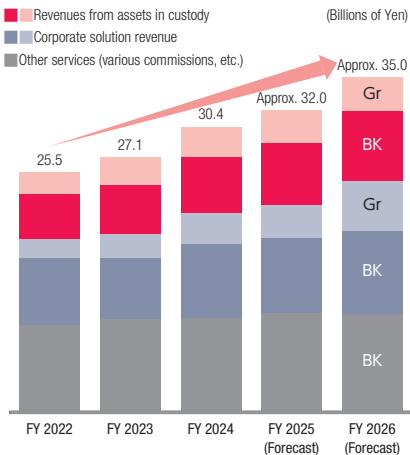
Average balance of regional business loans (non-consolidated for the Chugoku Bank)



Average balance of personal loans (non-consolidated for the Chugoku Bank)



Fee business-related revenue (Consolidated for the FG)



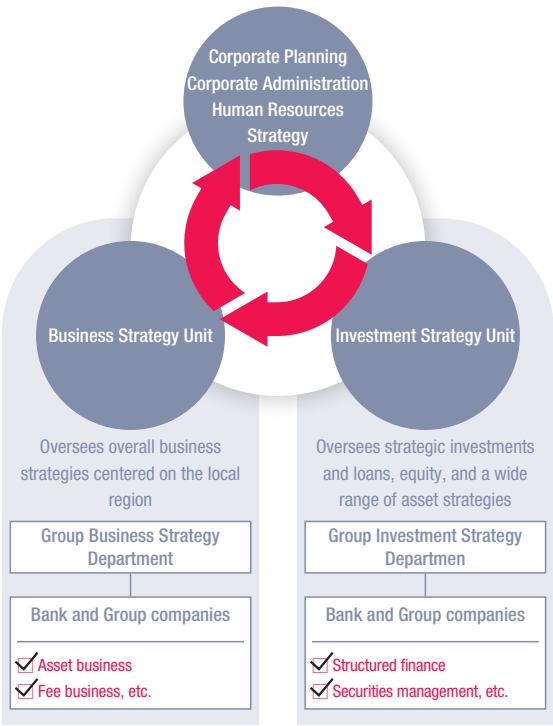
Investment Strategy Unit

1 Structured finance

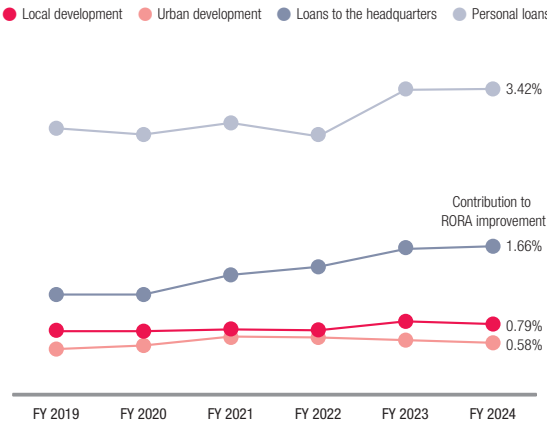
In structured finance (loans to the headquarters), we are proactively addressing areas expected to have a high RORA. We moved earlier than many regional banks to accumulate structured finance know-how, and we will exploit that advantage to continue aiming for high earnings after assessing an appropriate risk-return.

2 Securities management

In securities management, we will continue to replace yen bonds (portfolio improvement) and strategically increase the balance as we enter a world with interest rates. In addition, market risk taking will be optimized in conjunction with market loans, taking into account market trends and various regulatory capacity.



RORA on loans (non-consolidated for the Chugoku Bank)



Acquisition of Deposits, Personnel Generation and Strategic Reallocation

Acquisition of deposits

The acquisition of deposits is very important in a world with interest rates. The Chugoku Bank has an abundance of sticky deposits backed by its overwhelming market share in the region.

We will continue to enhance the convenience of our non-face-to-face tools, and offer a broad menu of solutions to increase the number of business partners who use us as their main financial institution group. We aim to expand sticky deposits through these efforts.

Personnel generation and strategic reallocation

We are carrying out operational process reform as part of the Chugin DX Strategy, which we have been engaged in since FY 2024. We have completed visualization of the work of 1,500 employees, and aim to reduce workloads equivalent to 600 employees by FY 2026. In FY 2024, we reduced workloads equivalent to approximately 200 employees, leading to the shifting of work and reallocation of personnel to sales representatives at sales branches and the Headquarters Planning Department. We will continue these initiatives going forward.

Sustainable Growth

It is necessary to take initiatives to achieve sustainable growth in order to enhance corporate value. We believe that these initiatives are our efforts to "Create with our community, customers and employees a rich future that we can all share," as stated in our corporate principle.

Main initiatives for local communities and customers

We are leveraging our strengths in various solution services, and strengthening our efforts to support the community from a regional perspective through collaboration with local governments. Together with regional stakeholders and partners, we will combine DX and SX with the characteristics and issues of each region to co-create attractive regions.

We will also continue to support initiatives for start-ups and decarbonization toward regional sustainability. We will view solutions to local issues as business opportunities, and pursue initiatives to achieve sustainable growth together with local communities and customers.

Main initiatives for employees

We will raise the KPIs for the annual human capital investment amount from ¥0.5 billion to ¥1.0 billion, increase investment in our employees, and improve engagement. In FY 2024, we also introduced a restricted stock incentive program for the employee stock ownership plan and granted restricted stock to employees who request it. We will aim to enhance corporate value together with our employees.

Conclusion

To enhance corporate value, we will first work steadily to achieve the KPIs of the medium-term management plan and improve ROE. In addition, to ensure that the increase in ROE is not merely temporary, we will implement initiatives for sustainable growth for the future.

In addition to raising ROE, we intend to communicate information, including non-financial information, so that our shareholders and other stakeholders can understand our initiatives, which will lead to higher growth expectations.

We aim to achieve a PBR of more than 1x through the above efforts.

	FY 2024 Result	FY 2025 Plan	FY 2026 New KPIs!
Net income attributable to owners of parent	¥27.4 billion	¥33.0 billion	¥40.0 billion or more
ROE	Approx. 4.8%	Approx. 6.0%	7.0% or higher
RORA	Approx. 0.63%	Approx. 0.7%	0.8% or higher
Financial leverage	Approx. 7.8 times	Approx. 8.5 times	At least 8.5 times
PER	Approx. 11 times (Most recent level)	Approx. 11 times (Assuming flat)	Approx. 11 times (Assuming flat)
PBR	Approx. 0.55 times	Approx. 0.6 times	Approx. 0.8 times

Chugin App



Chugin Business Portal



Toward enhancing corporate value

Improve ROE by achieving KPIs

- ✓Boosting net sales (Acceleration of the business unit strategy)
- ✓Capital efficiency

Sustainable growth for the future

- ✓Deposits and human resources as the foundation
- ✓Deepening the regional revitalization SDGs
- ✓Human capital investment

Improvement in growth expectations

- ✓Information disclosure and communication.
- ✓ROE result

Toward a PBR over 1x

The Long-term Management Plan “Vision 2027: Plan for Creating the Future Together”

In March 2017, we formulated and released a 10-year long-term management plan, “Vision 2027: Plan for Creating the Future Together.” The plan maps out our goal to build a sustainable business model for tackling social challenges such as population decline and creating a rich future—not just for the Chugin Group, but one that we can share with our community, customers, and employees. The current medium-term management plan (four years) represents Stage III of the long-term management plan.


Framework and Positioning of Each Stage

In this long-term management plan, we defined the Group's Corporate Principles of “Create with our community, customers and employees a rich future that we can all share” as our long-term vision. We also established a framework for achieving that vision through two approaches: actions for creating a rich future, and actions for building a management foundation. Of the ten-year period, we positioned the first three years as Stage I (a period of structural reforms), the next three years as Stage II (a period of behavioral change ), and the final four years as Stage III (a period for demonstrating the results and taking on new challenges), and we have formulated a medium-term management plan for each stage.

Framework for Achieving Our Long-term Vision


Actions for creating a rich future

- Improvement of the quality of services provided
- Expansion of opportunities to provide services



Actions for building a management foundation

- Strengthening the capacity to provide services
- Transforming each individual's mindset and reforming the organizational culture





Positioning of Each Stage



Actions Taken in Stages I & II

In Stage I, we focused on structural reforms and strengthening tangible aspects, conducted the BPR Promotion Project, and executed measures such as transitioning to the TSUBASA mission-critical system and jointly developing TSUBASA Fin Tech common infrastructure. We worked to secure personnel and time for sales activities through thorough structural reforms.

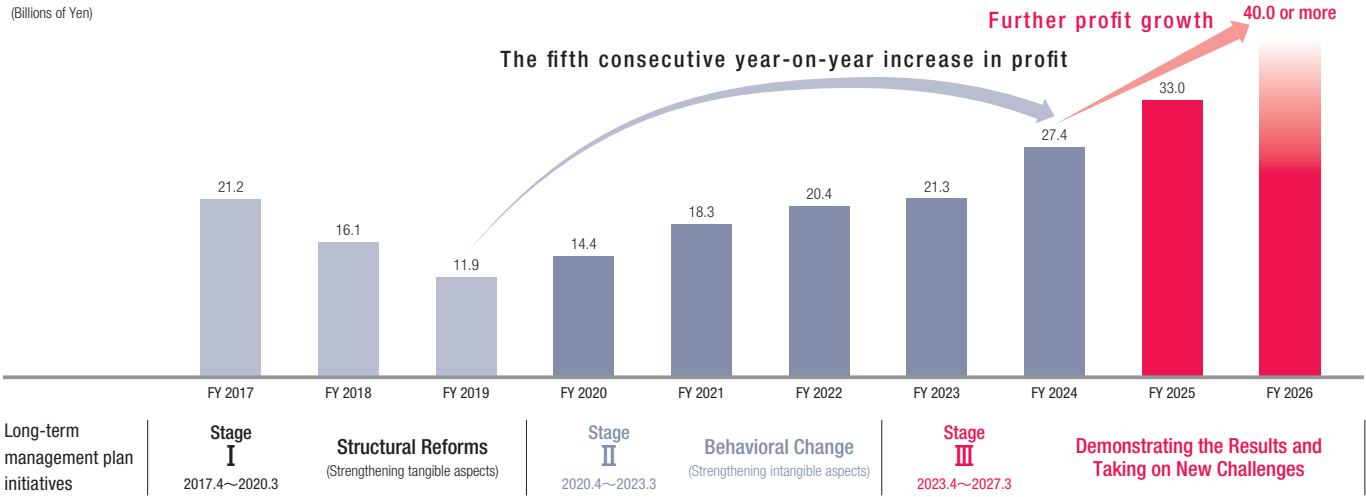
Actions for creating a rich future, such as the launch of the Okayama Innovation Contest and the Okayama Tech Planter, were carried over into Stage II, leading to the strengthening of our efforts on regional revitalization SDGs.

<p>Actions for Creating a Rich Future</p> 	Launched BPR Promotion Project	Launched corporate vehicle leasing business	Entered staffing agency business	Launched new business development project Established SETONOWA Co., Ltd	Established new business development center Established OnAd Co., Ltd	Established Chugin Capital Partners Co., Ltd. Established Chugin Human Innovations Co., Ltd. Established C Cube Consulting Co., Ltd.
	Launched Okayama Innovation Contest	Introduced offsite sales tablets Introduced sales office system Began centralizing loan-related operations to head office BPR	Introduced TSUBASA Smile Launched new loan support system	Expanded into other business areas		
			Concluded Okayama Co-creation Partnership	Signed agreement for Okayama Future Co-creation Alliance	Launched Regional Headquarter System aligned with administrative divisions Declared support for TCFD	Formulated Basic Policy on Sustainability
		Established Okayama Tech Planter	Issued Chugin SDGs Declaration	Launched regional revitalization & SDGs project	Established Regional Revitalization & SDGs Promotion Department	Established sustainability committee
<p>Actions for Building a Management Foundation</p> 	2017	2018	2019	2020	2021	2022
	Established Nominating and Compensation Committee	Transitioned to TSUBASA mission-critical system			Jointly established TSUBASA ALLIANCE Co., Ltd.	
	Jointly developed TSUBASA Fin Tech common infrastructure			Major overhaul to human resource system Integrated managerial career tracks Established new specialized courses Major overhaul to evaluation system Introduced system for choosing to be reassigned with change of address		Formulated the Group's Corporate Principles
	Corporate culture reforms & human resource development			Reviewed performance award system & introduced sales branch self-imposed targets	Radical overhaul to human resource development measures Launched Open Lab	Transitioned to holding group structure  Moved to Prime Market of TSE
	Introduced flat meetings	Introduced head office recruitment system	Began proactive recruitment of specialized talent			

Profit Trends Over the Plan Period

We have implemented various initiatives based on the framework of the long-term management plan and the positioning of each stage. As a result, profits have increased for five consecutive fiscal years. The net income attributable to owners of parent of ¥30.0 billion that was set as a KPI under the long-term management plan is now expected to be achieved ahead of the plan's final year. In the Stage III of the medium-term management plan, we revised the FY 2026 target upward to ¥40.0 billion or more.

Net Income Attributable to Owners of Parent



In Stage II, our focus shifted to behavioral change initiatives and strengthening intangible aspects. We stepped up efforts to incorporate revitalization of regional economies, SDGs, and digitalization in the plan's framework, and took actions such as introducing the Regional Headquarter System and self-imposed targets and carrying out a major overhaul of the human resource system. Also, we worked to expand our business axis through the launch of subsidiaries capable of offering solutions for diverse challenges. In October 2022 we established Chugin Financial Group, Inc. and transitioned to a holding company structure headed by that company.

Medium-term Management Plan “Plan for Creating the Future Together: Stage III”

The plan, which covers the four-year period from FY 2023 to FY 2026, is the final stage of our long-term management plan and the “First medium-term management plan of the Chugin Financial Group.” Through the following “Three growth strategies,” we will demonstrate the results of the reforms implemented in Stages I and II, and seek to achieve the KPIs, while taking on new challenges for the decade to come.

Growth Strategy 1 “Deepening” the Revitalization of Regional Economies and SDGs

Drawing out the allure and potential of communities and contributing to “Sustainable development of the communities”

Revitalization of regional economies	▶ Reinforce measures, start-up support, and SDG activities that are rooted in DX/SX and address communities as a whole
Local support activities	▶ Provide solutions that apply to everything from upstream to downstream ▶ Reinforce sustainable finance
Life plan support activities	▶ Support the realization of customer life plans ▶ Reinforce support for stable asset building and dependable asset succession

Corresponding materialities
Revitalization of regional economy and society
Response to low birthrate and aging society
Environmental management promotion
DX promotion

Growth Strategy 2 Creating Innovation

Creating “New value” in order to achieve further growth

DX	▶ Promote business process reforms and develop next-generation channels and digital human resources
New businesses	▶ Create new, unique Group businesses through collaboration
Alliance	▶ Actively engage in regional alliances, community alliances, and alliances across industry lines

Corresponding materialities
DX promotion
Promotion of diverse human resources

Growth Strategy 3 Strengthening our Group Management Foundation

Building a “Solid foundation” for implementing our growth strategies

Portfolio	▶ Optimize our business portfolio and strategically allocate management resources
Financial capital	▶ Carry out appropriate financial operations from the perspectives of financial soundness, profitability, and shareholder returns
Human capital	▶ Significantly expand “Human capital investment” in line with business strategy
Diversity	▶ Reinforce hiring and advancement of diverse human resources
Governance	▶ Refine internal control system throughout the Group

Corresponding materialities
Promotion of diverse human resources
Refining of governance
DX promotion

KPIs in the Stage III

This plan defines growth strategies based on materiality, and in addition to financial KPIs, sustainability KPIs have been established for each growth strategy. By addressing identified materialities under the three growth strategies that form the plan framework, we will contribute to the development of regional society and aim to achieve the financial KPIs through these activities. We have revised some of the KPI targets upward in light of the changes in the external environment and the progress of our initiatives.

Financial KPIs	Results in FY 2023	Results in FY 2024	...	Targets for FY 2026	
Net income attributable to owners of parent	¥21.3 billion	¥27.4 billion		¥40.0 billion or more	Revised upward
ROE	3.85%	4.88%		7% or higher	Revised upward
Ratio of common equity Tier 1 (excluding valuation difference on available-for-sale securities, etc.)	12.12%	11.58%		11% to 12%	

\* ROE is based on TSE standards (including valuation difference on available-for-sale securities)

Growth strategy	KPIs	Results in FY 2023	Results in FY 2024	Targets for FY 2026	
“Deepening” the revitalization of regional economies and SDGs	CO <sub>2</sub> emissions reduction <sup>*1</sup>	△46%	△65%	△72%	
	Cumulative execution amount of sustainable financing <sup>*2</sup>	¥942.2 billion	¥1,152.5 billion	¥1.5 trillion	Revised upward
	Number of entrusted contracts for consultations <sup>*3</sup>	356	380	460	
	Number of owners of 5 products in custody and housing loans	214,000	220,000	260,000	
	Number of inheritance-related projects <sup>*4</sup>	553	734	800	
Creating innovation	Business model transformation (operations, channels, and organizations)	—	—	Qualitative assessment	
Strengthening our Group management foundation	Percentage of management/supervisory personnel that are women (bank only)	17.7%	22.9%	25%	
	Amount of human capital investment <sup>*5</sup>	¥0.41 billion	¥0.50 billion	¥1.0 billion	Revised upward

\*1 Reduction rate for Scope 1 (direct emissions from combustion consumption of gas, gasoline, light oil, etc.) and Scope 2 (indirect emissions from use of electricity, heat, etc., supplied by another company) compared to FY 2013

\*2 Investment subjected is the execution amount from FY 2020 onward in social fields (medicine, nursing care, childcare, education, etc.), environmental fields (solar power, wind power, biomass power, EVs, etc.), and support for revitalization of regional economies and SDGs/ESG initiatives

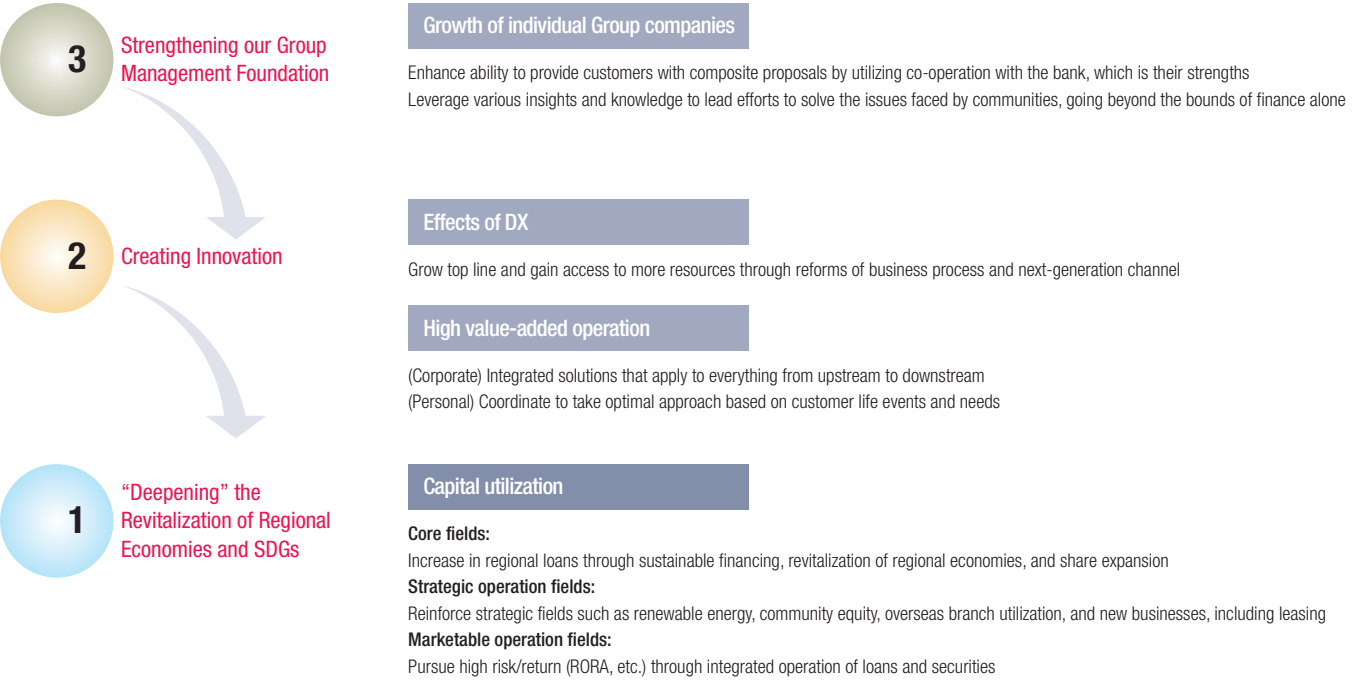
\*3 Annual number of entrusted contracts of consulting project for business succession, environmental, and other consultation areas

\*4 Annual number of testamentary trusts, inheritance support, and similar projects

\*5 Amount of money invested in employees, such as training and education expenses, academic scholarship expenses, Chugin Open Lab activity expenses, and personnel expenses for taking training and secondment, as well as investment in the working environment and benefit packages (e.g., allowances and health and productivity management)

Conceptual Image of Profit Growth

As set out in the Growth Strategy 1: “Deepening” the revitalization of regional economies and SDGs, we plan to accumulate high-quality assets and realize profit growth by addressing the issues faced by regional societies and customers on a Group-wide basis. While the largest growth driver is the expansion of net interest income through capital deployment, the initiatives under each growth strategy do not stop at their individual earnings effect. They also have ripple effects for the buildup of high-quality assets, and we position the initiatives under each growth strategy as indispensable for sustainable profit growth.



A portrait of a middle-aged man with dark hair, wearing glasses, a dark blue suit, a white shirt, and a light blue tie. He is standing in front of a blurred background that appears to be an indoor setting with large windows.

**Ikuhide Harada**  
Director and Vice President

# Message from Outside Directors

What do you think are the good points of the Chugin Financial Group's cyber countermeasures and the points that need to be further strengthened?  
How do you intend to contribute by leveraging your experience and knowledge?

I have been in the information and communications industry, and from 2015 through this year have been working part-time as an information security guidance specialist at the National center of Incident readiness and Strategy for Cybersecurity, which is part of the Cabinet Secretariat.

User convenience may be compromised when enhancing cybersecurity. Two-step authentication has become more common recently, and there is a trend to incorporate a second level of authentication to strengthen identity verification when simple ID and password verification is regarded as insecure.

Recently, because a measure was taken at the Group to temporarily lower the level of user support, I asked the bank about the background and learned that it was a measure to protect the assets of users. I also learned that the decision had been confirmed by the president, and that the decision was made very quickly.

President Kato of the Group had been in charge of information systems for nearly five years, a rare career achievement for the head of a large corporate group in Japan, not only for the financial industry but also for other industries.



Cybersecurity is essential for digital transformation (DX). Without cybersecurity, it is like trying to draw water with a bucket full of holes.

Although it has been only a little over a year since I was appointed an outside director of Chugin Financial Group, Inc., the Group is very proactive in addressing cybersecurity, including cooperation with the Financial Services Agency. From the customers' perspective, they should feel that Chugin Financial Group is a reliable advisor not only regarding financial assets but also in matters of cybersecurity.

I am asking the Group's executives to take a further step and become the center of a proactive cybersecurity response on behalf of the region. I am offering support by leveraging the knowledge I have accumulated up until now to this end.

Please share a message for our stakeholders.

Many people are surprised when I tell them that I serve as an outside director of Chugin Financial Group, Inc. Many people react by saying they had assumed I was in the information and communications field, but are surprised to learn that I also work in finance.

I believe that the banking industry in the future will not be confined to finance, but will become the core of the information industry that enlivens the region, backed by its tremendous creditworthiness grounded in history. I hope that we can sense such a change.

Yoichiro Yatsurugi  
Outside Director

What do you think are the priority issues the Chugin Financial Group should address in terms of finance?  
How do you intend to contribute to the enhancement of corporate value, based on your experience and knowledge?

As the final stage of our long-term management plan, "Plan for Creating the Future Together," the Group is accelerating the execution of three growth strategies with the aim of improving PBR and further enhancing ROE. Although both PBR and ROE have been improving recently, it is also true that there remains a gap with the levels expected by the market and shareholders.

In order to improve PBR, in addition to short-term improvements in profitability, a medium- to long-term perspective of continuing to grow with the community is essential. The sustainable growth of the Group cannot be achieved without the development of regional society, which is the foundation of our business. Based on this idea, we are continuously making strategic investments that contribute to solving regional issues and creating value. However, there are some aspects that these investments from a medium- to long-term perspective are unlikely to contribute directly to short-term revenue. Therefore, we believe it is extremely important to further improve the current profitability to support such investments.

With the transition to a business unit system in June 2024, we are making steady progress in acquiring revenue as a unified Group under a system that allows us to quickly and flexibly implement strategies and measures. On the other hand, business management that emphasizes profitability, such as

Please share a message for our stakeholders.

As I receive reports from each Group company and department regarding business strategies and initiatives and exchange opinions, I feel impressed by the Group's united efforts to create optimal solutions to regional and customer issues, as well as a passion for transformation by taking on the challenge of new areas without being bound by conventional frameworks. While leveraging an external perspective and engaging in active discussions with everyone in the Group, I will support the steps toward realizing our corporate principle of "Creating the Future Together" and devote myself to enhancing the Group's corporate value.

Emiko Ikigoshi  
Outside Director

RORA by unit and profitability by department, is still in the process of being considered. To further enhance profitability, we believe that upgrading to a level of business management in which finance and strategy are organically linked is an important theme, for example, by visualizing whether each business unit or department is securing returns commensurate with risk and verifying the effectiveness of strategies.

In addition, since the second half of FY 2023, we have been strategically accumulating assets and promoting active risk taking while seeking further improvements in capital efficiency, and the expansion of market operations and strategic operations is contributing greatly to improving profitability. In order to accelerate this asset strategy, consistent risk management in terms of both quality and quantity is indispensable, from risk assessment in investment decisions to post-execution monitoring. From the perspective of ensuring soundness, the advancement and enhancement of risk management is also an essential theme that must continue to be addressed.

I will contribute to deepening and promoting efforts to address these themes through constructive dialogue with management by drawing on my diverse knowledge gained through years of auditing work, in addition to a professional perspective in financial accounting.



Analysis of Financial Condition, Operating Results, and Status of Cash Flows

Overview of Results, etc.

Results

Regarding the results for the fiscal year ended March 31, 2025, consolidated ordinary income increased by ¥27,073 million (14.6%) year on year to ¥211,734 million due to a significant increase in interest income accompanied by a rise in domestic interest rates, despite a decrease in gain on sales of securities. On the other hand, consolidated ordinary expenses increased by ¥19,956 million (13.0%) year on year to ¥173,425 million due to increases in interest expense and credit cost. As a result, consolidated ordinary profit increased by ¥7,117 million (22.8%) year on year to ¥38,308 million, and net income attributable to owners of parent increased by ¥6,045 million (28.2%) year on year to ¥27,434 million.

The results by business segment are as follows.

Banking business

Ordinary income increased by ¥23,952 million (14.2%) year on year to ¥192,033 million, mainly due to a significant increase in interest on loans and discounts and interest and dividends on securities with an increase in outstanding balance resulting from strategic asset expansion and a rise in domestic interest rates. Ordinary profit increased by ¥7,047 million (24.5%) year on year to ¥35,796 million, largely affected by an increase in ordinary income, despite increased interest expense and credit cost.

Leasing business

Ordinary income increased by ¥2,635 million (21.8%) year on year to ¥14,715 million mainly due to an increase in lease income associated with the acquisition of large-scale projects. On the other hand, ordinary profit decreased by ¥136 million (16.5%) year on year to ¥685 million due to an increase in credit cost.

