

ANNUAL REPORT

CHUGIN FINANCIAL GROUP, INC.

2026



CHUGIN FINANCIAL GROUP, INC.



CHUGIN FINANCIAL GROUP

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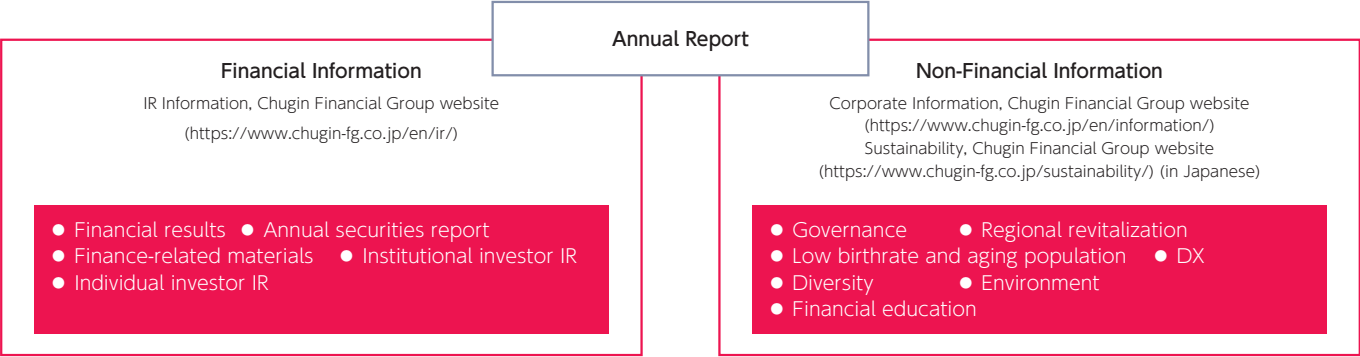
The Chugin Financial Group created this report in order for our stakeholders to understand our initiatives for sustainable value creation.

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, 2025–March 31, 2026 (includes some information from April 2026 onward)
	Scope : Chugin Financial Group and Group companies