Securities business

Ordinary income decreased by ¥0 million (0.0%) year on year to ¥3,975 million due to a decrease in net trading income from bonds, despite an increase in commission received, mainly due to increased trust fees from investment trusts. On the other hand, ordinary profit increased by ¥59 million (7.2%) year on year to ¥868 million due to a decrease in trading related expenses.

Other business

Ordinary income increased by ¥12,824 million (110.7%) year on year to ¥24,401 million, and ordinary profit increased by ¥11,733 million (151.4%) year on year to ¥19,482 million, mainly due to an increase in dividend income from Group companies (before consolidation eliminations) and an increase in the number of private DX projects acquired in the consulting business.

Cash Flows

The status of cash flows is as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥46.9 billion due primarily to an increase in the outstanding balance of payables under securities lending transactions (decreased by ¥68.6 billion year on year).

Cash flows from investing activities

Net cash used in investing activities was ¥265.0 billion due primarily to purchase of securities (decreased by ¥66.7 billion year on year).

Cash flows from financing activities

Net cash provided by financing activities was ¥4.2 billion due primarily to issuance of bonds (increased by ¥12.1 billion year on year).

As a result of the above, cash and cash equivalents as of the end of the fiscal year ended March 31, 2025 were ¥1,201.7 billion, down ¥213.9 billion year on year.

Dividend Policy

We engage in capital management with a view to balancing soundness, profitability (capital efficiency), and enhanced shareholder returns.

We will increase dividends through profit growth, aiming for a dividend payout ratio of around 40% as our shareholder return policy, while carrying out share buybacks flexibly through capital control.

Dividends

· Aiming for a dividend payout ratio of around 40% of net income attributable to owners of parent, increase dividends through profit growth

Share buybacks

· Carry out share buybacks flexibly through capital control, using a ratio of common equity Tier 1 (excluding valuation difference on available-for-sale securities, etc.) of 11% to 12% as an indicator

For the fiscal year ended March 31, 2025, the Company have increased ordinary dividend by ¥6 from the initially planned year-end dividend of ¥29.5 (¥56 for the year) announced on November 8, 2024, to ¥35.5 (¥62 for the year), in light of the above shareholder return policy .

With respect to the dividend policy for the fiscal year ending March 31, 2026, we aim to achieve a dividend payout ratio of around 40%, and we forecast an annual dividend of ¥74 (interim ¥37).

Regarding the number of dividend payments to be made each fiscal year, the Company's basic policy is to pay dividends twice a year – an interim dividend and a year-end dividend. The organs that decide on these dividends are the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend.

In addition, the Company's Articles of Incorporation provide that, pursuant to provisions of Article 459, Paragraph 1 of the Companies Act, cash dividends may be paid by a resolution of the Board of Directors' meeting instead of a resolution of the General Meeting of Shareholders, and that interim dividends may be paid by a resolution of the Board of Directors' meeting provided for in Article 454, Paragraph 5 of the Companies Act.

Consolidated Risk-managed Loans (Loans Disclosed under the Financial Revitalization Act)

The balance of consolidated risk-managed loans decreased by ¥1.1 billion from the end of the previous fiscal year to ¥114.4 billion.

Status of impaired loans		(Billions of Yen)		
		End of March 2024 (A)	End of March 2025	Change (B) – (A)
Risk-managed loans (loans disclosed under the Financial Revitalization Act)	Loans in bankruptcy/ rehabilitation or similar proceedings	17.8	32.9	15.1
	Loans at risk	66.3	56.5	△9.8
	Loans past due three months or more but less than six months	1.4	0.8	△0.6
	Restructured loans	29.9	24.2	△5.7
	Total	115.5	114.4	△1.1

Ratings

The Company has obtained the A+ credit rating from Rating and Investment Information, Inc. (R&I). In addition, the Chugoku Bank, its subsidiary, has obtained the A2 credit rating from Moody's as well as the A+ credit rating from R&I.

Initiatives to Improve SMEs Management and Revitalize the Region

Policy on Initiatives Related to Management Support for SMEs (Basic policy concerning promotion of regional financing)

- As its corporate principles, the Company strives to “Remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services.” By providing superior comprehensive financial services to regional customers, the Company will work to contribute to the revitalization and continuous growth of regional society.
- To achieve this, in addition to its role as a provider of funds marked most significantly by loans, the Company recognizes as an important issue the revitalization of regional economies through consulting that corresponds to the life stage of customers, which includes start-up and new business support, growth support, management improvement and business renovation support, and business continuity.
- The following three items have been defined as the “policy on initiatives concerning promotion of regional financing,” and the Company will work to expand its activities in these areas.

Making Full Use of Our Consulting Function According to the Life Stage of Our Customers

- The Company's policy is to fully comprehend customer Companies' management challenges on business and financial terms by evaluating their commercial viability, and also to commit to fulfilling our consulting function in coordination with outside experts.
- In “supporting start-ups/new businesses, growth support such as development of sales channels and support for overseas expansion, and business continuity support,” we are strengthening our consulting functions through unified support from the start-up consideration stage until commercialization, various business meetings, and business matching, etc.
- In “management improvement and business rehabilitation supporting,” we further enhance our supporting activities for management improvement through integration among the Company's branches and headquarters to propose the right solutions at the right time, based on comprehension of the business content of our customers. In addition, we actively employ outside expert organizations such as REVIC and the Revitalization Support Council and various funds to provide more advanced methods of assistance in the management improvement and business rehabilitation supporting field.

Contributing to Regional Creation and Revitalization of Regional Economies

- By setting up a “Comprehensive Town, Person, and Work Creation Strategy Structure,” the Company actively participates in each local government from the regional comprehensive strategic planning stage.
- In the strategy execution stage as well, the Company continues to work in cooperation with local governments for regional creation via initiatives such as new business proposals and participation in business operation conferences that leverage its knowledge and networks.
- The Company collects and analyzes various forms of information from the region, and actively promotes industry-academia-government-finance cooperation. In addition, the Company is strengthening efforts to support the cultivation of growth fields and efforts to promote the region.

Actively Offering Information to the Regional Society and Our Customers

- The Company actively offers information about specific activities and their results with regard to efforts related to community-based financial services. We will strive to improve our services even further in order to earn the trust and support of our regional customers.

Development of a Support System to Manage SMEs

- The Chugin Group promotes the following initiatives to support the management of SMEs.

Start-up/new business support	▶ Customers' start-up/new business support, such as by utilizing the services of Chugin Group companies and venture funds, including the Chugin Infinity Fund ▶ Enhanced support for local companies through collaboration with external specialized organizations and other financial institutions
Business expansion support	▶ Support for the expansion of customers' sales channels through business matching ▶ Initiatives to support customers' overseas expansion
Management improvement and business rehabilitation support	▶ Strengthening of consulting activities ▶ Collaboration and active utilization of regional revitalization funds such as Okayama Revitalization Fund and external specialized organizations ▶ Enhancement of assessment skills
Business succession and related support	▶ Initiatives in consulting services for business succession and inheritance planning ▶ Support for the development of successors and young managers ▶ Collaboration with external experts ▶ M&A support ▶ Collaboration and utilization of business succession funds, such as the Chugin Future Co-Creation Fund, and external funds
Business consulting	▶ Provision of consulting services utilizing the Chugin Group's organizational know-how in areas such as human resources and operational improvements ▶ Provision of comprehensive solutions that collaborate with other services such as business matching ▶ Referral of human resources (management class) ▶ Support for initiatives toward SDGs and decarbonization ▶ Support for subsidy applications, etc. ▶ Regional development and contribution through industry-academia-government-finance cooperation

Compliance

The Group believes that compliance means observing not only laws, regulations, and internal rules, but also meeting the expectations of local communities and customers through actions that conform to social norms.

All Group officers and employees are aware of our social responsibility and public mission as a comprehensive services group focused on finance. In order to meet the expectations of a constantly changing society in terms of revitalization of regional economies and the SDGs, we are committed to practicing proactive and autonomous compliance that goes one step beyond legal compliance to think and act independently.

Specifically, we are involved in the following compliance activities.

- (1) We have established a Group Compliance Committee under the Board of Directors and the Group Management Meeting as an organization to deliberate compliance-related matters across the Group, and we are working to improve and strengthen the Group-wide compliance framework by identifying the compliance status of Group companies and implementing the necessary measures.  
In addition, the Corporate Administration Department, which oversees compliance, receives reports on compliance-related matters from the management and Legal Compliance Supervisors at each Group company and provides guidance and advice based on a timely and accurate understanding of the situation, thereby promoting mutual cooperation within the Group.
- (2) We create a Group Compliance Program each fiscal year as a plan for the practical implementation of compliance, and through the steady implementation of such plans, we ensure proactive and autonomous compliance is practiced by officers and employees.  
The Group Compliance Committee regularly verifies the progress status of Group Compliance Program plans, identifying problems and resolving challenges.
- (3) We have enacted a Group Corporate Code of Conduct as the basis for conduct that conforms to social norms in the course of management and operations; the Group Behavioral Guidelines to be followed by officers and employees in the course of their duties and private lives; and a Compliance Manual that serves as a compliance handbook. Our Group Behavioral

Guidelines are designed to prevent corrupt practices such as entertainment, gift-giving, and bribery that deviate from social norms. In FY 2024, no disciplinary action was taken in relation to corruption, and no fine or settlement costs were incurred.

In addition, we have put together a Compliance Card containing a summary of the rules and manuals which form the basis for practicing proactive and autonomous compliance, and we distribute the card to all officers and employees so that they can refer to it at any time.

- (4) Through the implementation of various compliance-related training sessions and seminars (including prevention of corruption), we are working to instill compliance practices that meets society's expectations in all officers and employees.
- (5) We operate a Management Helpline as an internal reporting system that enables direct reporting to top management so as to facilitate the early detection and prevention of unethical activities by officers and employees such as legal breaches, violation of internal rules, harassment, and corruption (entertainment, gift-giving, and bribery that deviate from social norms). To encourage use of the reporting system, we accept anonymous reports, provide and enforce clear rules on maintaining report confidentiality, and prohibit identification or disadvantaging of whistleblowers. We also facilitate access to internal reporting desks by noting contact details and means of reporting on Compliance Cards that officers and employees can carry around. Furthermore, we inform external outsourcing companies of the internal reporting desks and accept reports from employees of the external outsourcing companies.
- (6) We take a firm stance against anti-social forces that threaten social order and safety and prevent the development of a sound economy and society. We deal with inappropriate demands by such anti-social forces as an organization and we collaborate with external specialized organizations, such as the police.

## Guidelines for Combating Money Laundering, Terrorism Financing, Proliferation Financing, and Sanction Violations

As global threats of nuclear weapons, missiles, and terrorism continue to increase, cutting off financial sources leading to criminals and terrorists is an issue that needs to be addressed jointly by the Japanese and international communities, and measures to prevent money laundering, terrorism financing, proliferation financing, and sanction violations now bear greater importance.

The Financial Services Agency established and released the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism which outlines the basic approach that financial institutions should take in implementing effective countermeasures. In such climate, the Company formulated the following policy and takes measures to prevent the flow of funds to criminal syndicates, to maintain safe and convenient financial services, and to create an environment making it difficult for criminal syndicates to engage in activities.

## Policy on Anti-Money Laundering and Combating the Financing of Terrorism

The Chugin Financial Group (hereinafter, the "Group") recognizes that measures for anti-money laundering, terrorism financing, proliferation financing, and sanction violations (hereinafter, "AML/CFT") is a priority task required not only domestically but also from the rest of the global community. Based on this recognition, the Group shall take the initiative in establishing the management system in which it shall execute agile and effective responses to ever-changing international situations and the risks facing the Group, and set forth the following policy as a basis for execution of operations.

## 1. Management Policy

In order to execute agile and effective responses to changes in international situations, the Group shall take proactive steps to establish and maintain the management system based on the concept of “risk-based approach,” in which it shall identify and assess its money laundering and the financing of terrorism (hereinafter, “AML/CFT”) risks in a timely and appropriate manner and take mitigation measures that are proportionate to the risks.

## 2. Organizational Structure and Officer

The Group shall define AML/CFT as one of its critical management agenda and shall clarify the internal roles and responsibilities for that purpose. The Group shall appoint the officer in charge of the Corporate Administration Department of the Chugin Financial Group as the supervisory manager for AML/CFT. A dedicated division shall be newly established within the Corporate Administration Department of the Chugin Financial Group to provide the centralized function of ensuring the execution of measures for AML/CFT.

### 3. Measures for AML/CFT under Laws and Regulations

The Group shall establish an internal system capable of carrying out timely and appropriate measures for AML/CFT under laws and regulations, including, but not limited to, verification at the time of transaction, retention of transaction records, confirmation of sanctions including freezing of assets, and notification of suspicious transactions.

#### 4. Administration of Customer Information and Policy for Handling Customers

The Group shall establish an internal system for making appropriate investigations about the basic information of customers in the course of the transactions with them and for carrying out measures that are proportionate to their attributes.

Furthermore, the Group shall determine and carry out required risk mitigation measures by way of making periodic investigations and analyses on the history of transactions with customers.

## 5. Transaction Monitoring and Screening

The Group shall determine and carry out required risk mitigation measures by way of investigating and analyzing the status of transactions by the use of reports submitted by its branches or detection made by its computer systems for any unusual transactions or transactions subject to sanctions.

## 6. Management of Correspondent Banks

The Group shall endeavor to collect sufficient information about its correspondent banks, conduct an appropriate assessment on them, and carry out appropriate measures that are proportionate to the risks involved.

No relationship shall be established or maintained with any shell banks without a physical presence or operations.

## 7. Development Training of Directors and Employees

The Group shall continually conduct training or other programs for all of its Directors and employees to deepen their understanding and raise their awareness of AML/CFT, in an effort to develop and retain human resources having expertise and fitness for the given roles.

## 8. Verification of Status of Compliance

The Group shall inspect the status of compliance with regard to AML/CFT, and based on the results of such inspections, shall continually make efforts to improve its risk management system against AML/CFT.

## Corporate Governance

## Corporate Governance

## 1. Basic principles

Our basic principles on corporate governance are as follows.

- (1) The Company is committed to strengthening and enhancing the corporate governance through the following response methods based on our corporate principles and management vision, in order to achieve a sound and sustainable growth and a medium- to long-term improvement of the corporate value, while considering profits of all stakeholders related to the Company including the shareholders, customers, regional society, and employees.
- (2) The Company will establish an appropriate corporate governance framework while the Board of Directors, the Audit and Supervisory Committee, and Directors recognize the fiduciary responsibility to the shareholders. The Company strives to ensure the appropriateness of the business executions and the effectiveness of audits and supervision by measures such as determining management policies and execution of important duties through adequate discussion in the Board of Directors and accurate execution of duties by Directors involved in the execution of business, alongside supervision by the Board of Directors, audits by the Audit and Supervisory Committee, and appropriate maintenance and operation of the internal control system based on laws and regulations such as the Companies Act.
- (3) The Company is committed to establishing the environment where the rights of shareholders are respected and properly executed, constructive dialogue is made with shareholders, and active disclosure is made for corporate information including non-financial statements, etc., as well as ensuring the real equality of shareholders.

## 2. Corporate governance framework

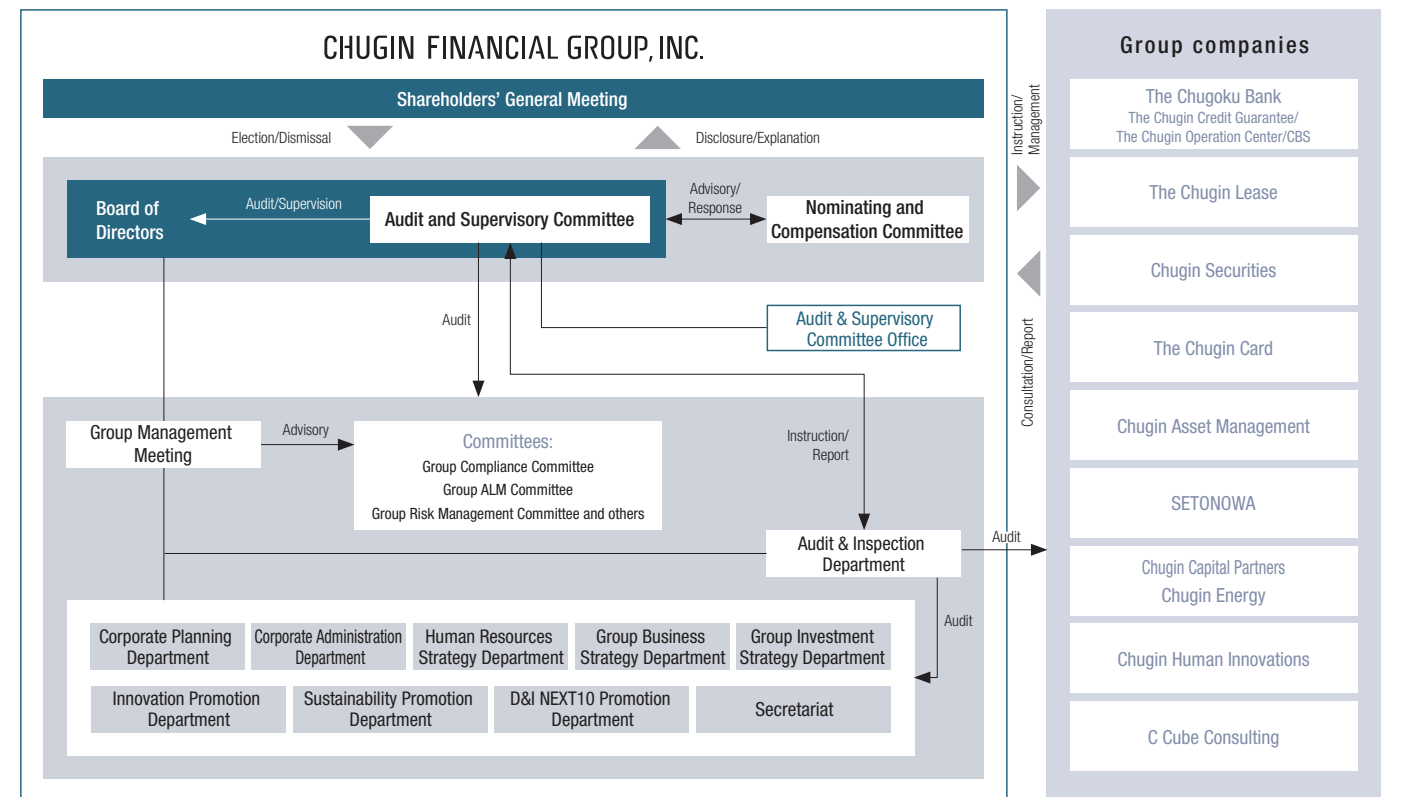
The Company has adopted the form of a company with an Audit and Supervisory Committee as part of measures to strengthen its corporate governance. As of the end of June 2025, the Company had a total of five Directors not serving as Audit and Supervisory Committee Members (including two Outside Directors) and four Directors serving as Audit and Supervisory Committee Members (including three Outside Directors).

Since voting rights at the Board of Directors are granted to Directors serving as Audit and Supervisory Committee Members at a company with an Audit and Supervisory Committee, efforts in strengthening audit and supervisory functions over the Board of Directors and Directors have been made.

In addition, since companies with an audit and supervisory committee can delegate a part of the authority of the Board of Directors to directors pursuant to provisions of the Companies Act, the matters submitted to the Board of Directors are narrowed down to highly important proposals so as to make efforts for enhanced deliberations on major proposals such as strategy at the Board of Directors and for prompt management decision-making of the Company.

Also, to ensure mobility in management decision-making, the Company has established "Group Management Meeting," which comprises the management, and discusses matters delegated by the Board of Directors and other items. With regard to items such as risk management, which are important for conducting proper corporate activities, the Company has established various kinds of committee structures as advisory bodies of the Group Management Meeting to discuss such items flexibly.

## Corporate governance framework



(As of June 30, 2025)

Board of Directors and Audit & Supervisory Board Members (As of June 30, 2025)

Directors



President (Representative Director)

Sadanori Kato



Director and Vice President (Representative Director)

Ikuhide Harada



Director and Senior Managing Executive Officer (Representative Director)

Soichi Yamamoto



Outside Director

Kenichi Fukuhara



Outside Director

Yoichiro Yatsurugi

Directors (Audit and Supervisory Committee Members)



Director (Audit and Supervisory Committee Member)

Hiroyuki Ohara



Outside Director (Audit and Supervisory Committee Member)

Yukiyo Kiyono



Outside Director (Audit and Supervisory Committee Member)

Yasuhiro Hitomi



Outside Director (Audit and Supervisory Committee Member)

Emiko Ikigoshi

Comprehensive Risk Management System

Comprehensive Risk Management

The Group defines risk management as one of its critical management issues and aims at well-balanced management in pursuit of enhanced profitability while maintaining operational soundness through further development of comprehensive risk management. To this end, risks are managed in accordance with the Basic Risk Management Rules which set out policies and a framework for risk management for the entire Group along with other basic matters on the subject.

Risks faced by the Group include credit risks, market risks, liquidity risks and operational risks. The Group has established a risk management system based on the “three lines of defense” concept. As the first line of defense, the business divisions facing the risks take responsibility for autonomous risk management. The second line of defense is to designate sections in charge of each type of risk and a section in charge of overall risk management (Corporate Administration Department), and understand, analyze and evaluate the status, and manage, check, and provide assistance in relation to each type of risk as well as overall risk. In addition, we have established various committees such as the Group ALM Committee and the Group Risk Management Committee under the Board of Directors and the Group Management Meeting, creating a system whereby the first and second lines of defense work together to comprehensively manage the various types of risks on a Group-wide basis. As the third line of defense, we have established a system in which the internal audit department (Audit & Inspection Department) verifies the appropriateness and effectiveness of risk management.

The officer in charge of the Corporate Administration Department and others are the chief executive for the risk management divisions and serve as Group Risk Management Committee Chair and Group Compliance Committee Vice-Chair, bearing responsibility for reporting to the Board of Directors on risk management and compliance management and ensuring preparedness.

The Group strives to ensure operational soundness while enhancing profitability at the same time, and has a policy to conduct appropriate risk-taking within the limits of capital. The Group sets risk limits for each risk category (credit, market, and operational risks) and calculates, monitors, and manages the amount of each risk using statistical and other methods.

In addition to comparing the total amount of risk aggregated each risk amount with capital, we also evaluate and verify the degree of capital adequacy by estimating the impact of risk events that may not be captured in each risk amount using stress tests, etc. The results of these evaluations and verifications are used to strengthen and revise business plans and risk management.

▶ ALM

ALM is an abbreviation for Asset and Liability Management, which is a system to comprehensively manage assets and liabilities, including various types of risk analysis, to ensure stable earnings growth.

▶ Three lines of defense

Line 1: Autonomous management by business divisions; Line 2: Checks and support by risk management divisions; Line 3: Verification of appropriateness and effectiveness and recommendations for improvements by the internal audit divisions.

Credit Risk Management

Credit risk refers to the risk of losses incurred when the value of assets (including off-balance-sheet assets) declines or becomes worthless due to changes in the financial status of those to whom credit is provided.

Credit risk management aims to maintain and improve the financial soundness of the Group through appropriate management of credit operations in order to contribute to the sound development of the social economy and by extension, to develop the Group. The Group’s basic credit risk management policy is to manage credit risk inherent in diverse transactions across all divisions and business sections in a comprehensive and integrated manner, and to establish and appropriately manage risk assessment and management methods that suit the characteristics of each risk.

A credit risk management system has been established so that each Group company manages credit risks based on our basic credit risk management

policy, and the Corporate Administration Department, which is responsible for overseeing and managing credit risk, oversees and manages credit risks for the entire Group.

Credit risk management methods include a credit management system that establishes standards and procedures for making credit decisions and, as part of such procedures, a credit risk assessment system that stipulates standards and procedures for conducting credit risk assessments that form the basis for credit decisions has been established. These systems are properly operated to control risk by preventing the credit risk losses or suppressing losses within a certain range. Credit concentration risk is also appropriately controlled by avoiding excessive concentration of credit to specific customers or groups or specific industries. Through these efforts, we aim to control credit risk and secure stable earnings.

Regulatory capital requirements for credit risks are strictly measured in the credit risk management system given the importance of capital ratio requirements in risk management and information disclosure. We have established a framework to assess credit risk and financial conditions under stress such as economic recessions and defaults by large borrowers, to evaluate capital sufficiency and appropriateness of risk management plans, and to reflect such assessments and evaluations in our credit management, etc.

Market Risk Management

Market risk refers to the risks of incurring losses from fluctuations in profits arising from assets and liabilities and the risks of incurring losses from fluctuations in the value of assets and liabilities (including those off balance sheet) due to fluctuations in market risk factors such as interest rates, exchange rates and share prices.

The Group’s basic risk management policy for market risks is to determine and analyze risks from the point of view of fluctuations in both current value and net interest income and to assess the risks from various angles, using stress tests and other methods.

A market risk management system has been established so that each Group company manages market risks based on our basic market risk management policy, and the Corporate Administration Department, which is responsible for overseeing and managing market risk, oversees and manages market risks for the entire Group.

In terms of the method of managing market risks, trading limits and loss limits have been set for trading operations, the goal of which is to earn trading profit from buying and selling securities in market operations. These limits are managed to ensure that losses in excess of a certain amount do not occur. Banking operations (investment securities) are managed for risks by taking the risk-return balance into consideration through ALM analysis, Value at Risk (VaR) analysis and other means to ensure stable profits over the medium and long term. We have also established a system for the flexible management of market risks as well as credit risks and liquidity risks related to market operations.

Market risk management, including lending and deposit services, is carried out by analyzing risks from multiple aspects, such as the calculation of interest rate risks. The Group Risk Management Committee and the Group ALM Committee discuss the overall management of assets and liabilities and consider management and lending policies.

▶ VaR (Value at Risk)

Value at Risk (VaR) is the maximum loss, incurred in a portfolio during a specific holding period and confidence interval, estimated using statistical methods based on historical data.

Liquidity Risk Management

Liquidity risk refers to the risks of incurring losses (hereafter, “fund procurement risks”) when it becomes difficult to secure the requisite funds or when procuring funds at a much higher than normal interest rate becomes necessary due to a mismatch between the timing of use and procurement or to an unexpected outflow of funds, or to risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (hereafter, “market liquidity risks”).

The Group recognizes the importance of fund procurement management and its basic fund procurement risks policy is to ensure a stable supply of funds. Our basic policy for managing market liquidity risks is to take into consideration the special features of markets for individual products, such as market size, liquidity, and other factors, and to pay careful attention to their market liquidity.

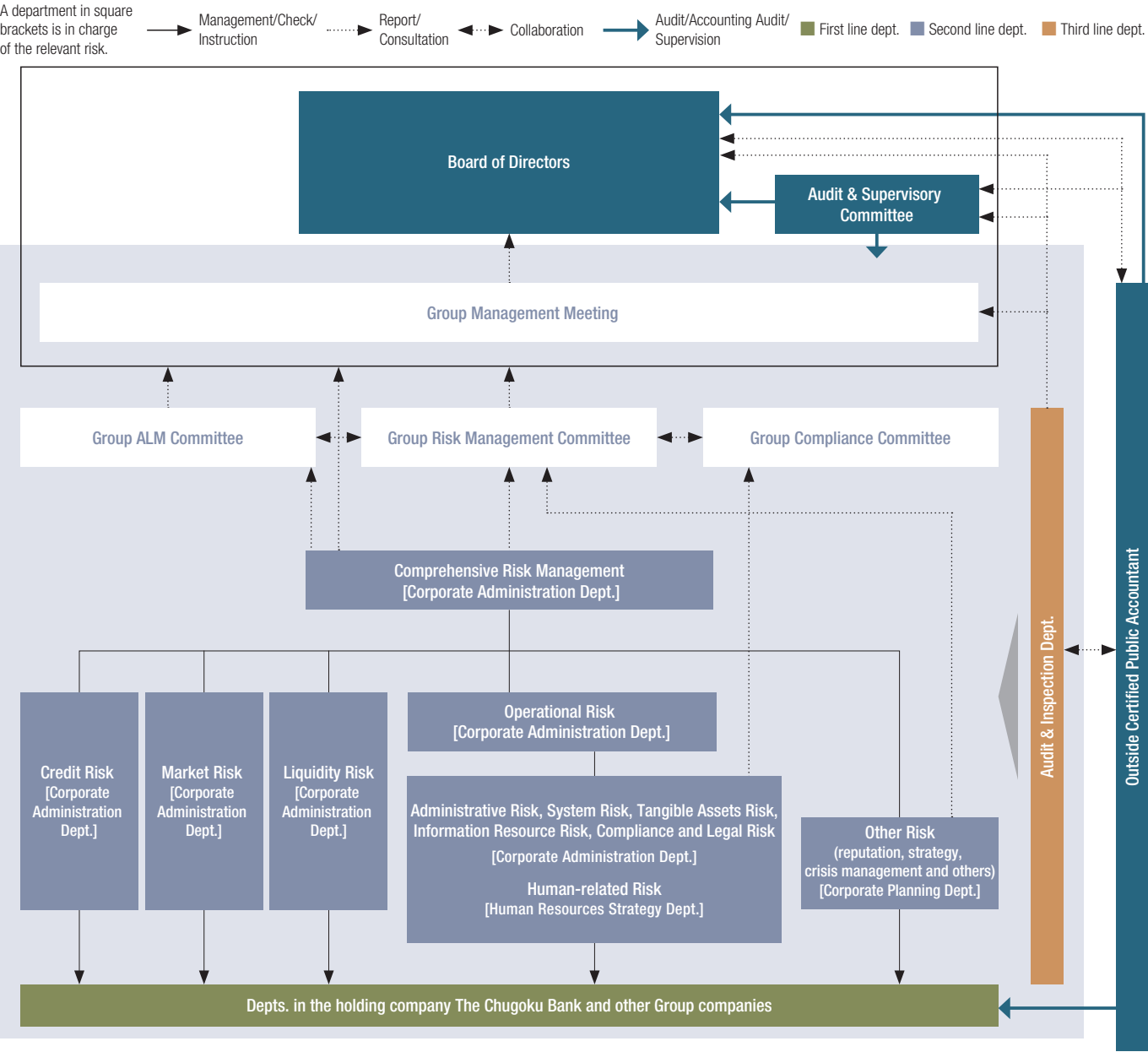
A liquidity risk management system has been established so that each Group company manages liquidity risks based on our basic liquidity risk management policy, and the Corporate Administration Department, which is responsible for overseeing and managing liquidity risk, oversees and manages liquidity risks for the entire Group.

In terms of the method of managing liquidity risks, we pay attention to the daily status of fund procurement by monitoring early warning indicators and work to limit the fund procurement risks. In addition, we manage liquidity risks

by establishing management policies for fund procurement risks, such as policies for holding highly liquid assets and setting limits on the gap between funds under management and funds procured over a certain period of time.

Deposits comprise the vast majority of procurements at particularly important subsidiary bank. While its fund procurement is stable, we are working to diversify our means of procurement to prepare for unforeseen circumstances, by procuring from the market utilizing marketable securities held by the Group. For foreign currencies, we verify that funding is feasible using stress tests that assumes that it is difficult to procure funds from markets due to deterioration in conditions of foreign currency procurement, and we work to maintain the medium-to long-term stability of our foreign currency balance sheet by measuring and managing the stable foreign currency ratio which indicates the degree of stability of foreign currency investments and procurement.

Group Risk Management System



\* The chief executive of the risk management divisions and the chief executive of the audit department operate under different structures.  
\* Two Outside Directors who do not concurrently hold an executive position and One Audit and Supervisory Committee Member have advanced knowledge in risk management divisions.

(As of June 30,2025)

Operational Risk Management

Operational risk refers to risks of losses arising from bank operational processes, employees' and officers' activities or an unsuitable system or due to external circumstances.

The Group has established an organizational structure and mechanism for appropriate operational risk management with emphasis on a customer protection perspective, ensuring that we can consistently deliver convenience, safety, and peace of mind. Our basic policy on risk management is to accurately identify risks so as to prevent their occurrence and minimize their impact should they occur.

In terms of our operational risk management structure, we classify operational risks into the six categories of 1) administrative risk, 2) system risk, 3) human-related risk, 4) tangible assets risk, 5) information resource risk, and 6) compliance and legal risk, managing risks by category. The Corporate Administration Department, which is responsible for overseeing and managing operational risk, handles operational risk management for the Group as a whole.

Our operational risk management methods comprise collecting and analyzing examples of business operation deficiencies and designing and implementing measures to prevent their recurrence; implementing Risk and Control Self-Assessment (RCSA) for our various operations to assess risk, including when new products and services are introduced; and designing and implementing response measures.

Administrative Risk Management

Administrative risk refers to the risk of incurring losses due to the inappropriate execution of operations arising from officer or employee misconduct or negligence or deficiencies in operational processes, or due to the execution of operations without detecting misconduct by an external party. We are working to maintain and improve administrative quality and improve administrative processes by establishing administrative procedures and powers, implementing various types of operational training and guidance, and making administrative processing more efficient through systematization, automation, and centralization. In addition, we are exercising checking functions through self-audits and internal audits to mitigate administrative risk.

System Risk Management

System risk comprises the risk of incurring losses due to system defects, computer systems crashing or malfunctioning, and unauthorized computer use. In addition to computer center disaster prevention systems, we have instituted a spectrum of safety measures to ensure the safe operation of computer systems. These include duplicating key machinery and networks, maintaining safety and quality through careful testing when new products and services are developed, ensuring security in system operation, and providing crisis management training.

Furthermore, in light of the recent growing advanced and sophisticated cyberattack threats, we are working to strengthen our cybersecurity management system, with the Group-wide internally formed Computer Security Incident Response Team (CSIRT) at the core, to provide customers with safe and secure services. Services include support for proactive prevention of cybersecurity incidents and rapid incident recovery.

Human-related Risk Management

Human-related risk refers to the risk of incurring losses due to labor practice issues (employee treatment issues, work management issues, etc.) or workplace health and safety issues, as well as user accountability risks arising from wrongful conduct by officers and employees. We have drawn up human-related risk management standards and engage in appropriate management of human-related risk, working to maintain pleasant and healthy workplace environments.

Tangible Assets Risk Management

Tangible assets risk comprises the risk of incurring losses through damage to buildings, vehicles, fixtures and equipment, and other tangible assets through natural disasters, accidents, and defects in asset management, etc. We are mitigating tangible assets risk by creating a Risk Management Manual that deals with various types of accidents and disasters and by implementing regular inspections and training.

Information Resource Risk Management

Information resource risk is the risk of incurring losses through the leakage, loss, or falsification of information.

Our basic policy is to mitigate information resource risk by setting out a security policy, information asset management standards, and personal information management standards; establishing a management structure and various types of rules; ensuring that all officers and employees are informed; and rigorously managing customers' personal information and other critical information.

Compliance and Legal Risk Management

Compliance and legal risk refers to the risk of incurring losses arising from uncertainty in legal matters related to transactions or from insufficient compliance with laws and regulations. We are strongly aware that insufficient compliance could damage our social credibility and shake the management foundations of the Group. Therefore, we comply with not only laws and rules but also social norms, engaging in fair and honest corporate activities.

RCSA

The abbreviation for Risk and Control Self-Assessment. RCSA is a risk management method whereby companies independently identify, assess, and understand the risks inherent in their various business processes, systems and tangible assets and the related controls and formulate and implement risk reduction measures accordingly.

Other Risk (Crisis Management)

To ensure that even where unforeseen circumstances occur, we can quickly restore and continue interrupted operations so as to maintain regional financial functions, we have created rules and manuals on crisis management as part of our Business Continuity Plan, as well as conducting systematic drills and training outside times of emergency to prepare ourselves to be able to make a rapid response.

When unforeseen circumstances occur, we set up an Emergency Countermeasures Headquarters led by the Corporate Planning Department to address the rapid rollout of an initial response, provisional measures, and recovery measures.

# Internal Control

## Fundamental Policy for Establishment of Internal Control System (Excerpt)

The Company has formulated a fundamental policy concerning the establishment of an internal control system to ensure appropriateness of operations pursuant to a resolution of the Board of Directors. An outline of the policy is as follows.

### 1. System ensuring that the execution of duties by Directors conforms to applicable laws, regulations and the Articles of Incorporation

- (1) Directors shall execute their duties based on the Group's Corporate Code of Conduct, which sets forth the Group's corporate ethics, and the Guidelines for the Conduct of Group's Clerks, which must be taken into account in the course of duties, and comply with the Rules for Directors, which codify basic considerations for directors. In principle, Board of Directors meetings shall be held once a month, and on other occasions as required, to promote communication among directors and enable mutual supervision of the execution of duties. The Board shall be operated in accordance with the Board of Directors Regulations in order to prevent violations of laws and the Articles of Incorporation by ensuring proper business activities. The Company is a company with an Audit & Supervisory Committee system, wherein each Audit & Supervisory Committee Member audits the progress of the execution of duties by directors according to the policy and the division of tasks set forth by the Audit & Supervisory Committee and, when necessary, voices opinion, prohibits action by a director and/or devises other appropriate measures.
- (2) The Board of Directors shall establish systems to cut off and resolutely eliminate any and all relationships with anti-social forces.

### 2. System for retaining and maintaining information regarding the execution of duties by Directors

With respect to information concerning the execution of duties by Directors, the Company shall retain the minutes of the Board of Directors meetings, along with other relevant materials, for a period of 10 years in accordance with the Board of Directors Regulations, and maintain them in a state that renders them accessible as needed. Other important documents shall also be maintained in an appropriate manner, depending on the storage medium, in accordance with the Information Asset Management Standards and internal regulations, and shall be maintained in a state that renders this information accessible as needed.

### 3. Regulations and other systems concerning managing exposure to loss

- (1) The Company recognizes (a) credit risks, (b) market risks, (c) liquidity risks, (d) operational risks and (e) other risks which could have a serious impact to the business as key risks involved in the execution of the Group's operations. Specific risks shall be identified and managed, and a comprehensive risk management system established. A detailed definition of each risk shall be provided in the Group's basic risk management rules.
- (2) The Company shall establish an equity capital management system and an asset evaluation management system to ensure the soundness and appropriateness of the Group's operations through sufficient capital adequacy proportionate to the risks.
- (3) Each type of risk shall be managed in accordance with the Group's basic risk management policy set forth in the Group's basic risk management rules and other regulations pertaining to risk management. The Corporate Administration Department shall be responsible for the comprehensive management of the Group's risks, a responsible department shall be

assigned to each type of risk and such committees as the Risk Management Committee shall be established to ensure appropriate risk management.

- (4) A risk management plan shall be created when formulating strategic objectives, such as business plans or the Medium-Term Management Plan. The management status of each type of risk shall be reported to the Board of Directors on a regular basis.
- (5) The Company shall establish necessary systems, including the Emergency Countermeasures Headquarters in the event of unforeseen circumstances, and respond appropriately to prevent the spread of damage in accordance with the Risk Management Manual.

### 4. System to ensure the efficient execution of duties by directors

- (1) Matters that impact the Group's operations, deemed to be significant matters requiring the resolution of the Board of Directors, shall be discussed and deliberated on in advance in the presence of the Audit & Supervisory Committee Members by the Group Management Committee, which is comprised of the chairman, president, vice president, senior managing director and managing directors.
- (2) Business execution pursuant to a resolution of the Board of Directors shall be in accordance with the decision-making authority and procedures stipulated in the Rules Defining the Extent of Job Authority and various other rules.

### 5. System ensuring that the execution of duties by employees conforms to applicable laws, regulations and the Articles of Incorporation

- (1) The Company shall establish the Group's Corporate Code of Conduct, the Guidelines for the Conduct of Group's Clerks, the Rules on Compliance with Laws and Regulations etc., and the Compliance Manual in order to ensure a compliance framework. The contents of employment regulations and other rules, as well as guidelines for the handling of business affairs and other guidelines, shall be in compliance with all pertinent laws and the Articles of Incorporation.
- (2) The Group Compliance Committee chaired by the Representative Director shall be established to foster a corporate culture that emphasizes compliance, enhancing compliance systems and monitoring the status of legal compliance. The Corporate Administration Department shall be responsible for overall compliance management and shall examine various measures related to the compliance.
- (3) Various measures shall be taken in a systematic manner in order to establish a compliance framework, such as the formulation and review of the annual Compliance Program, which serves as the Group's basic compliance policy and implementation plan, as well as periodic compliance-related checks and compliance training.
- (4) The Audit & Inspection Department shall be established as an internal audit department independent from the business execution departments, and shall perform audits to ensure that employee duties are in compliance with laws, regulations, the Articles of Incorporation and other obligations.
- (5) Should legal violations or other compliance-related facts be detected, an appropriate response shall be taken in accordance with employee regulations via the Management Help Line and other means as an internal reporting system.

### 6. System ensuring the appropriateness of operations throughout the Chugin Financial Group

- (1) Chugin Financial Group Management Regulations shall be formulated in order to ensure appropriateness of business operations and effective business management with respect to each company of the Chugin Financial Group. Each Group company shall formulate its own rules in accordance with the Company's rules and establish systems befitting its business content and organizational structure to ensure the appropriateness of its business operations.
- (2) The Company shall formulate standards related to deliberation and reporting for each company in the Chugin Financial Group and shall manage the business of the Group companies based on a system for making final decisions and receiving reports in accordance with said standards. Of the final decisions and reporting matters to the Company, those of importance shall be reported to the Company's Audit & Supervisory Committee Members. The Company shall conclude an audit agreement with each Group company and conduct internal audits.
- (3) Each group company shall formulate the Group's basic risk management rules to assess and manage each type of risk as well as to establish the system of a comprehensive risk management while they deliberate and report the predetermined matters in accordance with the Chugin Financial Group Management Regulations. The Company shall respond appropriately to prevent the spread of damage in accordance with the Risk Management Manual in the event of unforeseen circumstances.
- (4) Business execution pursuant to a resolution of the Board of Directors in each Chugin Financial Group company shall be in accordance with the decision-making authority and procedures stipulated in the Rules Defining the Extent of Job Authority and various other rules.
- (5) The Company shall establish the Group's Corporate Code of Conduct, the Guidelines for the Conduct of Group's Clerks and the Compliance Manual to ensure a compliance framework. The contents of employment regulations and other rules shall be in compliance with laws, regulations and the Articles of Incorporation.
- (6) The Chugin Financial Group shall formulate regulations concerning the Management Help Line, an internal reporting system whereby employees can report any wrongdoing directly to top management in order to maintain the sound operation thereof.
- (7) Each Group company shall report any legal violations in business management or content of management guidance by the Company as well as any other compliance-related issues to the Company's Audit & Supervisory Committee Members.
- (8) The Chugin Financial Group shall comply with all laws, standards and other obligations concerning accounting practices and establish an internal control system to ensure the appropriateness of the Group's financial reporting.

### 7. Provisions for hiring assistants to the Audit & Supervisory Committee Members, if required, their independence from directors (excluding directors who are the Audit & Supervisory Committee Members) and ensuring of the effectiveness of directions to the assistants by the Committee Members

- (1) The Company shall place assistants to the Audit & Supervisory Committee Members in the Secretariat as employees who are to assist the Audit & Supervisory Committee Members with their duties.

- (2) Employees who are to assist the Audit & Supervisory Committee Members shall be stipulated to perform investigation, planning, management and instruction concerning the audits of the Committee Members, which is ordered by the Members, without performing additional work related to the execution of duties by directors. The Audit & Supervisory Committee Members shall be consulted and their agreement obtained before a decision is made regarding the evaluation, appointment and reassignment of employees who are to assist the Audit & Supervisory Committee Members with their duties to ensure independence from directors (excluding directors who are the Audit & Supervisory Committee Members.)

### 8. System for reporting to the Audit & Supervisory Committee Members

- (1) In accordance with the Standards of Reporting to Audit & Supervisory Committee Members, directors and employees shall report to the Audit & Supervisory Committee Members matters that may have a significant impact on the Company's business and other matters essential to report in a timely manner. Notwithstanding the foregoing, the Audit & Supervisory Committee Members may also request reports from directors and employees as required.
- (2) In accordance with the Chugin Financial Group Management Regulations, those who are reported from directors, Audit & Supervisory Board Members and the others in the subsidiaries shall report to the Audit & Supervisory Committee Members important matters which may have impact on the Company's business and other matters essential to report, to the Audit & Supervisory Committee Members in a timely manner.
- (3) The Company and the subsidiaries shall not give any disadvantageous treatment such as dismissal to directors and employees who reported the matter due to the report.

### 9. Matters for policies for procedures for advance payment or reimbursement of expense incurred from the execution of duties by the Audit & Supervisory Committee Members and for handling of the other expense or debt incurred regarding the execution of the duties

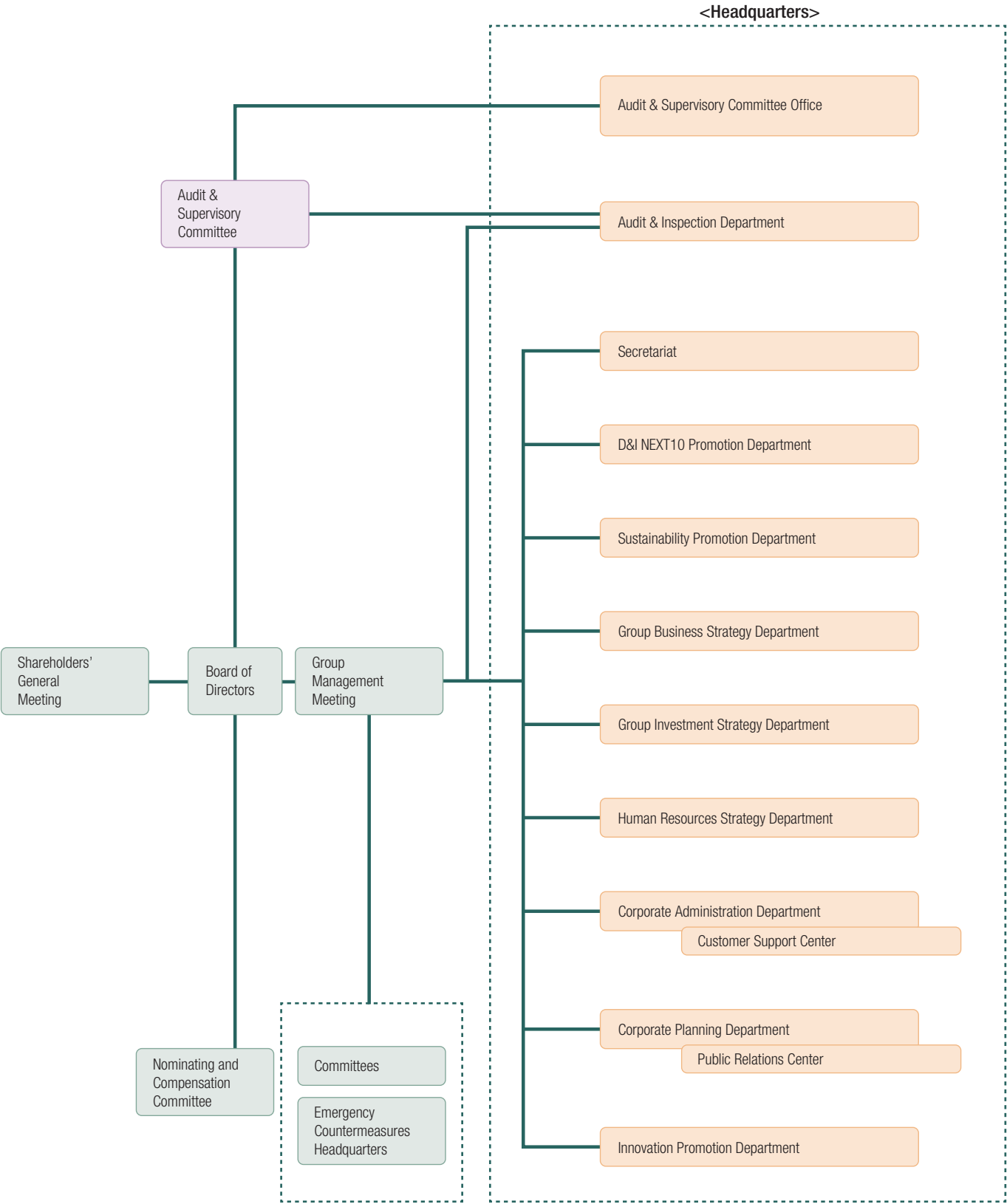
In accordance with the Auditing Standards for Audit & Supervisory Committee, the Company shall include a budget in advance for the expenses acknowledged by the Audit & Supervisory Committee to be necessary for the execution of duties. Expenses expended urgently or temporary may be claimed to the Company for reimbursement after the event.

### 10. System to ensure that audits of the Audit & Supervisory Committee Members are implemented effectively

The Company works to ensure the effectiveness of the audits performed by the Audit & Supervisory Committee Members by having them attend meetings where decisions that have a significant impact on business management are made, as well as through the circulation of important documents to them and their collaboration with the Internal Audit Department, certified public accountants and outside certified public accountants in accordance with the Audit & Supervisory Committee Regulations and the Auditing Standards for Audit & Supervisory Committee. Representative Directors shall exchange opinions with the Audit & Supervisory Committee on a regular basis, and enhance mutual awareness of such matters as to the issues to be addressed by the Company and improvement of the environment for audits of Audit & Supervisory Committee Members.

Organization Chart

(As of June 30, 2025)



Principal Operations of the Chugin Financial Group

Chugin Financial Group, which comprises the Company along with thirteen subsidiaries, is positioned to offer a wealth of financial services, including corporate and personal banking, leasing and securities businesses, and more.

Consolidated subsidiaries	Business segment
<strong>Organizational Chart for the Chugin Financial Group</strong>	
The Chugoku Bank, Limited	Banking business
Domestic offices: Head office, 123 branch offices, 5 sub-branch offices, 29 branch-in-branch offices, 2 branch-in-branch sub-branch offices, 5 special sub-branch office, 1 representative office, 1 internet branch	
Locations with ATM installed Outside branches: 197 locations (222 ATMs)	
Overseas offices: 2 branch and 3 representative offices	
CBS Company, Limited	Consigned administrative operations for banks
The Chugin Operation Center Co., Limited	Deposits, loans, exchanges, direct debits, public money services, Business processing and document management of investment trusts
The Chugin Credit Guarantee Co., Limited	Credit guarantee business
The Chugin Lease Company, Limited	Leasing businesses
The Chugin Card Company, Limited	Credit card business
Chugin Asset Management Company, Limited	Asset management business
Chugin Securities Co., Ltd.	Securities business
SETONOWA Co., Ltd.	Regional trading business
Chugin Capital Partners Co., Ltd.	Fund operation and management business
Chugin Energy Co., Ltd.	Regional energy and decarbonization business
Chugin Human Innovations Co., Ltd.	Fee-charging employment placement business
C Cube Consulting Co., Ltd.	Consulting business

(As of March 31, 2025)

Shareholder Information

(As of March 31, 2025)

Breakdown of Types of Shareholders

Category	Number of shareholders	Number of shares	
		Hundreds of shares	Percentage
Government and local authorities	2	91	0.00
Financial institutions	34	502,903	27.24
Securities firms	28	37,628	2.04
Other corporations	528	502,780	27.24
Foreign investors			
Non-Individuals	211	250,117	13.55
Individuals	8	40	0.00
Individuals	14,564	552,489	29.93
Total	15,375	1,846,048	100.00
Number of shares held in less than trading units	—	166,661	—

Major Shareholders

Unit: 1,000 shares

Name of Shareholders	Number of holding shares	Percentage of outstanding shares
The Master Trust Bank of Japan, Ltd.	24,825	13.87
Custody Bank of Japan, Ltd.	8,873	4.95
Okayama Tochisouko Co., Ltd.	5,358	2.99
Nippon Life Insurance Company	4,756	2.65
KURABO INDUSTRIES LTD.	4,559	2.54
CP CHEMICAL INCORPORATED	4,478	2.50
Chugin Financial Group Employee Stock Ownership Plan	4,017	2.24
Meiji Yasuda Life Insurance Company	3,804	2.12
Shizuka Forestry Co., Ltd.	2,370	1.32
SUMITOMO LIFE INSURANCE COMPANY	2,320	1.29
Total	65,363	36.53

Service Networks

(As of June 30, 2025)

INTERNATIONAL DIVISION:

Head Office, Okayama  
1-15-20, Marunouchi, Kita-ku,  
Okayama, Japan

International Department  
Telephone: (81) 86-234-6539  
Facsimile: (81) 86-234-6591  
SWIFT: CHGKJPJZ

Funds and Securities Department  
Telephone: (81) 86-234-6503  
Facsimile: (81) 86-234-6595

Treasury Administration Department  
Telephone: (81) 86-234-6664  
Facsimile: (81) 86-227-6069  
SWIFT: CHGKJPJT

Tokyo Office  
1-5-5, Muromachi Chibagin Mitsui Building,  
Nihonbashi-Muromachi, Chuo-ku,  
Tokyo, Japan

OVERSEAS OFFICES:

Hong Kong Branch  
Room 1402 on the  
14th Floor, York House  
The Landmark,  
15 Queen's Road Central,  
Hong Kong,  
People's Republic of China  
Telephone: (852) 2523-0312

Shingapore Branch  
16 Collyer Quay, #24-01/02  
Singapore 049318  
Telephone: (65) 6536-7757

Shanghai Representative Office  
Room 2007, Shanghai  
International Trade Center,  
2201 Yan-an Road (West),  
Shanghai, People's Republic of China  
Telephone: (86) 21-6275-1988

New York Representative Office  
Room 1632, 420  
Lexington Avenue  
New York, N.Y.10170 U.S.A.  
Telephone: (1) 212-371-7700

Bangkok Representative Office  
689, Bhiraj Tower at EmQuartier,  
Room No. 1901, 19th Floor,  
Sukhumvit Road, Klongton-nue, Wattana,  
Bangkok, Thailand  
Telephone: (66) 2-261-2676

FOREIGN TRADE OFFICES:

Head Office Business Department  
1-15-20, Marunouchi, Kita-ku, Okayama

Okayama-Minami Branch  
1-8-11, Aoe, Kita-ku, Okayama

Okayama-Nishi Branch  
3-101, Toiya-cho, Kita-ku, Okayama

Saidaiji Branch  
3-7-1, Saidaiji-Naka, Higashi-ku, Okayama

Katakami Branch  
36-1, Higashi-Katakami, Bizen, Okayama

Kojima Branch  
2-1-33, Kojima Ajino, Kurashiki, Okayama

Kurashiki Branch  
257-1, Bakuro-cho, Kurashiki, Okayama

Kurashiki Ekimae Branch  
2-2-2, Achi, Kurashiki, Okayama

Mizushima Branch  
4-32, Mizushima Nishiyayoi-cho, Kurashiki, Okayama

Hayashima Branch  
1380, Hayashima, Hayashima-cho,  
Tsukubo-gun, Okayama

Soja Branch  
1-4-20, Ekimae, Soja, Okayama

Kasaoka Branch  
2-8, Rokuban-cho, Kasaoka, Okayama

Ibara Branch  
176-5, Ibara-cho, Ibara, Okayama

Tsuyama Branch  
30-7, Sange, Tsuyama, Okayama

Fukuyama Branch  
1-1, Momiji-cho, Fukuyama, Hiroshima

Onomichi Branch  
2-9, Higashi-Gosho-cho, Onomichi, Hiroshima

Mihara Branch  
1-11-7, Minatomachi, Mihara, Hiroshima

Shinichi Branch  
593-7, Shinichi, Shinichi-cho, Fukuyama, Hiroshima

Kure Branch  
3-6-1, Hon-dori, Kure, Hiroshima

Fuchu Branch  
1-3, Fukawa-cho, Fuchu, Hiroshima

Hiroshima Branch  
15-4, Hatchobori, Naka-ku, Hiroshima

Hiroshima Higashi-Branch  
1-5-2, Minamikaniya, Minami-ku, Hiroshima

Takamatsu Branch  
3-6, Marugamemachi, Takamatsu, Kagawa

Sanbonmatsu Branch  
610-4, Sanbonmatsu, Higashi-Kagawa, Kagawa

Sakaide Branch  
1-2-2, Kyomachi, Sakaide, Kagawa

Marugame Branch  
207-6, Futaimachi, Marugame, Kagawa

Kawanoe Branch  
4062-4, Kawanoe-cho, Shikoku-chuo, Ehime

Yonago Branch  
1-1-1, Higashi-Fukuhara, Yonago, Tottori

Kobe Branch  
2-6-1, Sakaemachi-dori, Chuo-ku, Kobe, Hyogo

Himeji Branch  
108, Shirogane-cho, Himeji, Hyogo

Osaka Branch  
3-6-1, Aioi Nissay Dowa Insurance Midosuji Building,  
Hirano-machi, Chuo-ku, Osaka