Information Disclosure and Communication

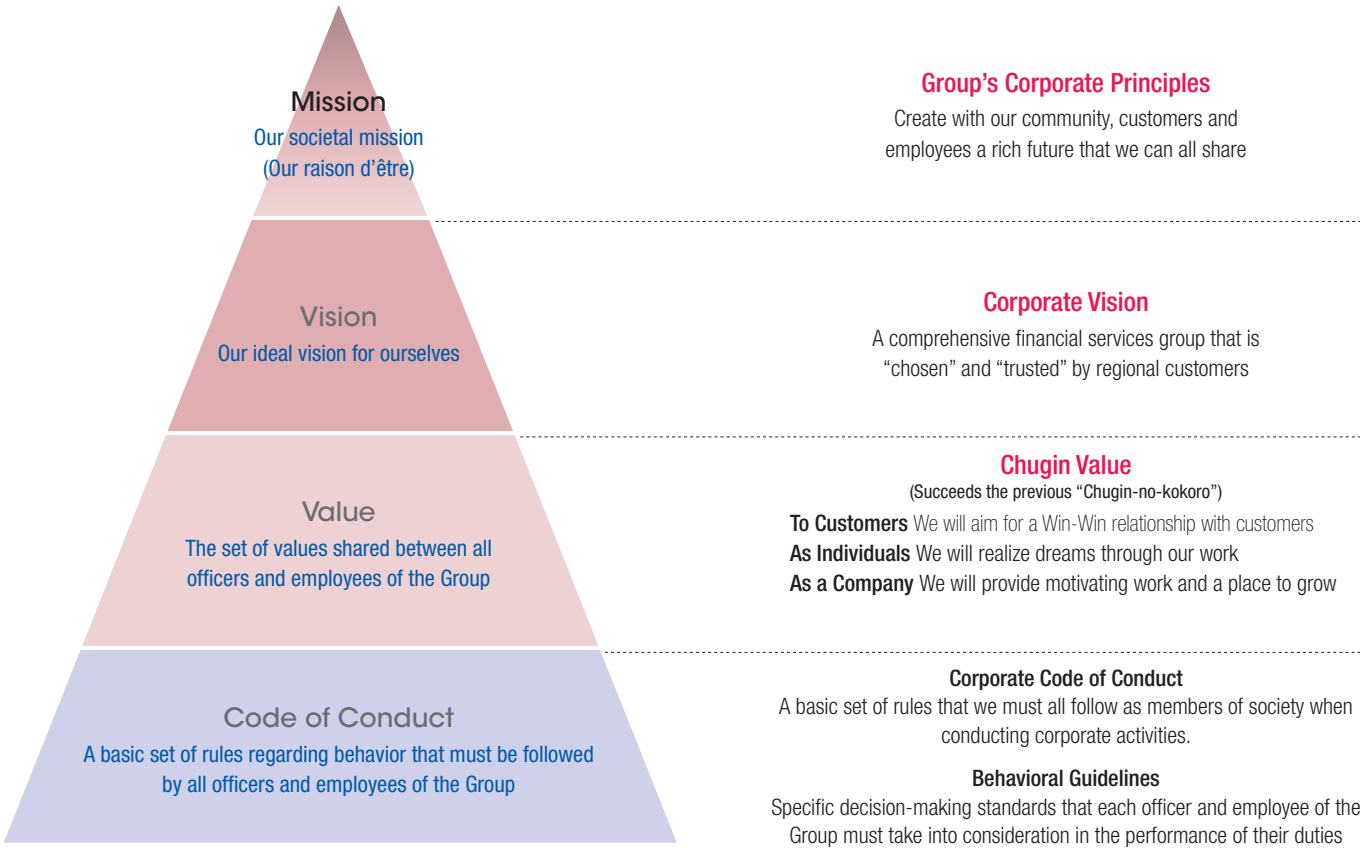


For details, please see our website: <https://www.chugin-fg.co.jp/en/>



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.

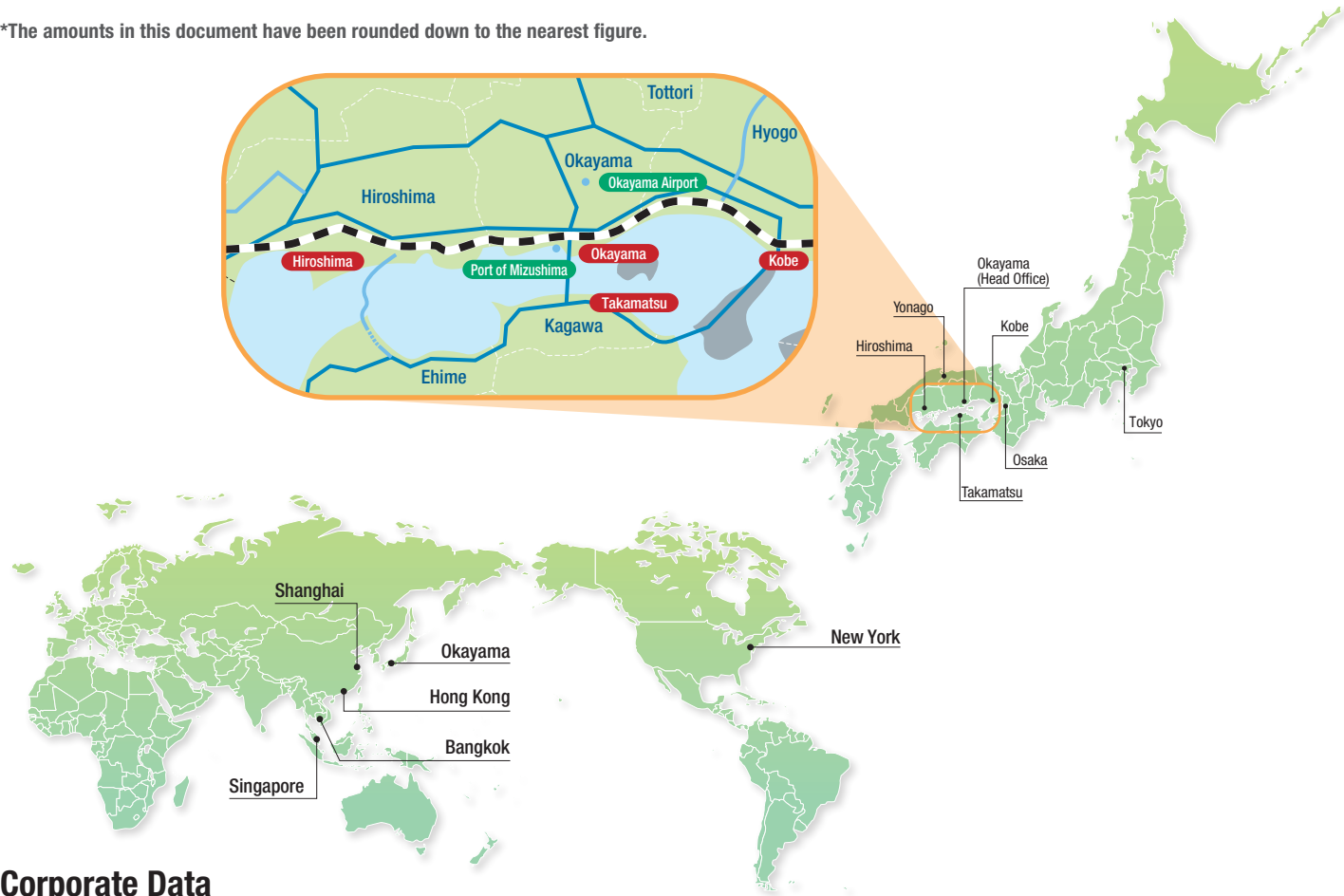
Today too, we face the future with racing hearts.