Tokyo Branch  
1-5-5, Muromachi Chibagin Mitsui Building,  
Nihonbashi-Muromachi, Chuo-ku, Tokyo

Foreign Remittance Offices

96 Offices

Financial Section

Consolidated Financial Statements  
Consolidated Balance Sheets

Chugin Financial Group, Inc. and its Consolidated Subsidiaries  
March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
ASSETS:			
Cash and due from banks (Notes 21 and 25) .....	¥ 1,203,294	¥ 1,418,224	\$ 8,047,712
Call loans .....	193,782	192,117	1,296,027
Other debt purchased (Notes 6 and 10) .....	20,092	23,797	134,376
Trading account securities (Notes 6, 13 and 21) .....	510	1,017	3,410
Money trusts (Notes 7 and 21) .....	11,700	32,000	78,250
Securities (Notes 6, 9, 13 and 21) .....	2,776,089	2,596,411	18,566,673
Loans and bills discounted (Notes 9, 10, 13 and 21) .....	6,571,458	6,231,363	43,950,361
Foreign exchange (Note 9) .....	25,485	14,078	170,445
Lease receivables and investments in leased assets .....	33,365	30,456	223,147
Other assets (Notes 9, 13, 18, 21 and 22) .....	144,413	198,940	965,844
Tangible fixed assets (Note 11) .....	42,315	35,622	283,005
Intangible fixed assets (Note 12) .....	2,523	2,301	16,873
Net defined benefit asset (Note 17) .....	9,195	9,010	61,496
Deferred tax assets (Note 14) .....	28,534	4,582	190,837
Customers' liabilities for acceptances and guarantees (Note 9) .....	55,491	34,450	371,127
Reserve for possible loan losses (Note 3) .....	(72,674)	(60,570)	(486,048)
Total assets .....	¥ 11,045,576	¥ 10,763,804	\$ 73,873,568

LIABILITIES AND NET ASSETS:

Liabilities:			
Deposits (Notes 13 and 21) .....	¥ 8,363,790	¥ 8,309,572	\$ 55,937,600
Call money .....	165,426	145,023	1,106,380
Payables under repurchase agreements (Note 13) .....	149,768	158,022	1,001,658
Payables under securities lending transactions (Notes 13 and 21) .....	765,678	604,049	5,120,906
Borrowed money (Notes 13, 15 and 21) .....	763,697	744,106	5,107,657
Foreign exchange .....	409	440	2,735
Bonds payable (Note 16) .....	30,000	10,000	200,642
Due to trust account .....	11,933	9,988	79,808
Other liabilities (Notes 15, 18, 21 and 22) .....	192,454	163,073	1,287,145
Accrued employees' bonuses .....	1,779	1,573	11,898
Accrued directors' bonuses .....	43	44	287
Reserve for directors' retirement benefits .....	53	54	354
Reserve for reimbursement of deposits .....	650	800	4,347
Reserve for point program .....	143	133	956
Net defined benefit liability (Note 17) .....	1,625	429	10,868
Deferred tax liabilities (Note 14) .....	255	918	1,705
Reserves under special laws .....	8	8	53
Acceptances and guarantees .....	55,491	34,450	371,127
Total liabilities .....	¥ 10,503,210	¥ 10,182,689	\$ 70,246,187

Net assets (Note 24):

Shareholders' equity			
Common stock			
Authorized shares: 500,000,000 shares in 2025 and 2024			
Issued shares: 184,771,461 shares in 2025 and 2024 .....	¥ 16,000	¥ 16,000	\$ 107,009
Capital surplus .....	7,314	7,292	48,916
Retained earnings .....	511,855	494,988	3,423,321
Less treasury stock, at cost			
5,860,146 shares in 2025 .....			
2,809,715 shares in 2024 .....	(7,637)	(2,812)	(51,076)
Accumulated other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities (Note 8) .....	(8,643)	55,647	(57,804)
Net deferred gains on hedging instruments .....	20,852	6,024	139,459
Accumulated adjustments for retirement benefits (Note 17) .....	2,481	3,754	16,593
Total .....	14,690	65,426	98,247
Subscription rights to shares (Note 26) .....	141	220	943
Total net assets .....	542,366	581,115	3,627,380
Total liabilities and net assets .....	¥ 11,045,576	¥ 10,763,804	\$ 73,873,568

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Chugin Financial Group, Inc. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Income (Note 22):			
Interest and dividends on:			
Loans and discounts .....	¥ 98,846	¥ 84,185	\$ 661,088
Securities .....	43,358	35,845	289,981
Other .....	7,839	4,088	52,427
Fees and commissions .....	24,172	22,035	161,663
Other operating income .....	28,832	28,046	192,830
Bad debt recovered .....	21	37	140
Other income .....	8,780	10,470	58,721
Total income .....	211,853	184,709	1,416,887

Expenses:

Interest on:			
Deposits .....	18,240	11,660	121,990
Borrowings .....	3,783	4,386	25,300
Other .....	52,654	45,796	352,153
Fees and commissions .....	3,920	3,491	26,217
Other operating expenses .....	19,245	17,133	128,711
General and administrative expenses .....	59,526	57,850	398,113
Reserve for possible loan losses .....	14,034	8,942	93,860
Losses on impairment of fixed assets (Note 11) .....	100	122	668
Provision of reserve for financial instruments transaction liabilities .....	—	0	—
Other expenses .....	2,062	4,423	13,790
Total expenses .....	173,570	153,809	1,160,848

Income before income taxes .....	38,282	30,899	256,032
Income taxes (Note 14):			
Current .....	13,450	13,326	89,954
Deferred .....	(2,601)	(3,816)	(17,395)
	10,848	9,510	72,552

Net income .....	27,434	21,389	183,480
Net income attributable to non-controlling interests .....	—	—	—
Net income attributable to owners of parent .....	¥ 27,434	¥ 21,389	\$ 183,480

	Yen		U.S. Dollars (Note 1)
	2025	2024	2025
Per share of common stock			
Basic net income .....	¥ 152.61	¥ 117.06	\$ 1.020
Diluted net income .....	152.46	116.90	1.019
Cash dividends applicable to the year (Note 24) .....	62.00	47.00	0.414

See accompanying Notes to Consolidated Financial Statements.

Consolidated Financial Statements Consolidated Statements of Comprehensive Income

Chugin Financial Group, Inc. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Net income .....	¥ 27,434	¥ 21,389	\$ 183,480
Other comprehensive income (Note 20):			
Net unrealized gains (losses) on available-for-sale securities .....	(64,290)	21,412	(429,975)
Net deferred gains on hedging instruments .....	14,828	9,344	99,170
Adjustments for retirement benefits .....	(1,273)	8,573	(8,513)
Total other comprehensive income .....	(50,735)	39,329	(339,319)
Comprehensive income .....	¥ (23,301)	¥ 60,719	\$ (155,838)
Comprehensive income attributable to:			
Owners of parent .....	¥ (23,301)	¥ 60,719	\$ (155,838)
Non-controlling interests .....	—	—	—

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Chugin Financial Group, Inc. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2025 and 2024

Millions of Yen										
2025										
Accumulated other comprehensive income										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Accumulated adjustments for retirement benefits	Total	Subscription rights to shares	Total net assets
Balance at beginning of year	¥ 16,000	¥ 7,292	¥494,988	¥ (2,812)	¥ 55,647	¥ 6,024	¥ 3,754	¥ 65,426	¥ 220	¥ 581,115
Net income attributable to owners of parent			27,434							27,434
Cash dividends			(10,566)							(10,566)
Purchases of treasury stock				(5,000)						(5,000)
Disposals of treasury stock		22		176						198
Net changes in items other than shareholders' equity					(64,290)	14,828	(1,273)	(50,735)	(79)	(50,814)
Net changes during the year	—	22	16,867	(4,824)	(64,290)	14,828	(1,273)	(50,735)	(79)	(38,748)
Balance at end of year	¥ 16,000	¥ 7,314	¥511,855	¥ (7,637)	¥ (8,643)	¥ 20,852	¥ 2,481	¥ 14,690	¥ 141	¥ 542,366

See accompanying Notes to Consolidated Financial Statements.

Millions of Yen										
2024										
Accumulated other comprehensive income										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total	Subscription rights to shares	Total net assets
Balance at beginning of year	¥ 16,000	¥ 7,302	¥ 479,276	¥ (1,000)	¥ 34,234	¥ (3,320)	¥ (4,818)	¥ 26,096	¥ 272	¥ 527,948
Net income attributable to owners of parent			21,389							21,389
Cash dividends			(5,678)							(5,678)
Purchases of treasury stock				(2,000)						(2,000)
Disposals of treasury stock		(10)		187						177
Net changes in items other than shareholders' equity					21,412	9,344	8,573	39,329	(51)	39,278
Net changes during the year	—	(10)	15,711	(1,812)	21,412	9,344	8,573	39,329	(51)	53,167
Balance at end of year	¥ 16,000	¥ 7,292	¥ 494,988	¥ (2,812)	¥ 55,647	¥ 6,024	¥ 3,754	¥ 65,426	¥ 220	¥ 581,115

See accompanying Notes to Consolidated Financial Statements.

Thousands of U.S. Dollars (Note 1)										
2025										
Accumulated other comprehensive income										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Accumulated adjustments for retirement benefits	Total	Subscription rights to shares	Total net assets
Balance at beginning of year	\$ 107,009	\$ 48,769	\$3,310,513	\$ (18,806)	\$ 372,170	\$ 40,288	\$ 25,107	\$ 437,573	\$ 1,471	\$3,886,536
Net income attributable to owners of parent			183,480							183,480
Cash dividends			(70,666)							(70,666)
Purchases of treasury stock				(33,440)						(33,440)
Disposals of treasury stock		147		1,177						1,324
Net changes in items other than shareholders' equity					(429,975)	99,170	(8,513)	(339,319)	(528)	(339,847)
Net changes during the year	—	147	112,807	(32,263)	(429,975)	99,170	(8,513)	(339,319)	(528)	(259,149)
Balance at end of year	\$ 107,009	\$ 48,916	\$3,423,321	\$ (51,076)	\$ (57,804)	\$ 139,459	\$ 16,593	\$ 98,247	\$ 943	\$3,627,380

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Chugin Financial Group, Inc. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2025 and 2024

Thousands of U.S. Dollars (Note 1)			
Millions of Yen			
	2025	2024	2025
Cash flows from operating activities			
Income before income taxes	¥ 38,282	¥ 30,899	\$ 256,032
Depreciation	4,249	3,312	28,417
Losses on impairment of fixed assets	100	122	668
Share-based compensation expenses	89	97	595
Provision of reserve for possible loan losses	14,034	8,942	93,860
Increase (decrease) in reserve for point program	9	18	60
Increase (decrease) in reserve for directors' retirement benefits	(0)	5	(0)
Increase (decrease) in accrued employees' bonuses	205	26	1,371
Increase (decrease) in accrued directors' bonuses	(1)	18	(6)
Increase (decrease) in net defined benefit liability	(763)	288	(5,102)
Increase (decrease) in reserve for reimbursement of deposits	(150)	550	(1,003)
Interest and dividend income	(150,045)	(124,120)	(1,003,511)
Interest expense	74,680	61,843	499,464
Losses (gains) related to securities, net	(3,534)	(5,713)	(23,635)
Losses (gains) on money trusts, net	266	134	1,779
Foreign exchange losses (gains), net	5,980	(49,425)	39,994
Losses (gains) on disposals of fixed assets, net	(104)	7	(695)
Decrease (increase) in trading account securities, excluding foreign exchange contracts	506	1,005	3,384
Decrease (increase) in call loans and other debt purchased	2,039	(14,677)	13,636
Increase (decrease) in payables under repurchase agreements	(8,254)	64,108	(55,203)
Decrease (increase) in due from banks, excluding the Bank of Japan	1,016	1,440	6,795
Increase (decrease) in commercial paper	—	(46,530)	—
Decrease (increase) in foreign exchange assets	(11,406)	664	(76,284)
Decrease (increase) in loans and bills discounted	(342,025)	(678,242)	(2,287,486)
Decrease (increase) in lease receivables and investments in leased assets	(2,908)	(3,446)	(19,448)
Decrease (increase) in other assets	54,963	(34,707)	367,596
Increase (decrease) in deposits	54,217	256,049	362,607
Increase (decrease) in borrowed money	19,591	423,263	131,025
Increase (decrease) in call money	20,402	(34,964)	136,449
Increase (decrease) in foreign exchange liabilities	(31)	(51)	(207)
Increase (decrease) in payables under securities lending transactions	161,628	180,619	1,080,979
Increase (decrease) in due to trust account	1,945	1,492	13,008
Increase (decrease) in other liabilities	52,540	14,421	351,391
Interest and dividends received	148,850	120,079	995,518
Interest paid	(73,896)	(52,933)	(494,221)
Subtotal	62,481	124,599	417,877
Income taxes paid	(15,536)	(9,008)	(103,905)
Income taxes refund	—	4	—
Net cash provided by operating activities	46,944	115,595	313,964
Cash flows from investing activities			
Purchases of securities	(837,497)	(806,215)	(5,601,237)
Proceeds from sales of securities	359,821	413,801	2,406,507
Proceeds from redemption of securities	203,445	205,573	1,360,654
Purchases of money trusts	—	(7,562)	—
Proceeds from money trusts	20,300	28	135,767
Purchases of tangible fixed assets	(11,006)	(3,500)	(73,608)
Purchases of intangible fixed assets	(899)	(1,044)	(6,012)
Proceeds from sales of tangible fixed assets	762	524	5,096
Net cash used in investing activities	(265,073)	(198,394)	(1,772,826)
Cash flows from financing activities			
Issuance of subordinated bonds	20,000	—	133,761
Cash dividends paid	(10,566)	(5,678)	(70,666)
Purchases of treasury stock	(5,000)	(2,000)	(33,440)
Repayments on lease obligations	(218)	(251)	(1,457)
Proceeds from sales of treasury stock	0	0	0
Proceeds from exercise of employee share options	0	0	0
Net cash provided by (used in) financing activities	4,214	(7,930)	28,183
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net decrease in cash and cash equivalents	(213,913)	(90,729)	(1,430,664)
Cash and cash equivalents at beginning of year	1,415,632	1,506,361	9,467,843
Cash and cash equivalents at end of year (Note 25)	¥ 1,201,718	¥ 1,415,632	\$ 8,037,172

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See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Chugin Financial Group, Inc. and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Chugin Financial Group, Inc. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, the Japanese Banking Law and the Japanese Uniform Rules for Bank Accounting and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act, amounts of less than ¥1 million have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into the U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate as at March 31, 2025, which was ¥149.52 for US\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into the U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(a) Principles of Consolidation

Scope of Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

The consolidated financial statements include the accounts of the Company and its thirteen (twelve in 2024) significant subsidiaries after elimination of all significant intercompany transactions, balances and unrealized profits.

Following the establishment of Chugin Energy Fund Investment Limited Partnership, the company was included in the scope of consolidation for the year ended March 31, 2025.

Thirteen (twelve in 2024) subsidiaries, of which the Company owns a majority of the voting rights, were excluded from the scope of consolidation for the year ended March 31, 2025 because the total amounts of their assets, net income and retained earnings were immaterial and their exclusion from the scope of consolidation would not hinder a rational judgment regarding the consolidated financial position or results of operations.

Four (two in 2024) companies, of which the Company owns a majority of the voting rights (execution rights), were not recognized as subsidiaries for the year ended March 31, 2025 because they are held by the Company's unconsolidated subsidiary engaged in the investment business for the purpose of incubating investees or earning capital gains through business transactions and not for the purpose of controlling the entities.

Investments in thirteen (twelve in 2024) subsidiaries and one (one in 2024) affiliated company also were not accounted for by the equity method for the year ended March 31, 2025 because their exclusion had no significant effect on the consolidated financial statements.

One (one in 2024) company, of which the Company owns 20%-50% of the voting rights (execution rights), was not recognized as an affiliate accounted for using the equity method for the year ended March 31, 2025 because it is held by the Company's unconsolidated subsidiary engaged in the investment business for

the purpose of incubating investees or earning capital gains through business transactions and not for the purpose of controlling the entity.

Balance Sheet Date of Subsidiaries

The balance sheet date of one consolidated subsidiary is December 31, and twelve consolidated subsidiaries is March 31, the same as that of the Company.

Subsidiaries are consolidated based on their financial statements as at their respective balance sheet dates. If there are significant transactions between the consolidated balance sheet date and the above balance sheet dates, adjustments are made as necessary.

Goodwill

Goodwill is amortized using the straight-line method over a period of five years. Goodwill which is immaterial in amount is fully charged as loss when incurred.

(b) Trading Account Securities, Securities and Money Trusts

Trading account securities are stated at fair value (cost of sales is computed by the moving-average method). Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving average method. Investments in affiliated companies that are not accounted for by the equity method are stated at cost determined by the moving average method. Available-for-sale securities are stated at fair value. Unrealized gains and losses on these securities, net of applicable income taxes, are reported as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving average method.

Available-for-sale securities without a market price are stated at cost using the moving average method.

Securities constituting trust assets of money trusts are stated in the same manner as trading account securities.

(c) Derivatives and Hedge Accounting

Derivatives are stated at fair value.

The consolidated subsidiary that engages in the banking business applies the deferred method of hedge accounting for transactions entered into to hedge the interest rate risks associated with various financial assets and liabilities as stipulated in “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (Industry Committee Practical Guideline No. 24, March 17, 2022) issued by the Japanese Institute of Certified Public Accountants (“JICPA”). The effectiveness of the hedges is assessed for each identified group of hedged loans and securities and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

The consolidated subsidiary that engages in the banking business applies the deferred method of hedge accounting for transactions entered into to hedge foreign exchange risks associated with various foreign currency-denominated monetary assets and liabilities as stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In addition to the above methods, the consolidated subsidiary that engages in the banking business applies the fair value hedge method to portfolio hedges for foreign exchange risks associated with foreign securities, except for bonds, identified as hedged items in advance as long as the amount of foreign currency

payables of spot and forward foreign exchange contracts exceeds the acquisition cost of the hedged foreign securities in foreign currency.

(d) Tangible Fixed Assets

Tangible fixed assets owned by the consolidated subsidiary that engages in the banking business are stated at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the asset. For the consolidated subsidiary that engages in the banking business, estimated useful lives are mainly as follows:

Buildings.....	4 to 40 years
Other.....	2 to 20 years
For the Company and other consolidated subsidiaries, the useful life of an asset is mainly based on the Corporation Tax Law of Japan.	

Lease assets with respect to finance leases that do not transfer ownership of the lease assets and are recorded in “Tangible fixed assets” are depreciated using the straight-line method over the term of the lease, assumed to be the useful life, with a salvage value of zero or the guaranteed amount.

(e) Intangible Fixed Assets

Intangible fixed assets are depreciated using the straight-line method. Costs of software for the internal use are amortized based on the useable period determined by the Company and its consolidated subsidiaries (five years).

(f) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(g) Reserve for Possible Loan Losses

The consolidated subsidiary that engages in the banking business writes off loans and makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion estimated to be recoverable due to security interests or guarantees.

For large borrowers who are likely to become bankrupt and borrowers with restructured loans, if the cash flows from the collection of principal and interest can be reasonably estimated, a reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans.

For unsecured and unguaranteed portions of loans to customers not presently in these circumstances but who face a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the estimated loss for the average remaining term on loans and other transactions or the estimated loss over the next three years is recorded, and these estimated losses are calculated by using the loss ratio, derived from the average rate for the actual rate of loan losses of the consolidated subsidiary that engages in the banking business for a fixed past period based on the three-year historical default rate or the past average rate with the long-term perspective such as business cycles, and adding to that the necessary corrections for future estimates. A specific reserve for loans to borrowers in certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans.

Assessment and classification are conducted by each business department and Credit Supervision Department utilizing the internal rules on self-assessment of assets and audited by the Risk Management Department (an independent department). The reserve for possible loan losses is provided based on the auditing results.

Reserves for possible loan losses of other consolidated subsidiaries are provided for general claims in the amount deemed necessary based on historical loan loss ratios and for certain doubtful claims in the amount deemed uncollectable based on individual assessments.

(h) Accrued Employees' Bonuses

Accrued employees' bonuses are provided for the future payment of bonuses to employees in the amounts of the estimated bonuses attributable to the current fiscal year.

(i) Accrued Directors' Bonuses

Accrued directors' bonuses are provided for the payment of bonuses to directors and corporate auditors based on an estimated amount.

(j) Reserve for Directors' Retirement Benefits

A reserve for directors' retirement benefits is provided for severance and retirement benefits to directors and corporate auditors based on the required amounts determined by internal regulations.

(k) Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits is provided for reimbursement of deposits that were derecognized from liabilities and credited to income. The amount is determined based on the historical reimbursement ratio for such accounts.

(l) Reserve for Point Program

A reserve for the point program is provided for the accumulation of points granted to credit card holders. The amount of reserve is determined based on the past usage ratio of points by card holders.

(m) Reserve Under Special Laws

A reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Order on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other transactions.

(n) Accounting for Employees' Severance and Retirement Benefits

In determining projected benefit obligation for the consolidated subsidiary that engages in the banking business, the estimated amount of retirement benefits is attributed to periods based on a benefit formula basis.

Prior service cost of the cash balance pension plans is recognized as expense using the straight-line method over 10 years, which is within the average of the estimated remaining service years, commencing with the period in which it arises.

Actuarial gains and losses are recognized as expenses using the straight-line method over 10 years, which is within the average of the estimated remaining service years, commencing with the following period.

In calculating the liability for retirement benefits and retirement benefit expenses, other consolidated subsidiaries apply a simplified method under which the amount that would be required to be paid if all the employees voluntarily retired at the fiscal year end is regarded as projected benefit obligation.

***(o) Treatments of Deferred Assets***

Bond issuance costs were recognized as expense in full amount when incurred.

***(p) Recognition of Revenue and Expenses***

(1) Finance leases

As lessor:

Income from finance leases and related leasing costs are recognized when lease payments are received.

(2) Revenue from contracts with customers

The Company and its consolidated subsidiaries recognize revenue from contracts with customers applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company and its consolidated subsidiaries, which provide services related to a wide range of the banking business such as domestic exchange, sales of customers' assets in custody and investment banking business, recognize revenue when satisfying a performance obligation based on contracts with customers.

***(q) Income Taxes***

Deferred income taxes are recognized for loss carryforwards and taxable temporary differences between carrying amounts for financial reporting purposes and tax bases. In Japan, income taxes applicable to the Company and its consolidated subsidiaries consist of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local).

***(r) Accounting Policy for Loss/Gain on Cancellation of Securities Investment Trusts***

The consolidated subsidiary that engages in the banking business records loss/gain on cancellation during the period of securities investment trusts in interest and dividends on securities. If a negative amount arises for interest and dividends on securities for a particular yen-denominated securities investment trust or foreign-currency-denominated securities investment trust, the full negative amount is recorded in loss on redemption of bonds.

***(s) Consumption Taxes***

Any non-deductible consumption taxes associated with asset purchases are recorded as expense during the fiscal year.

***(t) Per Share Information***

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised. Diluted net income per share of common stock assumes the full exercise of the outstanding stock options at the beginning of the year or at the time of the grant.

**3. Significant Accounting Estimates**

The following describes possible significant impacts that may occur in the consolidated financial statements for the following fiscal year as a result of amounts being recorded in the consolidated financial statements for the fiscal year under review based on accounting estimates.

***Reserve for Possible Loan Losses***

Credit services are the largest source of revenue for the Group, and credit risk assets such as loans and bills discounted, and customers' liabilities for acceptances and guarantees constitute a high level of materiality on the consolidated balance sheet, and their impact on business results and financial position is large. Accordingly accounting estimates for such are deemed to be items of significance.

In order to achieve profit growth through asset accumulation by leveraging high soundness backed by ample capital, the Group formulated and implemented the overall asset strategy, including loans and bills discounted, as part of the medium-term management plan.

Specifically, the Group has changed the traditional categorization of assets based on investment divisions to a categorization of assets based on investment purposes, and is implementing the medium-term management plan in the following three fields:

- Core fields: fields the Company prioritizes (local business-related funds, personal loans, etc.)
- Strategic investment: fields that aim to acquire advanced expertise, give back to the community, and develop human capital (overseas bases, project/asset finance, private REITs, etc.)
- Market investment fields: fields that target high profitability by utilizing its risk-taking capacity (integrated operation of loans and securities)

***(a) Amounts Recorded on the Consolidated Financial Statements for the Fiscal Year Under Review***

The reserve for possible loan losses recorded on the consolidated balance sheet as at March 31, 2025 and 2024 were ¥72,674 million (\$486,048 thousand) and ¥60,570 million, respectively, and the details related to the accounting estimates utilized when calculating the amounts are described below.

***(b) Information to Facilitate Understanding of the Details Related to the Significant Accounting Estimates for the Identified Items***

1) Method for Calculating Amounts

For a description of the methods used to calculate amounts, refer to Note 2 (g) "Significant Accounting Policies" - "Reserve for Possible Loan Losses."

The self-assessments of assets described in the "Reserve for Possible Loan Losses" refers to the classification of assets according to the degree of risk of collection or risk of damage to value, which is determined by examining each asset held individually. Appropriate write-offs and provisions are made according to classification of borrowers (normal borrowers, borrowers requiring caution, potentially bankrupt borrowers, effectively bankrupt borrowers, and bankrupt borrowers). Loans that are delinquent for over three months and restructured loans are classified as "substandard loans" and are written off or a provision is made for them.

The classification of borrowers is determined by considering a borrower's ability to repay loans such as the borrower's actual financial position, cash flow, profitability, etc., based on the basic rating using a rating model, etc., and confirming the borrower's loan conditions and their fulfillment status, taking into consideration the characteristics of the industry, etc., the prospects for business continuity and profitability, the ability to repay the debt based on the annual repayment amount, the appropriateness of the business improvement plan, etc., and support from financial institutions, etc.

In the core fields such as local business-related funds, among the borrowers whose lending conditions have been relaxed, loans and bills discounted to such borrowers are not considered to be restructured loans if the borrowers have started to restructure its business through the implementation of financial support in accordance with a drastic business restructuring plan that is highly feasible and a reasonable and highly feasible business improvement plan.

In strategic investment, the Company invests in loans and bills discounted such as project/asset finance related to renewable energy, real estate, and aircraft. The Company determines the classification of borrowers by comprehensively taking into account all factors including not only formal aspects such as the borrower's cash flow status, whether the borrower is delinquent and the length of any delinquency, and whether the borrower is in legal liquidation or not, but also the understanding of risk factors, an analysis of the degree of risk, and available information such as external ratings.

For loans and bills discounted in market investment, the Company determines the classification of borrowers based on the actual creditworthiness of the borrowers, utilizing available information such as external ratings. Due to the nature of the products, the Company selectively invests in the top-tiers loans and bills discounted in terms of creditworthiness, resulting in the majority of the risks underlying returns being market risk, and the Company determines that credit risk arising from estimates of the classification of borrowers is minimal.

2) Major Assumptions Used for Significant Accounting Estimates

Based on the assumption that there is a certain relationship between the historical default ratio and the expected future credit loss ratio, the Company calculates the allowance for expected credit loss on loans to normal borrowers and loans to borrowers requiring caution mainly by calculating the credit loss ratio based on the average of the historical default ratio over a certain period of time, which is based on the historical defaults for three years or the past average value with the long-term perspective such as business cycles, and then calculating the expected credit loss ratio after taking into account necessary adjustments such as the average remaining term on loans and bills discounted (The average remaining period for the years ended March 31, 2025 and 2024 was 5.72 years and 5.63 years, respectively, for normal borrowers; 4.58 years and 4.48 years, respectively, for borrowers requiring caution). The Company calculates the allowance for expected credit loss on loans to potentially bankrupt borrowers by deducting the estimated amount receivable through the disposal of collateral and the estimated amount that can be collected through guarantees from the amount of the credit loss, and multiplying the remaining amount by the expected credit loss ratio based on the historical default ratio.

As stated in 1) Method for Calculating Amounts, in cases where a borrower whose loan conditions have been relaxed has started to restructure its business through the implementation of financial support in accordance with drastic management restructuring plan that is highly feasible and a reasonable and feasible business improvement plan, the loans and bills discounted to such borrowers are not considered to be restructured loans.

As at March 31, 2025, there were concerns regarding the impact of the yen's depreciation and soaring resource and energy prices on corporate earnings in addition to the hike of Bank of Japan's policy interest rate. A reserve for possible loan losses was recorded after determining the classification of the borrowers, giving consideration to the results of examination based on information currently available to the Company, such as forecasts for the business recovery of individual borrowers that are impacted, and expected achievement of business improvement plans etc., created by the borrowers.

3) Impact on Consolidated Financial Statements in the Following Fiscal Year

The major assumptions used when determining the classification of the borrowers and calculating the reserve for possible loan losses such as assumptions on the correlating relationship between the historical default rate and the expected loss rate, the average remaining term on loans and bills discounted, the feasibility of business improvement plan created by the borrowers and future trends in the business environment, include uncertainties, and if there is an unexpected increase in the default rate due to deteriorated business conditions for major borrowers, extensions on the remaining term on loans and bills discounted, sharp changes to the business environment that form the basis of assumption for

figures in business improvement plans created by the borrowers, the amount of loss may increase due to the need to increase the reserve for possible loan losses.

**4. Changes in Accounting Policies**

***Application of Accounting Standard for Current Income Taxes, etc.***

The Company has applied the "Accounting Standard for Current Income Taxes" (Revised ASBJ Statement No. 27, October 28, 2022; hereinafter, the "2022 Revised Accounting Standard"), etc. from the beginning of the fiscal year ended March 31, 2025.

Previously, corporate taxes, resident taxes, and business taxes on income, etc. (hereinafter, "current income taxes, etc.") were calculated in accordance with laws and regulations and recorded as profit or loss. However, current income taxes, etc. are recognized either as profit or loss, shareholders' equity, or other comprehensive income according to the underlying transactions, etc. as the source of the taxes. With regard to current income taxes, etc. recorded as accumulated other comprehensive income, the corresponding tax amount is recorded as profit or loss when the transactions, etc. that gave rise to such taxes were recorded as profit or loss.

In addition, if taxable transactions, etc. are related to shareholders' equity or other comprehensive income in addition to profit or loss, and if the amounts of current income taxes, etc. on shareholders' equity or other comprehensive income are difficult to calculate, such tax amounts are recorded as profit or loss.

There were no effects of the changes in accounting policies on the consolidated financial statements.

**5. New Accounting Standards to Be Applied**

- "Accounting Standard for Leases" (ASBJ Statement No. 34, issued on September 13, 2024)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, issued on September 13, 2024)

***(a) Overview***

As part of efforts to align Japanese accounting standards with international accounting standards, the Accounting Standards Board of Japan (ASBJ) had discussions based on international accounting standards for developing accounting standards for leases that require all leases of lessees to be recognized in assets and liabilities. Accordingly, ASBJ released the lease accounting standards, etc., which, as a basic policy, are based on the single accounting model of IFRS 16, but rather than adopting all of the provisions of IFRS 16, only the main provisions are adopted. The aim is to create accounting standards for lease transactions that are simple and convenient, and that do not require any fundamental revisions when the provisions of IFRS 16 are applied to non-consolidated financial statements.

As for lessees' accounting treatments, the method of allocating expenses of lessees' leases is the same as that of IFRS 16. Regardless of whether the lease is a finance lease or an operating lease, a single accounting model is applied to all leases, whereby depreciation related to right-of-use assets and interest equivalent amounts related to lease liabilities are recognized.

***(b) Scheduled Date of Application***

These ASBJ statement and guidance will be effective from the start of the fiscal year ending March 31, 2028.

***(c) Effects of Application of the Accounting Standard***

The effects of the application of the Accounting Standard for Leases on the consolidated financial statements are under evaluation.

- "Practical Guidelines on Accounting for Financial Instruments" (Revised Transferred Guidance No. 9, March 11, 2025)

(a) Overview

ASBJ has released the revised practical guidelines for the accounting treatment of investments made by investors in venture capital funds and other partnerships that meet certain criteria, which stipulates that all non-marketable shares included in the assets of such partnerships, etc. may be evaluated at fair value, and that in such cases, net unrealized gains or losses shall be recognized in the investor's net assets.

6. Securities

Securities include investments in interests and equity securities of unconsolidated subsidiaries and affiliates in the amounts of ¥7,165 million (\$47,920 thousand) and ¥182 million (\$1,217 thousand) as at March 31, 2025, and ¥6,142 million and ¥182 million as at March 31, 2024, respectively.

Securities received under repurchase agreements, etc., that are permitted to be disposed of through sale or pledge (re-pledge) were held in the amounts of ¥550 million (\$3,678 thousand) as at March 31, 2025 without such disposal, and were not held as at March 31, 2024.

The amounts of liabilities for guarantees on corporate bonds included in securities issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) were ¥83,559 million (\$558,848 thousand) and ¥92,821 million as at March 31, 2025 and 2024, respectively.

The amounts shown in the following tables include trust certificates classified as “Other debt purchased” and “Trading account securities” in addition to “Securities” stated in the consolidated balance sheet.

(1) Trading account securities

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
	¥	¥	\$
Amount of net unrealized gains (losses) included in the consolidated statements of income	(9)	(3)	(60)

(2) The following tables summarize acquisition costs and carrying amounts (fair value) of available-for-sale securities with available fair values as at March 31, 2025 and 2024:

Type	Millions of Yen		
	2025		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	¥ 141,328	¥ 68,744	¥ 72,583
Bonds	69,110	68,693	417
Japanese government bonds	59,653	59,326	327
Japanese municipal bonds	—	—	—
Japanese corporate bonds	9,456	9,367	89
Other	348,992	301,105	47,886
Foreign bonds	223,008	220,351	2,656
Other	125,983	80,754	45,229
Subtotal	¥ 559,431	¥ 438,543	¥ 120,887

Available-for-sale securities whose fair value does not exceed acquisition cost:

Equity securities	¥ 27,512	¥ 30,842	¥ (3,329)
Bonds	1,696,206	1,800,750	(104,544)
Japanese government bonds	768,585	823,316	(54,730)
Japanese municipal bonds	620,863	659,950	(39,086)
Japanese corporate bonds	306,757	317,483	(10,726)
Other	389,527	414,902	(25,374)
Foreign bonds	289,162	305,352	(16,189)
Other	100,365	109,549	(9,184)
Subtotal	2,113,247	2,246,495	(133,248)
Total	¥ 2,672,678	¥ 2,685,039	¥ (12,361)

(b) Scheduled Date of Application

These ASBJ practical guidelines will be effective from the start of the fiscal year ending March 31, 2027.

(c) Effects of Application of the Accounting Standard

The effects of the application of the Practical Guidelines on Accounting for Financial Instruments on the consolidated financial statements are under evaluation.

Type	Thousands of U.S. Dollars		
	2025		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	\$ 945,211	\$ 459,764	\$ 485,440
Bonds	462,212	459,423	2,788
Japanese government bonds	398,963	396,776	2,186
Japanese municipal bonds	—	—	—
Japanese corporate bonds	63,242	62,647	595
Other	2,334,082	2,013,810	320,264
Foreign bonds	1,491,492	1,473,722	17,763
Other	842,582	540,088	302,494
Subtotal	\$ 3,741,512	\$ 2,933,005	\$ 808,500

Available-for-sale securities whose fair value does not exceed acquisition cost:

Equity securities	\$ 184,002	\$ 206,273	\$ (22,264)
Bonds	11,344,341	12,043,539	(699,197)
Japanese government bonds	5,140,349	5,506,393	(366,037)
Japanese municipal bonds	4,152,374	4,413,790	(261,409)
Japanese corporate bonds	2,051,611	2,123,348	(71,736)
Other	2,605,183	2,774,892	(169,703)
Foreign bonds	1,933,935	2,042,215	(108,273)
Other	671,247	732,671	(61,423)
Subtotal	14,133,540	15,024,712	(891,171)
Total	\$ 17,875,053	\$ 17,957,724	\$ (82,671)

Type	Millions of Yen		
	2024		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	¥ 155,348	¥ 76,051	¥ 79,297
Bonds	286,837	283,544	3,293
Japanese government bonds	176,801	174,238	2,562
Japanese municipal bonds	36,662	36,438	224
Japanese corporate bonds	73,373	72,867	505
Other	254,323	198,052	56,270
Foreign bonds	111,447	109,053	2,393
Other	142,875	88,998	53,877
Subtotal	¥ 696,509	¥ 557,647	¥ 138,861

Available-for-sale securities whose fair value does not exceed acquisition cost:

Equity securities	¥ 7,150	¥ 7,832	¥ (681)
Bonds	1,399,736	1,433,326	(33,589)
Japanese government bonds	484,470	497,223	(12,753)
Japanese municipal bonds	663,252	679,722	(16,470)
Japanese corporate bonds	252,014	256,380	(4,366)
Other	411,454	435,698	(24,243)
Foreign bonds	356,562	375,500	(18,937)
Other	54,892	60,198	(5,306)
Subtotal	1,818,342	1,876,857	(58,515)
Total	¥ 2,514,851	¥ 2,434,505	¥ 80,346

(3) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as at March 31, 2025 and 2024:

Held-to-maturity debt securities

Type	Millions of Yen			
	2025			
	Carrying amount	Fair value	Difference	
Held-to-maturity debt securities whose fair value exceeds carrying amount:				
Japanese government bonds .....	¥ 899	¥ 900	¥	0
Japanese municipal bonds .....	—	—		—
Japanese corporate bonds.....	—	—		—
Subtotal .....	¥ 899	¥ 900	¥	0
Held-to-maturity debt securities whose fair value does not exceed carrying amount:				
Japanese government bonds .....	¥ 19,854	¥ 19,288	¥	(566)
Japanese municipal bonds .....	16,098	15,373		(725)
Japanese corporate bonds.....	35,699	34,616		(1,082)
Subtotal .....	¥ 71,652	¥ 69,278	¥	(2,374)
Total.....	¥ 72,552	¥ 70,178	¥	(2,374)

Type	Thousands of U.S. Dollars			
	2025			
	Carrying amount	Fair value	Difference	
Held-to-maturity debt securities whose fair value exceeds carrying amount:				
Japanese government bonds .....	\$ 6,012	\$ 6,019	\$	0
Japanese municipal bonds .....	—	—		—
Japanese corporate bonds.....	—	—		—
Subtotal .....	\$ 6,012	\$ 6,019	\$	0
Held-to-maturity debt securities whose fair value does not exceed carrying amount:				
Japanese government bonds .....	\$ 132,784	\$ 128,999	\$	(3,785)
Japanese municipal bonds .....	107,664	102,815		(4,848)
Japanese corporate bonds.....	238,757	231,514		(7,236)
Subtotal .....	\$ 479,213	\$ 463,336	\$	(15,877)
Total.....	\$ 485,232	\$ 469,355	\$	(15,877)

Type	Millions of Yen			
	2024			
	Carrying amount	Fair value	Difference	
Held-to-maturity debt securities whose fair value exceeds carrying amount:				
Japanese government bonds .....	¥ 12,277	¥ 12,305	¥	27
Japanese municipal bonds .....	7,299	7,327		28
Japanese corporate bonds.....	3,092	3,103		11
Subtotal .....	¥ 22,669	¥ 22,736	¥	67
Held-to-maturity debt securities whose fair value does not exceed carrying amount:				
Japanese government bonds .....	—	—		—
Japanese municipal bonds .....	¥ 8,799	¥ 8,764	¥	(34)
Japanese corporate bonds.....	26,251	26,132		(119)
Subtotal .....	¥ 35,050	¥ 34,896	¥	(154)
Total.....	¥ 57,720	¥ 57,633	¥	(87)

(4) The Company did not recognize impairment loss in the year ended March 31, 2025, and recognized impairment loss on Japanese corporate bonds in the amount of ¥2 million in the year ended March 31, 2024.

Impairment loss on securities other than trading account securities, excluding equity securities, etc., without a market price and investments in partnerships, is recognized for the full amount of loss when the loss is 50% or more of the acquisition cost. For loss between 30% and 50% of the acquisition cost, impairment is determined by the possibility of recovery, with consideration for the trends in market values during the past year.

(5) Total sales of available-for-sale securities for the years ended March 31, 2025 and 2024 were as follows:

Type	Millions of Yen			
	2025			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	¥ 27,426	¥ 3,778	¥	691
Bonds .....	176,746	1,682		4,889
Japanese government bonds .....	170,336	1,682		4,555
Japanese municipal bonds .....	4,589	—		329
Japanese corporate bonds .....	1,820	—		3
Other .....	126,804	4,043		1,402
Foreign bonds .....	95,865	2,598		1,272
Other .....	30,939	1,445		129
Total.....	¥ 330,977	¥ 9,504	¥	6,983

Type	Thousands of U.S. Dollars			
	2025			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	\$ 183,426	\$ 25,267	\$	4,621
Bonds .....	1,182,089	11,249		32,697
Japanese government bonds .....	1,139,218	11,249		30,464
Japanese municipal bonds .....	30,691	—		2,200
Japanese corporate bonds .....	12,172	—		20
Other .....	848,073	27,039		9,376
Foreign bonds .....	641,151	17,375		8,507
Other .....	206,922	9,664		862
Total.....	\$ 2,213,596	\$ 63,563	\$	46,702

Type	Millions of Yen			
	2024			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	¥ 72,969	¥ 7,116	¥	1,459
Bonds .....	220,146	5,379		4,350
Japanese government bonds .....	209,403	5,379		4,093
Japanese municipal bonds .....	9,856	—		243
Japanese corporate bonds .....	886	—		12
Other .....	86,876	1,265		2,256
Foreign bonds .....	72,314	726		2,134
Other .....	14,562	538		122
Total.....	¥ 379,992	¥ 13,760	¥	8,066

7. Money Trusts

(1) Money trusts as a type of trading account securities as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Carrying amount (fair value).....	¥ 5,200	¥ 20,000	\$ 34,777
Amount of net unrealized gains (losses) included in the consolidated statements of income.....	—	—	—

(2) Money trusts, other than for investment purposes or held-to-maturity purposes as at March 31, 2025 and 2024 were as follows:

	Millions of Yen				
	2025				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust .....	¥ 6,500	¥ 6,500	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars				
	2025				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust .....	\$ 43,472	\$ 43,472	\$ —	\$ —	\$ —

	Millions of Yen				
	2024				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust .....	¥ 12,000	¥ 12,000	¥ —	¥ —	¥ —

8. Net Unrealized Gains and Losses on Available-for-sale Securities

Net unrealized gains (losses) on available-for-sale securities as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net unrealized gains (losses) on available-for-sale securities.....	¥ (12,851)	¥ 79,856	\$ (85,948)
Deferred tax assets (liabilities).....	4,208	(24,209)	28,143
Net unrealized gains (losses) on available-for-sale securities before adjustment for non-controlling interests, net of taxes ....	(8,643)	55,647	(57,804)
Non-controlling interests .....	—	—	—
Net unrealized gains (losses) on available-for-sale securities, net of taxes.....	¥ (8,643)	¥ 55,647	\$ (57,804)

9. Loans and Bills Discounted, Other Assets

Loans based on the Banking Act and the Law concerning Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are defined as corporate bonds included in “Securities” in the consolidated balance sheet (the whole or part of the redemption of the principal and payment of interest are guaranteed and limited to the corporate bonds issued through private placement of the securities (as provided for by Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans, foreign exchange, those which are included in the accounts of accrued interest and temporary payments under other assets and customers’ liabilities for acceptances and guarantees and lent securities (limited to loan contract for use or lease contracts).

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Loans in bankruptcy/rehabilitation or similar proceedings.....	¥ 32,861	¥ 17,804	\$ 219,776
Loans at risk.....	56,505	66,346	377,909
Loans past due three months or more but less than six months...	785	1,386	5,250
Restructured loans.....	24,222	29,942	161,998
Total.....	¥ 114,373	¥ 115,479	\$ 764,934

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, petition for rehabilitation proceedings, etc.

Loans at risk are loans whose principal and interest are not likely to be collected pursuant to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not gone bankrupt, and do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings.

Loans past due three months or more but less than six months are loans whose payment of principal and/or interest is past due for three months or more from the due date, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings, or loans at risk.

Restructured loans are loans whose terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers’ restructuring by reducing the rate of interest, by providing a grace period for the payment of principal or interest, or by loan forgiveness, and are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for possible loan losses.

Bills discounted such as commercial bills discounted and foreign exchanges bought are accounted for as financial transactions in accordance with the “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022). The Company has the right to sell or pledge (re-pledge) commercial bills discounted and foreign exchange bought without restriction. The total face amount of such commercial bills discounted as at March 31, 2025 and 2024 was ¥10,867 million (\$72,679 thousand) and ¥14,737 million, respectively. There was no transaction involving foreign exchange bought.

The amount of loan participation recorded in the consolidated balance sheet and included in participated principals that were accounted for as loans to original debtors in accordance with “Accounting and Presentation of Loan Participations” (Transferred Guidance No. 1, July 1, 2024) was ¥10,100 million (\$67,549 thousand) and ¥8,227 million as at March 31, 2025 and 2024, respectively.

10. Commitment Lines

Commitment line agreements are loan agreements that oblige the Company and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Company and its consolidated subsidiaries make loans upon the request of an obligor to draw down funds as long as there is no breach in the various terms and conditions stipulated in the relevant agreement. The total unused commitment line balance related to these agreements as at March 31, 2025 and 2024 amounted to ¥1,618,972 million (\$10,827,795 thousand) and ¥1,588,941 million, respectively. Of these amounts, ¥1,335,360 million (\$8,930,979 thousand) and ¥1,275,286 million as at March 31, 2025 and 2024, respectively, were related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

With many of these commitment line agreements, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment does not necessarily affect future cash flows. In certain loan agreements, conditions are included that allow consolidated subsidiaries to decline the request to drawdown the loan or to reduce the agreed limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect credit of the consolidated subsidiaries. The consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral such as real estate or securities when signing a loan agreement or confirming the obligor’s financial condition at regular intervals in accordance with the established internal procedures of the consolidated subsidiaries.

11. Tangible Fixed Assets

Tangible fixed assets as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Land .....	¥ 19,043	¥ 19,030	\$ 127,360
Buildings .....	9,123	9,391	61,015
Lease assets .....	1,095	1,344	7,323
Other tangible fixed assets .....	12,796	5,679	85,580
Construction in progress.....	255	177	1,705
Total.....	¥ 42,315	¥ 35,622	\$ 283,005

Accumulated depreciation as at March 31, 2025 and 2024 was ¥83,869 million (\$560,921 thousand) and ¥82,037 million, respectively. The amounts that were directly offset against acquisition costs as at March 31, 2025 and 2024 were ¥4,877 million (\$32,617 thousand) and ¥4,877 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as “Losses on impairment of fixed assets” for the years ended March 31, 2025 and 2024 as follows:

(Millions of Yen)		2025		
	Purpose of Use		Type	Losses on impairment of fixed assets
Okayama Prefecture	Branches	1 branch	Buildings	¥57
	Shared assets	1 item		
Prefectures other than Okayama	Branches	3 branches	Land and buildings	¥42

(Thousands of U.S. Dollars)		2025		
	Purpose of Use		Type	Losses on impairment of fixed assets
Okayama Prefecture	Branches	1 branch	Buildings	\$381
	Shared assets	1 item		
Prefectures other than Okayama	Branches	3 branches	Land and buildings	\$280

(Millions of Yen)		2024		
	Purpose of Use		Type	Losses on impairment of fixed assets
Okayama Prefecture	Branches	3 branches	Land and buildings	¥41
Prefectures other than Okayama	Branches	5 branches	Land and buildings	¥81

Within the consolidated subsidiary that engages in the banking business, the Group office or branch manages and determines income and expenses, and it is the Group office or branch that is the smallest unit of an asset group for recognition and measurement of impairment loss. Fixed assets that do not have identifiable cash flows, such as the corporate headquarters’ facilities, the computer center and recreational facilities, are grouped with shared assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually.

With regard to the Company and other consolidated subsidiaries, each company is considered as the smallest grouping unit.

For assets in which investments were not expected to be recovered, the Company reduced the carrying amount for branches, shared assets and assets to

be disposed of to the recoverable amount (the net realizable value for all assets) and recognized a corresponding loss of ¥100 million (\$668 thousand) and ¥122 million as “Losses on impairment of fixed assets” for the years ended March 31, 2025 and 2024, respectively.

The recoverable amount for branches was the net realizable value. The net realizable value was based on the appraisal value in accordance with Real Estate Appraisal Standards.

12. Intangible Fixed Assets

Intangible fixed assets as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Software.....	¥ 2,063	¥ 1,994	\$ 13,797
Software in progress .....	333	213	2,227
Other intangible fixed assets.....	126	93	842
Total.....	¥ 2,523	¥ 2,301	\$ 16,873

13. Pledged Assets

Pledged assets as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Securities .....	¥ 1,471,181	¥ 1,363,478	\$ 9,839,359
Loans and bills discounted .....	551,173	498,136	3,686,282
Other assets .....	73	73	488
Total.....	¥ 2,022,428	¥ 1,861,687	\$13,526,136

Liabilities secured by pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Payables under securities			
lending transactions.....	¥ 765,678	¥ 604,049	\$ 5,120,906
Borrowed money.....	751,934	730,482	5,028,986
Payables under repurchase			
agreements.....	149,768	158,022	1,001,658
Deposits.....	23,859	21,750	159,570
Total.....	¥ 1,691,241	¥ 1,514,305	\$11,311,135

In addition, the following assets were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes as at March 31, 2025 and 2024:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Securities .....	¥ 91,198	¥ 58,687	\$ 609,938
Trading account securities .....	94	97	628
Other assets .....	25	25	167

Other assets included the following items as at March 31, 2025 and 2024:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Cash collateral paid for financial			
instruments .....	¥ 40,282	¥ 72,601	\$ 269,408
Initial margins for futures markets.	2,372	2,338	15,864
Guarantee deposits .....	798	797	5,337
Initial margins for central			
counterparty .....	—	50,000	—

14. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Reserve for possible loan losses ...	¥ 20,263	¥ 17,667	\$ 135,520
Unrealized losses on available- for-sale securities .....	41,824	17,832	279,721
Net defined benefit liability .....	6,009	5,460	40,188
Depreciation .....	3,945	4,063	26,384
Deferred losses on hedging instruments.....	1,086	1,748	7,263
Losses on impairment of fixed assets.....	1,292	1,246	8,640
Accrued employees’ bonuses ....	642	560	4,293
Write-down of securities.....	454	621	3,036
Software .....	508	251	3,397
Other .....	2,574	2,770	17,215
Subtotal .....	78,602	52,222	525,695
Valuation allowance .....	(1,747)	(1,828)	(11,684)
Total deferred tax assets .....	76,855	50,393	514,011

Deferred tax liabilities:

Unrealized gains on available- for-sale securities .....	(37,616)	(42,040)	(251,578)
Deferred gains on hedging instruments .....	(10,634)	(4,391)	(71,120)
Reserve for advanced depreciation of tangible fixed assets.....	(242)	(235)	(1,618)
Other .....	(83)	(61)	(555)
Total deferred tax liabilities .....	(48,576)	(46,729)	(324,879)
Net deferred tax assets (liabilities) ...	¥ 28,278	¥ 3,664	\$ 189,125

Reconciliation between the statutory tax rate and the effective tax rate of the Company as at March 31, 2025 and 2024 was as follows:

	2025	2024
Statutory tax rate	30.5%	—%
Permanent differences due to non-deductible expenses such as entertainment expenses	0.2	—
Permanent differences due to non-taxable income such as dividend income	(0.8)	—
Changes in valuation allowance	(0.6)	—
Other	(1.0)	—
Effective tax rate	28.3%	—%

Note: Figures for reconciliation between the statutory tax rate and the effective tax rate of the Company for the year ended March 31, 2024 have been omitted as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

15. Borrowed Money and Other Liabilities

Borrowed money and other liabilities as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Borrowed money.....	¥ 763,697	¥ 744,106	\$ 5,107,657
Lease liabilities			
(due within one year).....	217	218	1,451
Lease liabilities			
(due after one year).....	719	934	4,808

The weighted average interest rates on the outstanding balances as at March 31, 2025 and 2024 were as follows:

	2025	2024
Borrowed money.....	0.332%	0.580%
Lease liabilities (due within one year).....	—	—
Lease liabilities (due after one year).....	—	—

Note: The weighted average interest rate is not shown for lease liabilities because the Company uses a method that includes amounts equal to the interest in the total capital lease liabilities and that spreads the total amount equal to interest equally over each fiscal year of the lease period.

Borrowed money classified by maturity as at March 31, 2025 and 2024 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Less than one year.....	¥ 206,758	¥ 185,538	\$ 1,382,811
From one to two years.....	146,917	3,557	982,590
From two to three years.....	406,920	146,419	2,721,508
From three to four years.....	1,125	406,420	7,524
From four to five years .....	720	623	4,815
Over five years.....	1,256	1,547	8,400
Total borrowed money.....	¥ 763,697	¥ 744,106	\$ 5,107,657

Lease liabilities classified by maturity as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Less than one year.....	¥ 217	¥ 218	\$ 1,451
From one to two years.....	216	217	1,444
From two to three years.....	215	215	1,437
From three to four years.....	215	215	1,437
From four to five years .....	71	214	474
Over five years.....	2	71	13
Total lease liabilities .....	¥ 936	¥ 1,153	\$ 6,260

16. Bonds Payable

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Subordinated bond.....	¥ 30,000	¥ 10,000	\$ 200,642

17. Liability for Employees’ Severance and Retirement Benefits  
(1) Outline of retirement benefit plans

The consolidated subsidiary that engages in the banking business has defined retirement benefit plans and contribution retirement benefit plans. As for defined retirement benefit plans, the consolidated subsidiary that engages in the banking business had a corporate pension fund plan and a lump-sum payment plan.

Other consolidated subsidiaries mostly have provided unfunded lump-sum payment plans. In determining projected benefit obligation, a simplified method has been adopted, and the consolidated subsidiary that engages in the banking business has set up an employees’ retirement benefit trust.

(2) Defined benefit plans

(a) Changes in projected benefit obligation for the years ended March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Beginning balance of projected			
benefit obligation .....	¥ 54,199	¥ 61,745	\$ 362,486
Service cost .....	1,317	1,709	8,808
Interest cost .....	592	122	3,959
Actuarial differences .....	393	(7,506)	2,628
Retirement benefits paid .....	(2,025)	(1,871)	(13,543)
Prior service cost.....	—	—	—
Other .....	—	—	—
Ending balance of projected			
benefit obligation .....	¥ 54,477	¥ 54,199	\$ 364,345

(b) Changes in plan assets for the years ended March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Beginning balance of plan assets....	¥ 62,780	¥ 58,279	\$ 419,876
Expected return on plan assets....	1,339	1,313	8,955
Actuarial differences .....	(1,890)	3,321	(12,640)
Contribution from the employer ...	1,219	1,264	8,152
Retirement benefits paid .....	(1,402)	(1,398)	(9,376)
Other .....	—	—	—
Ending balance of plan assets.....	¥ 62,047	¥ 62,780	\$ 414,974

(c) Reconciliation between the ending balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation ...	¥ 54,151	¥ 53,833	\$ 362,165
Plan assets.....	(62,047)	(62,780)	(414,974)
	(7,895)	(8,947)	(52,802)
Unfunded defined benefit obligation ...	325	366	2,173
Net liability (asset) recorded in the consolidated balance sheet .....	¥ (7,570)	¥ (8,581)	\$ (50,628)

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net defined benefit liability .....	¥ 1,625	¥ 429	\$ 10,868
Net defined benefit asset.....	(9,195)	(9,010)	(61,496)
Net liability (asset) recorded in the consolidated balance sheet .....	¥ (7,570)	¥ (8,581)	\$ (50,628)

(d) The components of retirement benefit expenses for the years ended March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost .....	¥ 1,317	¥ 1,709	\$ 8,808
Interest cost .....	592	122	3,959
Expected return on plan assets .....	(1,339)	(1,313)	(8,955)
Amortization of actuarial differences ..	928	1,925	6,206
Amortization of prior service cost ..	(418)	(418)	(2,795)
Other .....	(17)	(13)	(113)

Retirement benefit expenses on defined benefit plans.....	¥ 1,062	¥ 2,012	\$ 7,102
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Note: Retirement benefit expenses of consolidated subsidiaries that adopted the simplified method are included in “Service cost.”

(e) The components of adjustments for retirement benefits (before income taxes and tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Prior service cost .....	¥ (418)	¥ (418)	\$ (2,795)
Actuarial differences .....	(1,355)	12,753	(9,062)
Total.....	¥ (1,773)	¥ 12,335	\$ (11,857)

(f) The components of accumulated adjustments for retirement benefits (before income taxes and tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized prior service cost ....	¥ 2,858	¥ 3,276	\$ 19,114
Unrecognized actuarial differences....	770	2,126	5,149
Other .....	—	—	—
Total.....	¥ 3,628	¥ 5,402	\$ 24,264

(g) Plan assets

- 1) Components of plan assets  
Plan assets consisted of the following:

	2025	2024
Investment trusts .....	24.0%	33.8%
Cash and deposits .....	22.4%	13.7%
Equity securities.....	13.9%	15.0%
Bonds .....	13.1%	12.1%
General account.....	7.3%	7.1%
Other .....	19.3%	18.3%
Total.....	100%	100%

Note: Total plan assets as at March 31, 2025 and 2024 included an employees' retirement benefit trust established for corporate welfare pension plans that represented 41.6% and 42.3% of the total plan assets, respectively.

- 2) Method used to determine the long-term expected rate of return on plan assets  
The long-term expected rate of return on plan assets is determined by considering the allocation of plan assets and the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the years ended March 31, 2025 and 2024 were as follows:

	2025	2024
Discount rate	1.100%	1.100%
Long-term expected rate of return	2.000% - 2.364%	2.000% - 2.640%

Note: Since the Company has applied the benefit formula basis for calculating retirement benefit obligation, the expected rate of salary increase is not taken into consideration.

(3) Amount of retirement benefit expenses for defined contribution plans

The amount of required contribution to the defined contribution plan of the consolidated subsidiaries for the years ended March 31, 2025 and 2024 was ¥219 million (\$1,464 thousand) and ¥208 million, respectively.

18. Derivative Transactions

Derivative transactions as at March 31, 2025 and 2024 were as follows:

(1) Derivative transactions to which hedge accounting is not applied

For derivative transactions to which hedge accounting is not applied, the contract amount or corresponding principal amount stipulated by the contract, the fair value, recognized gains (losses) and the method used to calculate fair value by type of transaction as at the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate the market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Millions of Yen			
	2025			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	¥ 72,361	¥ 70,861	¥ 223	¥ 223
Pay floating/ receive fixed.....	68,821	68,821	337	337
Total.....	¥ 560		¥ 560	

Type	Thousands of U.S. Dollars			
	2025			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	\$ 483,955	\$ 473,923	\$ 1,491	\$ 1,491
Pay floating/ receive fixed.....	460,279	460,279	2,253	2,253
Total.....	\$ 3,745		\$ 3,745	

Type	Millions of Yen			
	2024			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	¥ 67,093	¥ 60,439	¥ 1,022	¥ 1,022
Pay floating/ receive fixed.....	63,144	57,889	(553)	(553)
Total.....	¥ 468		¥ 468	

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Currency-related Derivatives:

Type	Millions of Yen			
	2025			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥1,307,532	¥1,070,168	¥ (2)	¥ (2)
Forward foreign exchange				
Sold .....	150,141	102,469	(11,450)	(11,450)
Bought.....	141,389	101,592	13,318	13,318
Currency options				
Sold .....	1,470	625	(14)	28
Bought.....	1,470	625	14	(22)
Total.....	¥ 1,865		¥ 1,871	

Type	Thousands of U.S. Dollars			
	2025			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	\$8,744,863	\$7,157,356	\$ (13)	\$ (13)
Forward foreign exchange				
Sold .....	1,004,153	685,319	(76,578)	(76,578)
Bought.....	945,619	679,454	89,071	89,071
Currency options				
Sold .....	9,831	4,180	(93)	187
Bought.....	9,831	4,180	93	(147)
Total.....	\$ 12,473		\$ 12,513	

Type	Millions of Yen			
	2024			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥1,051,549	¥ 930,402	¥ 53	¥ 53
Forward foreign exchange				
Sold .....	103,365	78,513	(9,914)	(9,914)
Bought.....	93,831	77,333	10,988	10,988
Currency options				
Sold .....	2,414	1,101	(23)	47
Bought.....	2,414	1,101	23	(36)
Total.....	¥ 1,127		¥ 1,138	

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Bond-related Derivatives:

Type	Millions of Yen				
	2025				
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)	
Financial products exchange transactions					
Bond futures					
Sold.....	¥	414	¥	—	¥ (1)
Total.....			¥	(1)	¥ (1)

Type	Thousands of U.S. Dollars			
	2025			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	\$ 2,768	\$ —	\$ (6)	\$ (6)
Total.....			\$ (6)	\$ (6)

Type	Millions of Yen				Recognized gains (losses)
	2024				
	Contract amount	Over 1 year	Fair value		
Financial products exchange transactions					
Bond futures					
Sold.....	¥	728	¥	—	¥ 0
Total.....			¥	0	¥ 0

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Other:

Type	Millions of Yen				
	2025				
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)	
Over-the-counter transactions					
Earthquake derivatives					
Sold.....	¥	100	¥	—	¥ (2)
Bought.....		100		—	2
Total.....			¥	—	¥ —

Type	Thousands of U.S. Dollars				Recognized gains (losses)
	2025				
	Contract amount	Over 1 year	Fair value		
Over-the-counter transactions					
Earthquake derivatives					
Sold.....	\$ 668	\$ —	\$ (13)	\$ —	
Bought.....	668	—	13	—	
Total.....			\$ —	\$ —	

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

There was no other derivative as at March 31, 2024.

(2) Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, the contract amounts or corresponding principal amounts stipulated by the contract, the fair value, the method used to calculate fair value by type of transaction and the hedge accounting method as at the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate the market risk for the derivative transactions themselves.

Interest Rate Derivatives:

		Millions of Yen		
		2025		
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills discounted and available-for-sale securities			
Interest rate swaps				
Pay fixed/receive floating .....		¥ 718,876	¥ 674,774	¥32,385
Total.....				¥32,385

		Thousands of U.S. Dollars		
		2025		
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills			
Interest rate swaps	discounted and			
Pay fixed/receive floating .....	available-for-sale securities	\$4,807,891	\$4,512,934	\$216,593
Total.....				\$216,593

		Millions of Yen		
		2024		
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills			
Interest rate swaps	discounted and			
Pay fixed/receive	available-for-sale			
floating .....	securities	¥ 693,387	¥ 645,872	¥ 10,468
Total.....				¥ 10,468

Note: The deferral method of hedge accounting was applied to the above transactions in accordance with the “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022).

Currency-related Derivatives:

		Millions of Yen		
		2025		
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps .....	Call loans	¥ 29,035	¥ —	¥ (74)
Currency swaps .....	Loans	623,968	387,150	(1,909)
Total .....				¥ (1,983)

		Thousands of U.S. Dollars		
		2025		
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps .....	Call loans	\$ 194,188	\$ —	\$ (494)
Currency swaps .....	Loans	4,173,140	2,589,285	(12,767)
Total .....				\$ (13,262)

		Millions of Yen		
		2024		
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps .....	Call loans	¥ 61,575	¥ —	¥ 6
Currency swaps .....	Loans	597,150	389,191	(1,807)
Total.....				¥ (1,801)

Note: The deferral method of hedge accounting was applied to the above transactions in accordance with the “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020).

19.Lease Transactions

Information about operating leases as at March 31, 2025 and 2024 was as follows:

As lessee:

Obligations under operating leases that were not cancellable as at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within one year .....	¥ 112	¥ 118	\$ 749
Due after one year .....	246	355	1,645
Total.....	¥ 359	¥ 474	\$ 2,401

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net unrealized gains (losses) on available-for-sale securities:			
Increase (decrease) during the year	¥ (91,750)	¥ 32,540	\$ (613,630)
Reclassification adjustments	(958)	(1,694)	(6,407)
Subtotal, before income taxes and tax benefit or (expense)	(92,708)	30,846	(620,037)
Income taxes and tax benefit or (expense)	28,417	(9,433)	190,054
Subtotal, net of income taxes and tax benefit or (expense)	(64,290)	21,412	(429,975)

Net deferred gains on hedging instruments:			
Decrease during the year	(8,722)	(11,981)	(58,333)
Reclassification adjustments	30,456	25,426	203,691
Subtotal, before income taxes and tax benefit or (expense)	21,733	13,444	145,351
Income taxes and tax benefit or (expense)	(6,904)	(4,100)	(46,174)
Subtotal, net of income taxes and tax benefit or (expense)	14,828	9,344	99,170

Adjustments for retirement benefits:			
Increase (decrease) during the year	(2,283)	10,828	(15,268)
Reclassification adjustments	509	1,507	3,404
Subtotal, before income taxes and tax benefit or (expense)	(1,773)	12,335	(11,857)
Income taxes and tax benefit or (expense)	500	(3,762)	3,344
Subtotal, net of income taxes and tax benefit or (expense)	(1,273)	8,573	(8,513)
Total other comprehensive income	¥ (50,735)	¥ 39,329	\$ (339,319)

21. Financial Instruments

(1) Information about Status of Financial Instruments

(a) Policies for using financial instruments

The Group is engaged in financial services, primarily the banking business. The Group's core business of banking is mainly financing through deposit-taking operations and investing funds through its loan and securities investment operations.

The Group engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest and exchange rates related to assets and liabilities held by the Group as well as the risk of fluctuation in the market prices of bonds, stocks and other investment instruments held by the Group. In addition, the Group provides hedging services to customers in accordance with their needs.

(b) Details of financial instruments used and the exposure to risks and how they arise

The financial assets held by the Group consist primarily of loans to corporations, local public organizations, local public corporations and individuals in Japan. The Group's loans are categorized into bills discounted, loans on bills, loans on deeds and overdrafts. These loans are subject to the “credit risk” of decline in value or loss due to changes in the financial status of

those to whom credit is provided and to the “interest rate risk” of decline in value due to changes in interest rates.

Among other financial assets, the Group holds securities, trading account securities and other debt purchased, which mainly comprise Japanese stocks and bonds and foreign bonds and trust certificates. The purposes of these instruments include holding to maturity, investment and business development. As financial assets, they are subject to various types of risk. These include the credit risk of the issuer, interest rate risk, which is the risk that the value of the assets may decline due to changes in the prices of securities or other assets (“price fluctuation risk”) and the risk of loss incurred if exchange rates differ from original expectations (“exchange rate risk”). Moreover, the Group’s financial assets are subject to the risk that the Group might not be able to make trades due to turmoil, etc., in the marketplace or be unable to avoid making trades at prices that are more notably disadvantageous than usual (“liquidity risk”). Note that interest rate, price fluctuation and exchange rate risks are collectively known as “market risk.”

The Group also holds financial liabilities in the form of deposits and negotiable certificates of deposit, which are chiefly deposits held in yen or a foreign currency by corporations, local public organizations, local public corporations and individuals in Japan. These deposits are categorized into current deposits, ordinary deposits, saving deposits, deposits at notice, time deposits, installment time deposits, deposits for tax payment, non-resident yen deposits, foreign currency deposits and deposits for offshore accounts. The deposits are subject to the interest rate risk as well as the risk of loss arising from the Group having difficulty in raising necessary funds or being forced to raise funds at significantly higher interest rates than usual in the event of a shortage of capital due to a mismatch in the terms of the Group’s deposits and its investment portfolio of loans and securities or an unexpected run on the Group’s deposits (“funding risk”).

Derivative transactions include interest rate-related transactions (swaps and caps), currency-related transactions (swaps, options, forward exchange contracts and non-deliverable forwards), bond-related transactions (bond futures and bond options), stock-related transactions (stock futures and stock options) and credit derivative transactions (credit default swaps). The Group engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest or exchange rates related to assets and liabilities held by the Group and fluctuations in the market prices of bonds, stocks and other investment instruments held by the Group. The Group also provides hedging services to customers in accordance with their needs. Although the Group uses derivative transactions to capture short-term gains in assets for trading purposes, any possible loss on these derivative transactions is limited by maintaining a fixed position quota and capping allowed losses.

Of the above-mentioned derivative transactions, used for hedging purposes are carried out in accordance with the hedging policies (reduction of interest risk, etc.) stipulated in the Company’s internal operating regulations and include interest rate swaps for loans and securities and currency swaps for foreign-currency-denominated securities and deposits. In evaluating the effectiveness of hedges, the Group groups together the loans and interest rate swaps used for market value hedges by the specific term (remaining) of the positions to determine performance. In some cases, the Group also assesses the effectiveness of market value hedging instruments on an individual basis. The Group uses currency swaps and other methods to hedge exchange rate risks and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign-currency-denominated monetary assets or liabilities being hedged.

(c) Policies and processes for managing risk

1) Credit Risk Management

Credit risk refers to loss incurred when the value of assets (including off-balance-sheet assets) declines or becomes worthless due to changes in the financial status of those to whom credit is provided.

The Group’s objective of credit risk management is to maintain and improve its financial soundness by appropriately managing credit operations in order to contribute to the sound development of society and the economy, and through this, the development of the Group itself. In addition, the basic credit risk management policy is to appropriately manage the credit risks of the diverse transactions of each of its divisions and business sections in a comprehensive and integrated manner, using credit risk assessment and management methods that suit the special characteristics of each transaction.

Based on this framework, the Group companies manage credit risks pursuant to the basic credit risk management policy, and the Management Administration Department, which is the credit risk management control department, supervises and manages the credit risks of the entire Group.

Credit risk management entails a credit management system that establishes standards and procedures for making credit decisions, and a credit risk assessment system that is part of those procedures and establishes standards and procedures for assessing credit risks as a basis for making credit decisions. These systems are appropriately operated to control risks by preventing the occurrence of credit risk losses or keeping them within a certain range. Credit concentration risks are also managed appropriately by avoiding excessive concentration of credit to specific customers, groups, or industries. Through these efforts, the Group strives to ensure the control of credit risks and its ability to earn stable income.

In light of the importance of capital adequacy requirements in terms of risk management and information disclosure, the Group strictly measures regulatory capital requirements for credit risks under the credit risk management framework. The Group has a scheme in place to assess credit risks and financial conditions under stress conditions such as economic downturns and defaults of large borrowers, to evaluate capital adequacy and the appropriateness of risk management plans, and to reflect the results in credit management and other activities.

2) Market Risk Management

Market risk refers to the risk of incurring loss from fluctuations in profits arising from assets and liabilities and the risk of incurring loss from fluctuations in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in market risk factors such as interest rates, exchange rates and share prices.

The Group’s basic risk management policy for market risk is to determine and analyze the risk from the point of view of fluctuations in both present value and net interest income and to assess the risk from various angles using stress tests and other methods.

Based on this framework, the Group companies manage market risks pursuant to the basic market risk management policy, and the Management Administration Department, which is the market risk management control department, supervises and manages the market risks of the entire Group.

Trading limits and loss limits have been set for trading operations, the goal of which is to earn trading profit from buying and selling securities in market operations. The limits are managed to ensure that losses in excess of a certain amount do not occur. Banking operations (investment securities) are managed for risk by taking the risk-return balance into consideration through ALM analysis, Value at Risk (VaR) analysis and other means to

ensure stable profits over the medium- to long-term. The Group has also established a system for the flexible management of market risk as well as credit risk and liquidity risk related to market operations.

Market risk management, including lending and deposit services, is carried out by analyzing risk from multiple aspects such as the calculation of interest rate risk. The Group Risk Management Committee and the Group ALM Committee discuss the overall management of assets and liabilities and evaluate management and lending policies.

Quantitative Information about Market Risk

(Financial instruments to which quantitative analysis of market risk is applied for the purpose of risk management)

The Group measures market risk volume using VaR and monitors, analyzes, evaluates and controls risks from various aspects, implementing limit controls and stress tests.

The Group has adopted a variance-covariance model assuming that fluctuations in prices and interest rates will follow a normal distribution and uses a five-year observation period, a 99.9% confidence interval, a 125-business-day holding period for banking business and a 10-business-day holding period for trading activities. Among financial instruments, market price fluctuation risk is measured for equity securities (excluding unlisted equity securities), investment trusts and other assets. Interest rate risk is measured for debt securities, deposits and loans, taking into consideration the correlation between price fluctuation risk and interest rate risk.

Under normal circumstances, interest rates will generally rise when stock prices rise (prices of debt securities will decline) and decline when the stock prices decline (prices of debt securities will rise). Thus, stock prices and interest rates are mutually related, and stock prices and prices of debt securities are inversely related. The Company maintains a market risk volume smaller than the total price fluctuation risk and interest rate risk taking the correlation into account. At a time of stress, such as in times of a drastic change in the market environment, there is a possibility that the above correlation would not work and another complementary system would be established by different stress tests and capital allocation.

Market risk volume as at March 31, 2025 and 2024 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Market risk volume .....	¥ 185,581	¥ 183,835	\$ 1,241,178
Banking business.....	185,544	183,566	1,240,930
[Price fluctuation risk] .....	[129,536]	[124,166]	[866,345]
[Interest rate risk] .....	[75,197]	[79,386]	[502,922]
[Considering correlation] ....	[(19,189)]	[(19,986)]	[(128,337)]
Trading activities.....	37	269	247

The Group conducts back testing, which compares VaR and profit and loss on a regular basis to verify the effectiveness of its measurement of market risk. The profit or loss expected at the time the measurement of VaR is fixed is used for comparison. As a result of back testing, the Group has determined that there is no problem with its market risk measurement model and measurement methods.

However, since VaR is statistically computed under certain assumptions based on historical market fluctuations, certain risks beyond the assumptions may not be fully captured. Accordingly, a complementary system is established by different stress tests and other considerations.

(Financial instruments to which quantitative analysis of market risk is not applied for the purpose of risk management)

The Group does not apply market risk measurement to unlisted equity securities, which are measured by credit risk.

3) Liquidity Risk Management

Liquidity risk refers to the risk of incurring losses when it becomes difficult to secure the requisite funds or when funds at a much higher than normal interest rate become necessary due to a mismatch between the timing of procurement and use, an unexpected outflow of funds (hereafter, “funds procurement risks”) or risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (hereafter, “market liquidity risk”).

The Group recognizes funds procurement as an important management issue, and its basic funds procurement risk policy is to ensure a stable supply of funds. The Group’s basic policy for managing market liquidity risk is to take into consideration the special features of markets such as market size, liquidity and other factors and pay careful attention to market liquidity.

Based on this framework, the Group companies manage liquidity risks pursuant to the basic liquidity risk management policy, and the Management Administration Department, which is the liquidity risk management control department, supervises and manages the liquidity risks of the entire Group.

Liquidity risk management entails careful monitoring of the daily status of funds procurement, including monitoring of early warning indicators, striving to limit the risks involved in the procurement of funds. In addition, liquidity risks are managed by establishing the management policies for risks of procuring funds such as policies on holding highly liquid assets and setting limits on financing gap between investments and procurement for a certain period.

Deposits comprise the vast majority of procurement for The Chugoku Bank, Limited, which is a consolidated subsidiary of particular importance. Although the procurement of funds is stable, the Group is working to diversify the means of procurement to prepare for unforeseen circumstances such as procurement from the market utilizing marketable securities held by The Chugoku Bank, Limited. In addition, the Group verifies that funding is available for foreign currencies through stress tests that assume a market funding environment that deteriorates and makes it difficult to procure funds in the market. The Group also measures and manages the foreign currency stability ratio, which indicates the degree of stability of foreign currency investments and funding, to maintain the medium- to long-term stability of the foreign currency balance sheet. Furthermore, the Group monitors various indicators related to the yen and foreign currency funding environment, and has a scheme in place to consider and implement countermeasures in response to changes in the environment.

(d) Supplementary information on fair values

In calculating fair value of financial instruments, certain assumptions are adopted and other factors considered, and the values may differ when adopting different assumptions and when considering other factors.

(2) Fair Values of Financial Instruments

The following are the consolidated balance sheet amounts and fair values and any differences between them as at March 31, 2025 and 2024. Equity securities, etc., without market prices and investments in partnerships are not included in the table below (see Note 1). In addition, the notes on cash and due from banks and payables under securities lending transactions are omitted because they are matured or settled in a short period of time and their fair values approximate the book values.

	Millions of Yen			
	2025			Difference
	Book value	Fair value		
Assets				
(1) Trading account securities .....	¥ 510	¥ 510		—
(2) Money trusts.....	11,700	11,700		—
(3) Securities				
Held-to-maturity debt securities .....	72,552	70,178	¥	(2,374)
Available-for-sale securities (*1) .....	2,668,993	2,668,993		—
(4) Loans and bills discounted.....	6,571,458			
Reserve for possible loan losses (*2).....	(70,870)			
	6,500,587	6,469,980		(30,606)
Total assets.....	¥ 9,254,344	¥ 9,221,363	¥	(32,980)
Liabilities				
(1) Deposits .....	¥ 8,256,715	¥ 8,253,437	¥	(3,278)
(2) Negotiable certificates of deposit.....	107,075	107,096		21
(3) Borrowed money.....	763,697	763,681		(16)
Total liabilities.....	¥ 9,127,489	¥ 9,124,214	¥	(3,274)
Derivative transactions (*3)				
Derivative transactions to which hedge accounting is not applied .....	¥ (37,043)	¥ (37,043)		—
Derivative transactions to which hedge accounting is applied .....	30,401	30,401		—
Total derivative transactions.....	¥ (6,642)	¥ (6,642)	¥	—

	Thousands of U.S. Dollars			
	2025			Difference
	Book value	Fair value		
Assets				
(1) Trading account securities .....	\$ 3,410	\$ 3,410		—
(2) Money trusts.....	78,250	78,250		—
(3) Securities				
Held-to-maturity debt securities .....	485,232	469,355	\$	(15,877)
Available-for-sale securities (*1) .....	17,850,407	17,850,407		—
(4) Loans and bills discounted.....	43,950,361			
Reserve for possible loan losses (*2).....	(473,983)			
	43,476,371	43,271,669		(204,695)
Total assets.....	\$ 61,893,686	\$ 61,673,107	\$	(220,572)
Liabilities				
(1) Deposits .....	\$ 55,221,475	\$ 55,199,551	\$	(21,923)
(2) Negotiable certificates of deposit.....	716,124	716,265		140
(3) Borrowed money.....	5,107,657	5,107,550		(107)
Total liabilities.....	\$ 61,045,271	\$ 61,023,368	\$	(21,896)
Derivative transactions (*3)				
Derivative transactions to which hedge accounting is not applied .....	\$ (247,746)	\$ (247,746)		—
Derivative transactions to which hedge accounting is applied .....	203,323	203,323		—
Total derivative transactions.....	\$ (44,422)	\$ (44,422)	\$	—

	Millions of Yen			
	2024			Difference
	Book value	Fair value		
Assets				
(1) Trading account securities .....	¥ 1,017	¥ 1,017		—
(2) Money trusts.....	32,000	32,000		—
(3) Securities				
Held-to-maturity debt securities .....	57,720	57,633	¥	(87)
Available-for-sale securities(*1) .....	2,510,720	2,510,720		—
(4) Loans and bills discounted.....	6,231,363			
Reserve for possible loan losses (*2).....	(59,226)			
	6,172,137	6,185,645		13,508
Total assets.....	¥ 8,773,595	¥ 8,787,017	¥	13,421
Liabilities				
(1) Deposits .....	¥ 8,211,551	¥ 8,210,336	¥	(1,215)
(2) Negotiable certificates of deposit.....	98,020	98,023		3
(3) Borrowed money.....	744,106	744,080		(25)
Total liabilities.....	¥ 9,053,678	¥ 9,052,440	¥	(1,237)
Derivative transactions (*3)				
Derivative transactions to which hedge accounting is not applied .....	¥ (73,205)	¥ (73,205)		—
Derivative transactions to which hedge accounting is applied (*4).....	8,667	8,667		—
Total derivative transactions.....	¥ (64,537)	¥ (64,537)	¥	—

Items that did not have a material impact on the consolidated balance sheets were omitted.

(\*1) Available-for-sale securities include investment trusts to which the treatment in Paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) is applied, where the standard price is deemed to be the fair value.

(\*2) Included are the general reserve for possible loan losses and the specific reserve for possible loan losses.

(\*3) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis indicated by parentheses.

(\*4) These are derivative transactions such as interest rate swaps designated as hedging instruments to fix cash flows of hedged items such as loans, and the deferral method of hedge accounting is primarily adopted. In addition, “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ PITF No. 40, March 17, 2022) is applied to these hedging relationships.

(Note 1) Equity securities, etc. without market prices and investments in partnerships are indicated below and are not included in “Available-for-sale securities” in the fair value information on financial instruments in the tables above.

	Millions of Yen		Thousands of
	2025	2024	U.S. Dollars
Unlisted equity securities (*1) (*2)..	¥ 7,445	¥ 4,196	\$ 49,792
Investments in partnerships (*3)....	27,097	23,772	181,226
Foreign stocks in foreign currency (*1) ..	0	0	0

(\*1) Unlisted equity securities are exempted from fair value disclosures in accordance with Paragraph 5 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

(\*2) Impairment losses on unlisted equity securities of ¥32 million (\$214 thousand) were recognized for the fiscal year ended March 31, 2025. Impairment loss on unlisted equity securities was not recognized for the fiscal year ended March 31, 2024.

(\*3) Investments in partnerships, etc., are exempted from fair value disclosures in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Maturities of monetary assets and securities with contractual maturities subsequent to the balance sheet date

	Millions of Yen					
	2025					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 1,203,294	—	—	—	—	—
Securities .....	156,285	¥ 432,746	¥ 418,779	¥ 154,469	¥ 272,669	¥ 932,784
Held-to-maturity debt securities.....	2,899	200	34,361	8,774	26,317	—
Japanese government bonds.....	899	—	9,929	—	9,925	—
Japanese municipal bonds.....	—	200	5,100	—	10,798	—
Japanese corporate bonds .....	2,000	—	19,331	8,774	5,593	—
Available-for-sale securities with maturities .....	153,385	432,546	384,418	145,694	246,352	932,784
Japanese government bonds .....	25,165	99,216	122,419	70,476	173,205	337,755
Japanese municipal bonds.....	8,047	68,662	76,751	51,742	58,846	356,812
Japanese corporate bonds .....	55,007	111,166	60,341	12,577	11,566	65,554
Other .....	65,164	153,500	124,906	10,899	2,733	172,661
Loans and bills discounted (*2) .....	1,592,699	1,250,119	941,206	650,028	664,262	1,351,579
Total.....	¥ 2,952,278	¥ 1,682,866	¥ 1,359,986	¥ 804,497	¥ 936,932	¥ 2,284,364

	Thousands of U.S. Dollars					
	2025					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	\$ 8,047,712	—	—	—	—	—
Securities .....	1,045,244	\$ 2,894,234	\$ 2,800,822	\$ 1,033,099	\$ 1,823,628	\$ 6,238,523
Held-to-maturity debt securities.....	19,388	1,337	229,808	58,681	176,009	—
Japanese government bonds.....	6,012	—	66,405	—	66,379	—
Japanese municipal bonds.....	—	1,337	34,109	—	72,217	—
Japanese corporate bonds .....	13,376	—	129,287	58,681	37,406	—
Available-for-sale securities with maturities .....	1,025,849	2,892,897	2,571,013	974,411	1,647,619	6,238,523
Japanese government bonds.....	168,305	663,563	818,746	471,348	1,158,406	2,258,928
Japanese municipal bonds.....	53,818	459,216	513,315	346,054	393,566	2,386,383
Japanese corporate bonds .....	367,890	743,485	403,564	84,115	77,354	438,429
Other .....	435,821	1,026,618	835,379	72,893	18,278	1,154,768
Loans and bills discounted (*2) .....	10,652,079	8,360,881	6,294,850	4,347,431	4,442,629	9,039,452
Total.....	\$ 19,745,037	\$ 11,255,123	\$ 9,095,679	\$ 5,380,531	\$ 6,266,265	\$ 15,277,982

	Millions of Yen					
	2024					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 1,373,936	—	—	—	—	—
Securities .....	155,158	¥ 363,164	¥ 413,980	¥ 155,040	¥ 160,020	¥ 991,617
Held-to-maturity debt securities.....	5,400	2,899	22,667	8,769	17,984	—
Japanese government bonds.....	5,400	899	2,992	—	2,986	—
Japanese municipal bonds.....	—	—	5,300	—	10,798	—
Japanese corporate bonds .....	—	2,000	14,375	8,769	4,200	—
Available-for-sale securities with maturities .....	149,758	360,265	391,312	146,271	142,036	991,617
Japanese government bonds.....	20,254	94,616	101,215	70,885	45,592	328,708
Japanese municipal bonds.....	13,572	29,233	105,802	53,690	71,826	425,787
Japanese corporate bonds .....	42,636	108,611	72,941	6,375	21,367	73,454
Other .....	73,294	127,803	111,352	15,319	3,249	163,666
Loans and bills discounted (*2) .....	1,543,179	1,192,472	861,620	588,017	669,226	1,261,886
Total.....	¥ 3,072,274	¥ 1,555,637	¥ 1,275,600	¥ 743,058	¥ 829,247	¥ 2,253,504

(\*1) Amounts due from banks with no maturity date are included in “Within 1 year.”  
(\*2) Loans due from bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers in the amount of ¥89,355 million (\$597,612 thousand) and ¥84,121 million and loans without contract due dates in the amount of ¥32,207 million (\$215,402 thousand) and ¥30,838 million are not included in the above tables as at March 31, 2025 and 2024, respectively.

(Note 3) Repayment schedule of deposits, negotiable certificates of deposit, payables under securities lending transactions and borrowed money subsequent to the balance sheet date

	Millions of Yen					
	2025					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	¥ 8,003,811	¥ 188,323	¥ 54,813	¥ 369	¥ 9,397	—
Negotiable certificates of deposit.....	107,055	20	—	—	—	—
Payables under securities lending transactions .....	765,678	—	—	—	—	—
Borrowed money.....	206,758	553,837	1,845	391	516	¥ 348
Total.....	¥ 9,083,304	¥ 742,180	¥ 56,659	¥ 760	¥ 9,914	¥ 348

	Thousands of U.S. Dollars					
	2025					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	\$ 53,530,036	\$ 1,259,517	\$ 366,593	\$ 2,467	\$ 62,847	—
Negotiable certificates of deposit.....	715,991	133	—	—	—	—
Payables under securities lending transactions .....	5,120,906	—	—	—	—	—
Borrowed money.....	1,382,811	3,704,099	12,339	2,615	3,451	\$ 2,327
Total.....	\$ 60,749,759	\$ 4,963,750	\$ 378,939	\$ 5,082	\$ 66,305	\$ 2,327

	Millions of Yen					
	2024					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	¥ 7,976,264	¥ 184,092	¥ 44,677	¥ 377	¥ 6,140	—
Negotiable certificates of deposit.....	97,294	726	—	—	—	—
Payables under securities lending transactions .....	604,049	—	—	—	—	—
Borrowed money.....	185,538	149,977	407,043	503	530	¥ 513
Total.....	¥ 8,863,146	¥ 334,795	¥ 451,721	¥ 881	¥ 6,670	¥ 513

(\*) Demand deposits are included in “Within 1 year.”

(3) Fair Value Information by Level Within the Fair Value Hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

1) Financial instruments measured at fair values

	Millions of Yen				
	2025				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts .....	—	¥ 5,200	—	¥	5,200
Trading account securities and securities					
Trading securities					
Japanese government bonds and Japanese municipal bonds, etc.....	¥ 139	370	—		510
Available-for-sale securities (*1)					
Equity securities .....	168,841	—	—		168,841
Japanese government bonds.....	828,239	—	—		828,239
Japanese municipal bonds.....	—	620,863	—		620,863
Japanese corporate bonds .....	—	227,614	¥ 88,599		316,213
Other .....	256,496	466,366	6,931		729,794
Total assets .....	¥ 1,253,717	¥ 1,320,415	¥ 95,530	¥	2,669,663

Derivative transactions (\*2)

Interest rate-related derivatives.....	—	¥ 32,946	—	¥	32,946
Currency-related derivatives .....	—	(39,587)	—		(39,587)
Bond-related derivatives.....	¥ (1)	—	—		(1)
Total derivative transactions.....	¥ (1)	¥ (6,641)	¥ —	¥	(6,642)

	Thousands of U.S. Dollars				
	2025				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts .....	—	\$ 34,777	—	\$	34,777
Trading account securities and securities					
Trading securities					
Japanese government bonds and Japanese municipal bonds, etc.....	\$ 929	2,474	—		3,410
Available-for-sale securities (*1)					
Equity securities .....	1,129,220	—	—		1,129,220
Japanese government bonds.....	5,539,319	—	—		5,539,319
Japanese municipal bonds.....	—	4,152,374	—		4,152,374
Japanese corporate bonds .....	—	1,522,298	\$ 592,556		2,114,854
Other .....	1,715,462	3,119,087	46,355		4,880,912
Total assets .....	\$ 8,384,945	\$ 8,831,025	\$ 638,911	\$	17,854,888

Derivative transactions (\*2)

Interest rate-related derivatives.....	—	\$ 220,345	—	\$	220,345
Currency-related derivatives .....	—	(264,760)	—		(264,760)
Bond-related derivatives.....	\$ (6)	—	—		(6)
Total derivative transactions.....	\$ (6)	\$ (44,415)	\$ —	\$	(44,422)

	Millions of Yen				
	2024				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts .....	—	¥ 20,000	—	¥	20,000
Trading account securities and securities					
Trading securities					
Japanese government bonds and Japanese municipal bonds, etc.....	¥ 183	833	—		1,017
Available-for-sale securities (*1)					
Equity securities .....	162,499	—	—		162,499
Japanese government bonds .....	661,271	—	—		661,271
Japanese municipal bonds .....	—	699,914	—		699,914
Japanese corporate bonds .....	—	228,929	¥ 96,458		325,387
Other .....	240,157	412,392	4,949		657,499
Total assets .....	¥ 1,064,112	¥ 1,362,070	¥ 101,408	¥	2,527,590

Derivative transactions (\*2)

Interest rate-related derivatives.....	—	¥ 10,937	—	¥	10,937
Currency-related derivatives .....	—	(75,475)	—		(75,475)
Bond-related derivatives.....	¥ 0	—	—		0
Total derivative transactions.....	¥ 0	¥ (64,537)	¥ —	¥	(64,537)

(\*1) Available-for-sale securities do not include investment trusts to which the treatment in Paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) is applied, where the standard price is deemed to be the fair value. The carrying amount of the investment trusts to which the treatment in Paragraph 24-9 is applied as at March 31, 2025 and 2024 was ¥5,040 million (\$33,707 thousand) and ¥4,147 million, respectively.

A reconciliation from the beginning balances to the ending balances of the investment trusts to which the treatment in Paragraph 24-9 is applied

Millions of Yen							
2025							
Beginning balance	Profit (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Amount where the net asset value of investment trusts is deemed to be the fair value	Amount where the net asset value of investment trusts is not deemed to be the fair value	Ending balance	Recognized gains (losses) on investment trusts held at the fiscal year-end included in profit (loss) for the fiscal year
	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)					
¥ 4,147	—	¥ 100	¥ 792	—	—	¥ 5,040	—

Thousands of U.S. Dollars							
2025							
Beginning balance	Profit (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Amount where the net asset value of investment trusts is deemed to be the fair value	Amount where the net asset value of investment trusts is not deemed to be the fair value	Ending balance	Recognized gains (losses) on investment trusts held at the fiscal year-end included in profit (loss) for the fiscal year
	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)					
\$ 27,735	—	\$ 668	\$ 5,296	—	—	\$ 33,707	—

Millions of Yen							
2024							
Beginning balance	Profit (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Amount where the net asset value of investment trusts is deemed to be the fair value	Amount where the net asset value of investment trusts is not deemed to be the fair value	Ending balance	Recognized gains (losses) on investment trusts held at the fiscal year-end included in profit (loss) for the fiscal year
	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)					
¥ 1,122	—	¥ 29	¥ 2,995	—	—	¥ 4,147	—

(\*a) Included in "Net unrealized gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

(\*2) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis indicated in parentheses.

2) Financial instruments other than those measured at fair value

	Millions of Yen				
	2025				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts .....	—	—	¥ 6,500	¥	6,500
Securities					
Held-to-maturity debt securities					
Japanese government bonds.....	¥ 20,188	—	—		20,188
Japanese municipal bonds.....	—	¥ 15,373	—		15,373
Japanese corporate bonds .....	—	34,616	—		34,616
Loans and bills discounted .....	—	—	6,469,980		6,469,980
Total assets .....	¥ 20,188	¥ 49,990	¥ 6,476,480	¥	6,546,659

Deposits.....	—	¥ 8,253,437	—	¥	8,253,437
Negotiable certificates of deposit.....	—	107,096	—		107,096
Borrowed money.....	—	752,223	¥ 11,457		763,681
Total liabilities.....	¥ —	¥ 9,112,757	¥ 11,457	¥	9,124,214

	Thousands of U.S. Dollars				
	2025				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts .....	—	—	\$ 43,472	\$	43,472
Securities					
Held-to-maturity debt securities					
Japanese government bonds.....	\$ 135,018	—	—		135,018
Japanese municipal bonds.....	—	\$ 102,815	—		102,815
Japanese corporate bonds .....	—	231,514	—		231,514
Loans and bills discounted .....	—	—	43,271,669		43,271,669
Total assets .....	\$ 135,018	\$ 334,336	\$ 43,315,141	\$	43,784,503

Deposits.....	—	\$ 55,199,551	—	\$	55,199,551
Negotiable certificates of deposit.....	—	716,265	—		716,265
Borrowed money.....	—	5,030,918	\$ 76,625		5,107,550
Total liabilities.....	\$ —	\$ 60,946,742	\$ 76,625	\$	61,023,368

	Millions of Yen				
	2024				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts .....	—	—	¥ 12,000	¥	12,000
Securities					
Held-to-maturity debt securities					
Japanese government bonds .....	¥ 12,305	—	—		12,305
Japanese municipal bonds .....	—	¥ 16,092	—		16,092
Japanese corporate bonds .....	—	29,236	—		29,236
Loans and bills discounted .....	—	—	6,185,645		6,185,645
Total assets .....	¥ 12,305	¥ 45,328	¥ 6,197,645	¥	6,255,279

Deposits.....	—	¥ 8,210,336	—	¥	8,210,336
Negotiable certificates of deposit.....	—	98,023	—		98,023
Borrowed money.....	—	730,511	¥ 13,569		744,080
Total liabilities.....	¥ —	¥ 9,038,871	¥ 13,569	¥	9,052,440

(Note 1) Description of valuation methods and inputs used in the fair value measurement

Assets

Money trusts

In principle, the fair value of money trusts for which trust asset components are securities is based on the price measured in the same method as securities, and is classified as Level 2.

The notes to Money Trusts based on holding purposes are stated in Note 7, “Money Trusts.”

Trading account securities and securities

The fair value of trading account securities and securities is classified as Level 1 for those whose unadjusted quoted prices in active markets are available, such as for listed equity securities, ETF, listed REIT and Japanese government bonds.

For those using publicly released quoted prices in inactive markets, their fair values are classified as Level 2, such as for Japanese municipal bonds and Japanese corporate bonds. In addition, for investment trusts in cases where there is no transaction price in the market and there are no material restrictions on cancellation or repurchase request such that market participants demand compensation for the risk, the standard price is their fair value and classified as Level 2.

The fair value of private placement bonds is measured by discounting total future cash flows at the risk-free rate plus a premium, which is a credit risk spread of individuals calculated by classification based on in-house rating, and is classified as Level 3.

In cases in which there are no available quoted prices, the fair value is determined using valuation techniques such as the present value method based on future cash flows. Observable inputs, such as swap rates, credit spread and default rates, are made the best of use in the fair value measurement. The fair value measured using significant unobservable inputs is classified as Level 3.

Loans and bills discounted

Since the terms of loans on bills, commercial bills discounted and overdrafts are short, the fair value of these items approximates the book value. Therefore, the fair value is deemed to be the book value.

The fair value for loans on deeds is determined by estimating future cash flows for individual transactions and calculating the present value. The discount rate used for commercial businesses, local public organizations and local public corporations is the risk-free rate plus a premium for each in-house credit risk rating factor. For loans to individuals, the interest rate on new loans at the end of the fiscal year under review is used. In estimating future cash flows, since cash flows based on variable interest rates reflect market rates in the short term, their terms are deemed to be the period up to the date of the next interest rate change.

In addition, as to claims against bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers, since the estimated amount of bad debt is calculated based on estimated amounts that could be collected from collateral and guarantees, the fair value approximates the consolidated balance sheet amount as at the consolidated balance sheet date minus the present estimated amount of bad debt. Therefore, the fair value is deemed to be this amount.

In measuring these fair values, since the effect of unobservable inputs is significant, these fair values are classified as Level 3.

Liabilities

Deposits and negotiable certificates of deposit

For demand deposits, including current deposits and ordinary deposits, the fair value is deemed to be the payment amount required on the consolidated balance sheet date (i.e., book value).

In addition, we calculate the fair values of fixed deposits and others and negotiable certificates of deposit by grouping the deposits based on future cash flows and discounting to present value using the interest rate on new deposits as at March 31, 2025 and 2024. The fair value is classified as Level 2.

Borrowed money

For borrowed money with floating interest rates, the fair value approximates the book value since it follows market interest rates in the short term and the credit standing of the consolidated subsidiaries and subsidiary corporations, etc. has not changed significantly after the transaction. Therefore, the book value serves as fair value.

For borrowed money with fixed interest rates, the fair value is determined based on the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period, at an interest rate assumed for a new borrowing under the same terms and conditions. For borrowed money whose contract period is short (within a year), the fair value approximates the book value, which is therefore used as fair value.

In measuring these fair values, the fair value is classified as Level 3 if the effect of unobservable inputs is significant. Otherwise, the fair value is classified as Level 2.

Derivative transactions

The fair value of derivative transactions is classified as Level 1 for those whose unadjusted quoted prices in active markets are available, such as for bond futures and interest rate futures.

However, as most of the derivative transactions are over-the-counter transactions and there is no publicly released quoted prices, valuation techniques such as the present value method and the Black-Scholes model are used to measure fair value depending on the type of transaction and the period to maturity. The main inputs used in these techniques are interest rates, foreign exchange rates and volatility. In addition, price adjustments are made based on counterparties’ credit risk and the Company’s own credit risk. In cases in which unobservable inputs are not used or their effect is immaterial, the fair value of derivative transactions is classified as Level 2, such as for plain vanilla interest rate swaps and forward foreign exchange. In cases where significant unobservable inputs are used, the fair values of derivative transactions are classified as Level 3, including other (earthquake derivatives, etc.).

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

1) Quantitative information on significant unobservable inputs

2025				
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Japanese corporate bonds				
Private placement bonds	Present value method	Credit risk spread	0.050%-5.041%	0.281%
2024				
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Japanese corporate bonds				
Private placement bonds	Present value method	Credit risk spread	0.047%-5.453%	0.254%

2) A reconciliation from the beginning balances to the ending balances and recognized gains (losses) included in profit (loss) for the fiscal year

Millions of Yen								
2025								
	Profit (loss) or other comprehensive income in the fiscal year				Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year			
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other compre-hensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds .....	¥ 96,458	—	¥ (902)	¥ (6,957)	—	—	¥ 88,599	—
Other .....	4,949	—	85	1,895	—	—	6,931	—

Thousands of U.S. Dollars								
2025								
	Profit (loss) or other comprehensive income in the fiscal year				Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year			
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other compre-hensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds .....	\$ 645,117	—	\$ (6,032)	\$ (46,528)	—	—	\$ 592,556	—
Other .....	33,099	—	568	12,673	—	—	46,355	—

Millions of Yen								
2024								
	Profit (loss) or other comprehensive income in the fiscal year				Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year			
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other compre-hensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds .....	¥ 99,515	¥ (2)	¥ (325)	¥ (2,728)	—	—	¥ 96,458	—
Other .....	6,911	—	249	(2,211)	—	—	4,949	—

(\*1) Included in "Other operating expenses" in the consolidated statements of income.

(\*2) Included in "Net unrealized gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

3) Description of valuation processes used for fair value measurement

The back division of the consolidated subsidiary has established policies and procedures for measuring fair value while the middle division of the consolidated subsidiary verifies whether inputs used in the fair value measurement and fair value as a result of the measurement are in accordance with the said policies and procedures. In addition, the back division determines the classification of levels of the fair value hierarchy based on the result of such verification. In addition, when using quoted prices obtained from third parties, the Group verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

4) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Credit risk spread

A credit risk spread is an estimated value calculated by classification based on in-house rating. A significant increase or decrease in the credit risk spread will lead to a significant increase or decrease in fair value.

22. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers for the years ended March 31, 2025 and 2024 was as follows:

Millions of Yen				Thousands of U.S. Dollars
	2025	2024	2025	
Ordinary income (Note 1) .....	¥ 211,734	¥ 184,661	\$1,416,091	
Of which, fee and commissions (Note 2) .....	24,163	22,034	161,603	
Deposit-taking and lending business .....	10,148	9,284	67,870	
Domestic or Foreign exchange business .....	4,964	4,767	33,199	
Security-related business .....	2,826	2,235	18,900	
Agency business .....	2,705	2,340	18,091	
Custody and safe deposit business .....	138	144	922	
Guarantee business .....	408	431	2,728	
Other business .....	2,970	2,830	19,863	
Of which, trust fees .....	9	0	60	
Ordinary income from contracts with customers .....	¥ 23,787	¥ 22,021	\$ 159,089	
Ordinary income other than the above (Note 1) (Note 2) .....	187,946	162,639	1,256,995	
Total ordinary income (Note 1) (Note 2) .....	¥ 211,734	¥ 184,661	\$1,416,091	

Notes: 1. Includes revenue based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).  
2. Includes revenue based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

(2) Balances of receivables and contract liabilities

Disaggregation of receivables from contracts with customers and contract liabilities as at March 31, 2025 and 2024 were as follows:

Millions of Yen			Thousands of U.S. Dollars
	2025	2024	2025
Receivables from contracts with customers included in other assets .....	¥ 1,248	¥ 1,126	\$ 8,346
Contract liabilities included in other liabilities .....	59	53	394

23. Segment Information

(1) Description of reportable segments

The Group's reportable segments are components of the Group for which separate information is available and evaluated regularly by the Board of Directors in deciding how to allocate management resources and evaluating operating segment performance. Each operating segment is controlled by each consolidated subsidiary since each company provides different services.

Accordingly, the Group consists of operating segments differentiated by the services each company provides, and the reportable segments are mainly "Banking," "Leasing," and "Securities."

The "Banking" segment provides diversified financial services such as deposit-taking and lending. The "Leasing" segment is engaged in leasing services and installment sales of properties and goods. The "Securities" segment provides brokerage services for financial instruments.

(2) Methods of measurement for the amounts of ordinary income, profit or loss, assets, liabilities and other items for each reportable segment

The accounting policies for each reportable segment are consistent to those disclosed in Note 2, "Significant Accounting Policies." Intersegment income is based on arm's length prices.

(3) Information about ordinary income, profit or loss, assets, liabilities and other items was as follows:

	Millions of Yen							
	2025							
	Reportable segments							Consolidated financial statements
	Banking	Leasing	Securities	Total	Other	Total	Adjustments	
Ordinary income:								
External customers .....	¥ 190,249	¥ 14,552	¥ 3,878	¥ 208,680	¥ 3,053	¥ 211,734	—	¥ 211,734
Intersegment income .....	1,783	162	96	2,043	21,347	23,391	¥ (23,391)	—
Total.....	¥ 192,033	¥ 14,715	¥ 3,975	¥ 210,724	¥ 24,401	¥ 235,125	¥ (23,391)	¥ 211,734
Segment profit.....	35,796	685	868	37,351	19,482	56,833	(18,525)	38,308
Segment assets .....	11,004,719	62,021	10,618	11,077,359	519,088	11,596,447	(550,871)	11,045,576
Segment liabilities.....	10,507,883	40,134	4,959	10,552,977	20,922	10,573,899	(70,689)	10,503,210
Other items:								
Depreciation .....	2,825	1,299	12	4,138	38	4,176	72	4,249
Interest income.....	150,095	63	9	150,168	18,730	168,898	(18,852)	150,045
Interest expense .....	74,688	180	1	74,871	104	74,975	(295)	74,680

	Thousands of U.S. Dollars							
	2025							
	Reportable segments							Consolidated financial statements
	Banking	Leasing	Securities	Total	Other	Total	Adjustments	
Ordinary income:								
External customers .....	\$ 1,272,398	\$ 97,324	\$ 25,936	\$ 1,395,666	\$ 20,418	\$ 1,416,091	—	\$ 1,416,091
Intersegment income .....	11,924	1,083	642	13,663	142,770	156,440	\$ (156,440)	—
Total.....	\$ 1,284,329	\$ 98,414	\$ 26,585	\$ 1,409,336	\$ 163,195	\$ 1,572,532	\$ (156,440)	\$ 1,416,091
Segment profit.....	239,406	4,581	5,805	249,806	130,296	380,102	(123,896)	256,206
Segment assets .....	73,600,314	414,800	71,013	74,086,135	3,471,696	77,557,831	(3,684,262)	73,873,568
Segment liabilities.....	70,277,441	268,418	33,166	70,579,032	139,927	70,718,960	(472,772)	70,246,187
Other items:								
Depreciation .....	18,893	8,687	80	27,675	254	27,929	481	28,417
Interest income.....	1,003,845	421	60	1,004,333	125,267	1,129,601	(126,083)	1,003,511
Interest expense .....	499,518	1,203	6	500,742	695	501,437	(1,972)	499,464

- Notes: 1. Ordinary income and ordinary profit (segment profit) are presented in place of net sales and operating profit of non-financial industries.  
Ordinary income and ordinary profit are calculated by deducting non-recurring items from total income or income before income taxes and non-controlling interests.
2. “Other” represents business segments that are not included in the reportable segments and includes the credit card business, the asset management business and investment trust management business, the fund operation business, the personnel placement business, the consulting services, the regional energy and decarbonization businesses, the investment management business, and the advisory services.
3. “Other” includes cash dividends and commissions that the Company received from Group companies.
4. Adjustments mainly comprise elimination of intersegment transactions.
5. Chugin Energy Fund Investment Limited Partnership (newly established on October 1, 2024) is included in “Other” as the investment management business since it became the Company's consolidated subsidiary through additional investments made by The Chugoku Bank, Limited and Chugin Capital Partners Co., Ltd. in January 2025.

	Millions of Yen							
	2024							
	Reportable segments							Consolidated financial statements
	Banking	Leasing	Securities	Total	Other	Total	Adjustments	
Ordinary income:								
External customers .....	¥ 166,215	¥ 11,918	¥ 3,895	¥ 182,029	¥ 2,631	¥ 184,661	—	¥ 184,661
Intersegment income .....	1,865	162	80	2,107	8,945	11,053	¥ (11,053)	—
Total.....	¥ 168,081	¥ 12,080	¥ 3,975	¥ 184,137	¥ 11,577	¥ 195,714	¥ (11,053)	¥ 184,661
Segment profit.....	28,749	821	809	30,380	7,749	38,129	(6,937)	31,191
Segment assets .....	10,712,497	52,597	19,477	10,784,571	494,297	11,278,869	(515,064)	10,763,804
Segment liabilities.....	10,173,916	29,882	14,128	10,217,928	5,529	10,223,457	(40,768)	10,182,689
Other items:								
Depreciation .....	2,573	623	13	3,210	10	3,220	91	3,312
Interest income.....	124,093	62	1	124,158	7,057	131,216	(7,096)	124,120
Interest expense .....	61,818	119	1	61,939	0	61,940	(96)	61,843

- Notes: 1. Ordinary income and ordinary profit (segment profit) are presented in place of net sales and operating profit of non-financial industries.  
Ordinary income and ordinary profit are calculated by deducting non-recurring items from total income or income before income taxes and non-controlling interests.
2. “Other” represents business segments that are not included in the reportable segments and includes the credit card business, the asset management business and investment trust management business, the fund operation business, the personnel placement business, the consulting services, the regional energy and decarbonization businesses, and the advisory services.
3. “Other” includes cash dividends and commissions that the Company received from Group companies.
4. Adjustments mainly comprise elimination of intersegment transactions.
5. Chugin Energy Co., Ltd. (newly established on April 3, 2023) is included in “Other” as its business is related to regional energy and decarbonization.

Related Information:

Information about services

	Millions of Yen				
	2025				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 98,867	¥ 52,873	¥ 24,173	¥ 35,820	¥ 211,734

	Thousands of U.S. Dollars				
	2025				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	\$ 661,229	\$ 353,618	\$ 161,670	\$ 239,566	\$ 1,416,091

	Millions of Yen				
	2024				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 84,223	¥ 49,641	¥ 22,035	¥ 28,760	¥ 184,661

Note: Ordinary income is presented in place of net sales of non-financial industries.

Information about losses on impairment of fixed assets by reportable segments

Millions of Yen									
2025									
Reportable segments									
	Banking	Leasing	Securities	Total	Other	Total			
Losses on impairment of fixed assets .....	¥ 100	¥ —	¥ —	¥ 100	¥ —	¥ 100			

Thousands of U.S. Dollars									
2025									
Reportable segments									
	Banking	Leasing	Securities	Total	Other	Total			
Losses on impairment of fixed assets .....	\$ 668	\$ —	\$ —	\$ 668	\$ —	\$ 668			

Millions of Yen									
2024									
Reportable segments									
	Banking	Leasing	Securities	Total	Other	Total			
Losses on impairment of fixed assets .....	¥ 122	¥ —	¥ —	¥ 122	¥ —	¥ 122			

24. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve was included in retained earnings in the accompanying consolidated balance sheets.

The Japanese Banking Law provides that an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings must

be appropriated to a legal reserve until the total amount of legal earnings reserve and additional paid-in capital equals the amount of the Company's stated capital.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or be capitalized. These appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The movement of outstanding shares and cash dividends during the years ended March 31, 2025 and 2024 was as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2025

(Thousands of shares)					
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Issued stock:					
Common stock .....	184,771	—	—	184,771	
Treasury stock:					
Common stock .....	2,809	3,198	147	5,860	Note

Note: The increase in treasury stock of 3,198 thousand shares was due to the public bidding of 3,198 thousand shares pursuant to the resolution made at the Board of Directors' meeting, and due to purchases of 0 thousand shares of less than one unit.

In addition, the decrease in treasury stock of 147 thousand shares was due to the exercise of subscription rights to shares of 76 thousand shares, the disposal of 71 thousand shares as restricted stock compensation, and due to the sale of 0 thousand shares of less than one unit.

For the year ended March 31, 2024

(Thousands of shares)					
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Issued stock:					
Common stock .....	184,771	—	—	184,771	
Treasury stock:					
Common stock .....	1,071	1,939	201	2,809	Note

Note: The increase in treasury stock of 1,939 thousand shares was due to the public bidding of 1,938 thousand shares pursuant to the resolution made at the Board of Directors' meeting, and due to purchases of 0 thousand shares of less than one unit.

In addition, the decrease in treasury stock of 201 thousand shares was due to the exercise of subscription rights to shares of 66 thousand shares, the disposal of 134 thousand shares as restricted stock compensation, and due to the sale of 0 thousand shares of less than one unit.

(b) Dividends paid to the shareholders during the year:

For the year ended March 31, 2025

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 26, 2024	General meeting of shareholders	Common stock	¥5,822 million (\$38,937 thousand)	¥32.00 (\$0.214)	Mar. 31, 2024	Jun. 27, 2024
Nov. 8, 2024	Board of Directors	Common stock	¥4,743 million (\$31,721 thousand)	¥26.50 (\$0.177)	Sep. 30, 2024	Dec. 9, 2024

For the year ended March 31, 2024

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 23, 2023	General meeting of shareholders	Common stock	¥2,939 million	¥16.00	Mar. 31, 2023	Jun. 26, 2023
Nov. 10, 2023	Board of Directors	Common stock	¥2,739 million	¥15.00	Sep. 30, 2023	Dec. 6, 2023

Dividends that were applicable to the year ended March 31, 2025, but were not recorded in the accompanying consolidated financial statements since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 26, 2025	General meeting of shareholders	Common stock	¥6,351 million (\$42,475 thousand)	¥35.50 (\$0.237)	Mar. 31, 2025	Jun. 27, 2025

The above cash dividends are distributed from retained earnings.

25. Cash and Cash Equivalents

The reconciliation between “cash and cash equivalents” in the consolidated statements of cash flows and “cash and due from banks” in the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Cash and due from banks.....	¥1,203,294	¥1,418,224	\$8,047,712
Due from banks, excluding the Bank of Japan .....	(1,575)	(2,592)	(10,533)
Cash and cash equivalents .....	¥1,201,718	¥1,415,632	\$8,037,172

26. Stock Options

(1) Line item where stock option expense is presented and the amount

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
General and administrative expenses.....	¥ —	¥ 9	\$ —

(2) Stock options outstanding as at March 31, 2025 were as follows:

Stock Options	Persons granted	Number of options granted (Note 3)	Date of grant	Exercise period
Chugin Financial Group, Inc. 1st Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	—	Jul. 31, 2009 (Note 4)	From Oct. 3, 2022 to Jul. 31, 2039
Chugin Financial Group, Inc. 2nd Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	—	Aug. 2, 2010 (Note 4)	From Oct. 3, 2022 to Aug. 2, 2040
Chugin Financial Group, Inc. 3rd Subscription Rights to Shares (Note 1)	14 directors of The Chugoku Bank, Limited (Note 2)	—	Aug. 1, 2011 (Note 4)	From Oct. 3, 2022 to Aug. 1, 2041
Chugin Financial Group, Inc. 4th Subscription Rights to Shares (Note 1)	14 directors of The Chugoku Bank, Limited (Note 2)	—	Aug. 3, 2012 (Note 4)	From Oct. 3, 2022 to Aug. 3, 2042
Chugin Financial Group, Inc. 5th Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	2,800	Aug. 2, 2013 (Note 4)	From Oct. 3, 2022 to Aug. 2, 2043
Chugin Financial Group, Inc. 6th Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	2,900	Aug. 4, 2014 (Note 4)	From Oct. 3, 2022 to Aug. 4, 2044
Chugin Financial Group, Inc. 7th Subscription Rights to Shares (Note 1)	12 directors of The Chugoku Bank, Limited (Note 2)	2,600	Jul. 30, 2015 (Note 4)	From Oct. 3, 2022 to Jul. 30, 2045
Chugin Financial Group, Inc. 8th Subscription Rights to Shares (Note 1)	12 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members) (Note 2)	4,200	Aug. 2, 2016 (Note 4)	From Oct. 3, 2022 to Aug. 2, 2046
Chugin Financial Group, Inc. 9th Subscription Rights to Shares (Note 1)	9 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members) (Note 2)	9,800	Aug. 2, 2017 (Note 4)	From Oct. 3, 2022 to Aug. 2, 2047
Chugin Financial Group, Inc. 10th Subscription Rights to Shares (Note 1)	9 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members) (Note 2)	12,300	Aug. 3, 2018 (Note 4)	From Oct. 3, 2022 to Aug. 3, 2048
Chugin Financial Group, Inc. 11th Subscription Rights to Shares (Note 1)	8 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members) (Note 2)	28,900	Aug. 2, 2019 (Note 4)	From Oct. 3, 2022 to Aug. 2, 2049
Chugin Financial Group, Inc. 12th Subscription Rights to Shares (Note 1)	8 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members) (Note 2)	30,600	Jul. 30, 2020 (Note 4)	From Oct. 3, 2022 to Jul. 30, 2050
Chugin Financial Group, Inc. 13th Subscription Rights to Shares (Note 1)	8 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members) (Note 2)	34,400	Jul. 29, 2021 (Note 4)	From Oct. 3, 2022 to Jul. 29, 2051
Chugin Financial Group, Inc. 14th Subscription Rights to Shares	8 directors of The Chugoku Bank, Limited (excluding outside directors and directors serving as audit and supervisory committee members)	32,500	Feb. 2, 2023	From Feb. 3, 2023 to Feb. 2, 2053

Vesting conditions and applicable service periods have not been determined.

Notes: 1. Following the establishment of the Company through a sole share transfer of The Chugoku Bank, Limited, subscription rights to shares of the Company were delivered to the holders of the subscription rights to shares issued by The Chugoku Bank, Limited.

2. Persons granted represent the classification and number of persons granted on the original date of grant at The Chugoku Bank, Limited.

3. Number of options is converted to number of shares.

4. The date of grant represents the original date of grant at The Chugoku Bank, Limited.

The following table describes changes in the number of stock options that existed during the year ended March 31, 2025. Number of stock options is converted to number of shares.

Number of shares								
	Chugin Financial Group, Inc. 1st Subscription Rights to Shares	Chugin Financial Group, Inc. 2nd Subscription Rights to Shares	Chugin Financial Group, Inc. 3rd Subscription Rights to Shares	Chugin Financial Group, Inc. 4th Subscription Rights to Shares	Chugin Financial Group, Inc. 5th Subscription Rights to Shares	Chugin Financial Group, Inc. 6th Subscription Rights to Shares	Chugin Financial Group, Inc. 7th Subscription Rights to Shares	Chugin Financial Group, Inc. 8th Subscription Rights to Shares
Non-vested:								
April 1, 2024 – Outstanding .....	3,800	4,700	7,600	7,400	7,500	7,700	6,100	10,000
Granted .....	—	—	—	—	—	—	—	—
Forfeited .....	—	—	—	—	—	—	—	—
Vested .....	3,800	4,700	7,600	7,400	4,700	4,800	3,500	5,800
March 31, 2025 – Outstanding .....	—	—	—	—	2,800	2,900	2,600	4,200

Vested:								
April 1, 2024 – Outstanding .....	—	—	—	—	—	—	—	—
Vested .....	3,800	4,700	7,600	7,400	4,700	4,800	3,500	5,800
Exercised .....	3,800	4,700	7,600	7,400	4,700	4,800	3,500	5,800
Forfeited .....	—	—	—	—	—	—	—	—
March 31, 2025 – Outstanding .....	—	—	—	—	—	—	—	—

Number of shares						
	Chugin Financial Group, Inc. 9th Subscription Rights to Shares	Chugin Financial Group, Inc. 10th Subscription Rights to Shares	Chugin Financial Group, Inc. 11th Subscription Rights to Shares	Chugin Financial Group, Inc. 12th Subscription Rights to Shares	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares

Non-vested:						
April 1, 2024 – Outstanding .....	14,200	17,800	34,300	36,400	40,900	38,600
Granted .....	—	—	—	—	—	—
Forfeited .....	—	—	—	—	—	—
Vested .....	4,400	5,500	5,400	5,800	6,500	6,100
March 31, 2025 – Outstanding .....	9,800	12,300	28,900	30,600	34,400	32,500

Vested:						
April 1, 2024 – Outstanding .....	—	—	—	—	—	—
Vested .....	4,400	5,500	5,400	5,800	6,500	6,100
Exercised .....	4,400	5,500	5,400	5,800	6,500	6,100
Forfeited .....	—	—	—	—	—	—
March 31, 2025 – Outstanding .....	—	—	—	—	—	—

Price information for 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th and 14th subscription rights to shares was as follows:

Yen								
	Chugin Financial Group, Inc. 1st Subscription Rights to Shares	Chugin Financial Group, Inc. 2nd Subscription Rights to Shares	Chugin Financial Group, Inc. 3rd Subscription Rights to Shares	Chugin Financial Group, Inc. 4th Subscription Rights to Shares	Chugin Financial Group, Inc. 5th Subscription Rights to Shares	Chugin Financial Group, Inc. 6th Subscription Rights to Shares	Chugin Financial Group, Inc. 7th Subscription Rights to Shares	Chugin Financial Group, Inc. 8th Subscription Rights to Shares
Exercise price .....	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise ....	1,469.6	1,469.6	1,469.6	1,469.6	1,469.6	1,469.6	1,469.6	1,469.6
Fair appraisal price at date of grant .....	1,197	935	917	926	1,281	1,483	1,815	1,022

Yen						
	Chugin Financial Group, Inc. 9th Subscription Rights to Shares	Chugin Financial Group, Inc. 10th Subscription Rights to Shares	Chugin Financial Group, Inc. 11th Subscription Rights to Shares	Chugin Financial Group, Inc. 12th Subscription Rights to Shares	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Exercise price .....	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise ....	1,469.6	1,469.6	1,469.6	1,469.6	1,469.6	1,469.6
Fair appraisal price at date of grant .....	1,508	1,099	753	800	728	777



# Independent auditor’s report

To the Board of Directors of Chugin Financial Group, Inc:

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Chugin Financial Group, Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In performing the audit of the consolidated financial statements for the current fiscal year, we communicated with the audit and supervisory committee regarding our significant judgments related to the areas where a significant risk or a risk of material misstatement, determined through our understanding of the entity and its environment, was assessed to be high and the areas of consolidated financial statements with significant management judgments, as well as the impact of significant events or transactions for the current fiscal year on our audit, and paid particular attention to the following items:

	Item	Significant risk (*1)	Significant management judgment (*2)	KAM for the previous fiscal year (*3)
A	Appropriateness of the classification of	◎	Applicable	Applicable

U.S. Dollars								
	Chugin Financial Group, Inc. 1st Subscription Rights to Shares	Chugin Financial Group, Inc. 2nd Subscription Rights to Shares	Chugin Financial Group, Inc. 3rd Subscription Rights to Shares	Chugin Financial Group, Inc. 4th Subscription Rights to Shares	Chugin Financial Group, Inc. 5th Subscription Rights to Shares	Chugin Financial Group, Inc. 6th Subscription Rights to Shares	Chugin Financial Group, Inc. 7th Subscription Rights to Shares	Chugin Financial Group, Inc. 8th Subscription Rights to Shares
Exercise price .....	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise ....	9.82	9.82	9.82	9.82	9.82	9.82	9.82	9.82
Fair appraisal price at date of grant.....	8.00	6.25	6.13	6.19	8.56	9.91	12.13	6.83

U.S. Dollars						
	Chugin Financial Group, Inc. 9th Subscription Rights to Shares	Chugin Financial Group, Inc. 10th Subscription Rights to Shares	Chugin Financial Group, Inc. 11th Subscription Rights to Shares	Chugin Financial Group, Inc. 12th Subscription Rights to Shares	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Exercise price .....	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise ....	9.82	9.82	9.82	9.82	9.82	9.82
Fair appraisal price at date of grant.....	10.08	7.35	5.03	5.35	4.86	5.19

### (3) Method for estimating the number of stock options

The Company adopted a method to reflect only the actual number of forfeited stock options since it is difficult to reasonably estimate the number to be forfeited in the future.

### 27. Subsequent Events

#### Purchases of treasury stock

On May 14, 2025, the Board of Directors of the Company resolved to purchase up to 2,500 thousand shares of the Company's common stock from the market at a price not exceeding ¥3,000 million (\$20,064 thousand). The purpose of this purchase was to enhance its capital efficiency and return profit to shareholders through its capital control for enhancing corporate value.

#### Disposal of treasury stock as restricted stock incentive for employee stock ownership plan

On February 4, 2025, the Board of Directors of the Company resolved to dispose of its treasury stock as restricted stock (hereinafter, the “Disposal”) with Chugin Financial Group Employee Stock Ownership Plan (hereinafter, the “ESOP”) as the allottee under the restricted stock incentive scheme for employee stock ownership plan (hereinafter, the “Scheme”), as described below. In addition, the Company implemented the Disposal as follows.

#### 1. Overview of the Disposal of treasury stock

(1) Date of the Disposal	May 20, 2025
(2) Type and number of shares to be disposed of	371,462 shares of the Company's common stock
(3) Disposed amount	¥1,645.0 (\$11.00) per share
(4) Total disposed amount	¥611,054,990 (\$4,086,777)
(5) Method of Disposal (allottee)	Through third-party allotment (Chugin Financial Group Employee Stock Ownership Plan: 371,462 shares)

#### 2. Purpose and reason for the Disposal

The Company resolved to introduce the Scheme for the purpose of offering eligible employees of its subsidiaries, etc. that are members of the ESOP the opportunity to acquire restricted stock of its common stock issued or disposed of by the Company through the ESOP, in order to promote the eligible employees' asset formation as a measure to improve the welfare of the eligible employees. In addition, the Scheme aims to provide eligible employees with incentives to enhance its corporate value sustainably as well as to further enhance share value for shareholders.

	borrowers who are small and medium-size enterprises in the core fields of the Chugoku Bank, a consolidated subsidiary			
B	Appropriateness of the classification of borrowers of loans and bills discounted in strategic investment and market investment of the Chugoku Bank, a consolidated subsidiary	○	Applicable	—
C	Risk of management override of controls	◎	—	—

\*1 Areas where a significant risk (◎) or a risk of misstatement (○) was assessed to be high

\*2 Areas of consolidated financial statements with a significant management judgment

\*3 The key audit matters (KAM) in the auditor’s report for the previous fiscal year

The loans and bills discounted in “B. Appropriateness of the classification of borrowers of loans and bills discounted in strategic investment and market investment of the Chugoku Bank, a consolidated subsidiary” amounted to ¥2,114,285 million, representing 32% of the total loans and bills discounted at March 31, 2025. Loans and bills discounted in strategic investment include loan facilities, such as project finance for specific projects and object finance for acquisition of specific assets including marine vessels, real estate and aircraft. Loans and bills discounted in market investment mainly include loans with underlying loans or other underlying assets and loans combined with specific derivative transactions, such as credit linked loans. Compared to the loans to general corporate customers, which are positioned as core fields, these loans have the following characteristics:

- The amount of loan per project is relatively large;
- The repayment source, in principle, is limited to cash flows generated from the specific projects and assets subject to the finance. There are risk factors of an increasing variety and complexity that affect these cash flows, and accordingly, the risk analysis involves significant management’s expert judgment; and
- It is necessary to understand the financial position of borrowers by analyzing the risk factors for underlying assets and embedded derivative transactions and utilizing information published by external rating agencies.

The Chugoku Bank, Limited (hereinafter, the “Chugoku Bank”) continually monitors loans and bills discounted in strategic investment and market investment at its primary assessment department, based on the results of the risk analysis taking into account the characteristics described above and available information such as external ratings. At the same time, the Chugoku Bank classifies borrowers by taking into account the results of the monitoring, status of repayments, conditions of the related market environment and other factors comprehensively.

We assessed the impact of the severe economic environment for the current fiscal year, such as inflation and soaring prices of natural resources and energy on a global basis, as well as changes in the market environment, including domestic and international interest rate fluctuations and stock price declines, on the recoverability of loans and bills discounted in strategic investment and market investment. In addition, we inquired of management and personnel in the primary and secondary assessment departments regarding the relevant loan policies and inspected the monitoring management materials. As a result, we determined that it was unlikely that a large amount of credit cost would arise if the Chugoku Bank made a wrong classification of borrowers due to insufficient identification and management of related risks. Accordingly, we determined that “B. Appropriateness of the classification of borrowers of loans and bills discounted in strategic investment and market investment of the Chugoku Bank, a consolidated subsidiary” was not a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

As for “C. Risk of management override of controls,” we determined that the relative materiality of this matter was low as a result of the audit procedures that we performed. Accordingly, we determined that this matter was not a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

As for “A. Appropriateness of the classification of borrowers who are small and medium-size enterprises in the core fields of the Chugoku Bank, a consolidated subsidiary,” we determined that this matter was a key audit matter in our audit of the consolidated financial statements for the current fiscal year for the reasons described below:

Appropriateness of the classification of borrowers who are small and medium-size enterprises in the core fields of the Chugoku Bank, a consolidated subsidiary	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of Chugin Financial Group, Inc. and its consolidated subsidiaries (hereinafter, the “Group”), loans and bills discounted of ¥6,571,458 million were recognized, representing a significant proportion (approximately 59%) of the total assets of ¥11,045,576 million. For receivables including those loans and bills discounted, reserve for possible loan losses of ¥72,674 million was recognized. This was mainly recognized for The Chugoku Bank, Limited (hereinafter, the “Chugoku Bank”), a consolidated subsidiary engaged in banking businesses.</p> <p>As described in Note 2, “Significant Accounting Policies (g) Reserve for Possible Loan Losses” and Note 3, “Significant Accounting Estimates” to the consolidated financial statements, the Chugoku Bank classified borrowers based on assessment results utilizing the internal rules on self-assessment of assets, and measured the amount of the reserve for possible loan losses for each borrower category.</p> <p>As a regional financial institution, the Chugoku Bank provides comprehensive financial services to contribute to the development of regional society in the Eastern Setouchi region centering on Okayama prefecture. As a characteristic of such a regional financial institution, the Chugoku Bank provides loans to a relatively large number of small and medium-size enterprises (hereinafter, “SMEs”). As a result, the balance of those loans amounted to ¥3, 640,794 million, representing 55% of the total loans and bills discounted.</p> <p>For a number of SMEs that support the development of the regional society, the Group, as an entire group including the Chugoku Bank, provides not only loans but also consulting activities in different life stages. Through these activities, the Chugoku Bank is able to identify</p>	<p>The primary procedures we performed to assess the appropriateness of the classification of borrowers who are SMEs in the core fields of the Chugoku Bank included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of relevant internal controls over the classification of borrowers in the self-assessment of loan quality.</p> <p>In this assessment, we focused our testing on the following:</p> <ul style="list-style-type: none"> <li>● controls to validate whether the internal rules on self-assessment criteria were set out in compliance with relevant accounting standards;</li> <li>● application controls provided by IT systems over the classification of borrowers on a quantitative basis; and</li> <li>● controls to ensure the effectiveness of the secondary assessment department’s verification in the classification of borrowers.</li> </ul> <p><b>(2) Assessment of the appropriateness of the classification of borrowers</b></p> <p>In order to assess the appropriateness of the classification of borrowers who are SMEs in the core fields, we:</p> <ul style="list-style-type: none"> <li>● evaluated whether the borrowers’ information, including financial data as the basis for classifying the borrowers, was sufficient and most recent information by inspecting supporting documents and comparing the information with relevant documents;</li> <li>● inquired of relevant personnel in the secondary assessment department in order to assess the timeliness and appropriateness of judgments regarding qualitative factors, and inspected relevant documents that contributed to the judgments of the</li> </ul>

borrowers' management challenges and technical and sales capabilities.

On the other hand, in classifying borrowers who are SMEs into borrower categories, the Chugoku Bank considers not only the borrower's current financial position, but also qualitative factors such as the feasibility of the profit plan prepared by the borrower, future funding prospects, and the support status of financial institutions. These factors are based on various assumptions.

In the current fiscal year, the business performance of some borrowers continues to be sluggish because of the impact of increased costs due to global inflation and soaring resource and energy prices, which cannot be reflected to selling prices in a timely manner. The profit plans prepared by these borrowers involve highly uncertain assumptions, such as the projection of effectiveness of business improvement measures such as raising selling prices and reducing costs. In addition, careful consideration is required regarding the status of any support provided by financial institutions.

We, therefore, determined that our assessment of the appropriateness of the classification of borrowers who are SMEs in the core fields of the Chugoku Bank was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

actual conditions of the borrowers' business. Particularly for the borrowers who were still in lower performance and whose financial position had deteriorated, we examined their business conditions and future projections, their cash flow conditions, and their status of financial support, if any, from financial institutions; and

- for SME borrowers who were undergoing business restructuring with financial support aligned with highly feasible and drastic business restructuring plans, as well as highly feasible and reasonable business improvement plans, and whose profit plans served as a key factor for classifying the borrowers, examined the feasibility of those plans in light of the current regional economic conditions, industry trends, historical business performance and information obtained by the Chugoku Bank in relation to the borrowers, among others.

## Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and the Audit and Supervisory Committee 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.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.
  - Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee 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, actions taken to eliminate threats or safeguards applied. From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 137 million yen and 10 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Suzuki Shigehisa  
Designated Engagement Partner  
Certified Public Accountant

Bushi Yuta  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
September 17, 2025

Non-consolidated Financial Statements  
Non-consolidated Balance Sheets

Chugin Financial Group, Inc.  
March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
ASSETS:			
Cash and deposits .....	¥ 8,108	¥ 6,930	\$ 54,226
Accrued revenue.....	103	—	688
Income taxes refund receivable.....	—	627	—
Other .....	10	9	66
Tangible fixed assets .....	7	8	46
Intangible fixed assets.....	0	0	0
Investments and other assets .....	497,197	474,181	3,325,287
Total assets .....	¥ 505,428	¥ 481,758	\$ 3,380,337
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable - other.....	¥ 18	¥ 76	\$ 120
Accrued expenses.....	187	—	1,250
Income taxes payable.....	128	37	856
Accrued consumption taxes.....	60	32	401
Accrued employees' bonuses .....	77	52	514
Other .....	55	26	367
Bonds payable .....	20,000	—	133,761
Total liabilities.....	¥ 20,527	¥ 225	\$ 137,285
Net assets			
Shareholders' equity			
Common stock .....	¥ 16,000	¥ 16,000	\$ 107,009
Capital surplus.....	457,708	457,686	3,061,182
Retained earnings .....	18,688	10,438	124,986
Less treasury stock, at cost.....	(7,637)	(2,812)	(51,076)
Subscription rights to shares.....	141	220	943
Total net assets.....	484,900	481,532	3,243,044
Total liabilities and net assets.....	¥ 505,428	¥ 481,758	\$ 3,380,337

Non-consolidated Statements of Income

Chugin Financial Group, Inc.  
For the Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Income:			
Operating revenue:			
Dividends from subsidiaries and associates .....	¥ 18,704	¥ 7,000	\$ 125,093
Commissions from subsidiaries and associates.....	2,593	1,854	17,342
Other income:			
Interest income.....	107	0	715
Miscellaneous income.....	19	19	127
Total income.....	21,424	8,874	143,285
Expenses:			
Operating expenses:			
Selling, general and administrative expenses .....	2,255	1,669	15,081
Other expenses:			
Bond issuance costs .....	137	—	916
Interest expenses on bonds .....	103	—	688
Other .....	2	0	13
Total expenses.....	2,498	1,670	16,706
Income before income taxes .....	18,925	7,204	126,571
Income taxes:			
Current .....	126	121	842
Deferred.....	(16)	(19)	(107)
	109	102	728
Net income.....	¥ 18,815	¥ 7,101	\$ 125,836

Non-consolidated Statements of Changes in Net Assets

Chugin Financial Group, Inc.  
For the Years Ended March 31, 2025 and 2024

	Millions of Yen						
	2025						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets	
Balance at beginning of year .....	¥ 16,000	¥ 457,686	¥ 10,438	¥ (2,812)	¥ 220	¥ 481,532	
Net income.....			18,815			18,815	
Cash dividends .....			(10,566)			(10,566)	
Purchases of treasury stock.....				(5,000)		(5,000)	
Disposals of treasury stock.....		22		176		198	
Net changes in items other than shareholders' equity .....					(79)	(79)	
Net changes during the year .....	—	22	8,249	(4,824)	(79)	3,368	
Balance at end of year.....	¥ 16,000	¥ 457,708	¥ 18,688	¥ (7,637)	¥ 141	¥ 484,900	

	Millions of Yen						
	2024						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets	
Balance at beginning of year .....	¥ 16,000	¥ 457,696	¥ 9,015	¥ (1,000)	¥ 272	¥ 481,983	
Net income.....			7,101			7,101	
Cash dividends .....			(5,678)			(5,678)	
Purchases of treasury stock.....				(2,000)		(2,000)	
Disposals of treasury stock.....		(10)		187		177	
Net changes in items other than shareholders' equity .....					(51)	(51)	
Net changes during the year .....	—	(10)	1,423	(1,812)	(51)	(450)	
Balance at end of year.....	¥ 16,000	¥ 457,686	¥ 10,438	¥ (2,812)	¥ 220	¥ 481,532	

	Thousands of U.S. Dollars (Note 1)						
	2025						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets	
Balance at beginning of year .....	\$ 107,009	\$ 3,061,035	\$ 69,810	\$ (18,806)	\$ 1,471	\$ 3,220,518	
Net income.....			125,836			125,836	
Cash dividends .....			(70,666)			(70,666)	
Purchases of treasury stock.....				(33,440)		(33,440)	
Disposals of treasury stock.....		147		1,177		1,324	
Net changes in items other than shareholders' equity .....					(528)	(528)	
Net changes during the year .....	—	147	55,169	(32,263)	(528)	22,525	
Balance at end of year.....	\$ 107,009	\$ 3,061,182	\$ 124,986	\$ (51,076)	\$ 943	\$ 3,243,044	

Disclosure Policy

The Chugin Financial Group proactively undertakes the disclosure of information in order that customers, investors, business partners and other parties can more accurately understand matters concerning the Company as a result of conducting timely and appropriate information disclosure.

This includes disclosing information in a timely manner by producing disclosure pamphlets, business reports, annual reports and financial reports as well as via our website and other mediums.

The Chugin Financial Group will continue to endeavor to disclose information in an appropriate and timely manner.



Forward-looking Statements

This annual report contains forward-looking statements regarding the future results and performance of Chugin Financial Group. Such forward-looking statements are based on current information and assumptions. Please be advised that actual results could differ materially from those anticipated by the forward-looking statements due to a variety of factors.