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 1.81 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,933 billion (U.S.\$49,618 million), or an impressive 1.2% 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, 2026)

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: 20,856
Number of Employees: 3,025

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

THE CHUGOKU BANK, LTD.

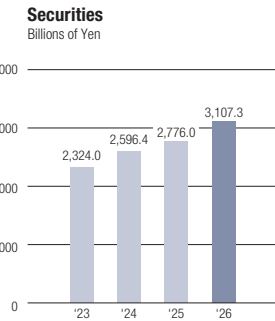
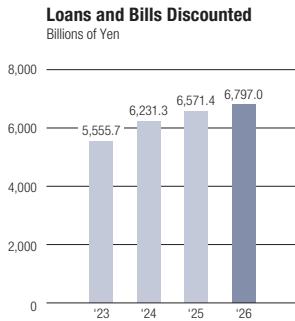
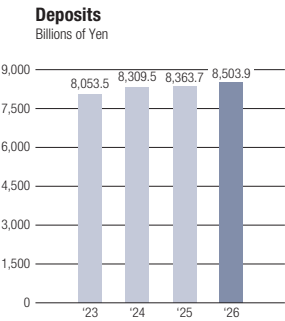
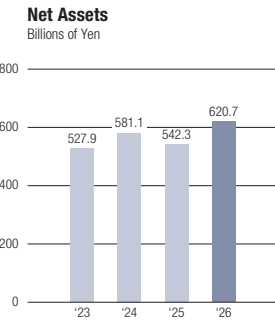
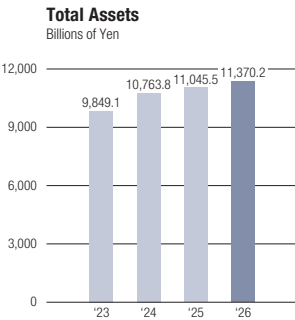
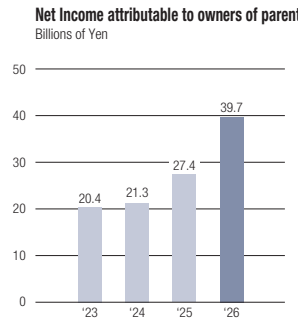
Address: 1-15-20, Marunouchi, Kita-ku, Okayama, Japan
Telephone: (81) 86-223-3111
SWIFT Code: CHGKJPJZ
Website: https://www.chugin.co.jp
Date of Establishment: December 21, 1930
Stated Capital: 15,149 million yen

Consolidated Financial Highlights

Chugin Financial Group,Inc. and its Consolidated Subsidiaries
Years ended March 31, 2026

	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)	
	2026	2025	2026	
For the year:				
Total income	¥ 249,087	¥ 211,853	\$ 1,557,962	
Total expenses	193,421	173,570	1,209,788	
Net income attributable to owners of parent	39,705	27,434	248,342	
Per share of common stock (yen/U.S. dollars):				
Basic net income	¥ 222.95	¥ 152.61	\$ 1.394	
Diluted net income	222.77	152.46	1.393	
At year-end:				
Deposits	¥ 8,503,902	¥ 8,363,791	\$ 53,189,279	
Loans and bills discounted	6,797,024	6,571,458	42,513,284	
Securities	3,107,354	2,776,089	19,435,539	
Total assets	11,370,252	11,045,576	71,117,413	
Net assets	620,700	542,366	3,882,286	
For the year:				
Cash flows from operating activities	70,904	46,944	443,482	
Cash flows from investing activities	(293,176)	(265,073)	(1,833,725)	
Cash flows from financing activities	(6,114)	4,214	(38,241)	
Cash and cash equivalents at end of year	973,331	1,201,718	6,087,884	

Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥159.88 = US\$1 in effect on March 31, 2026.
2. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).





Sadanori Kato
President, CHUGIN FINANCIAL GROUP, INC.

We will strive to further enhance our corporate value by sincerely engaging with the community and expanding the scope of work that only we can do.

■ Redefining the role of regional financial institutions while looking ahead to a world with interest rates

The environment surrounding financial institutions has been changing greatly in recent years. In particular, the arrival of a world with interest rates constitutes a major turning point for the management of financial institutions. Until now, the low-interest-rate environment had persisted for some time, and the impact of interest rates on fundraising and investment management had been limited. However, with the transition to an era with interest rates, we have come to recognize once again the importance of a stable deposit base. For this reason, over this past year we have explored what needs to be strengthened as a regional financial institution, based on the assumption of a world with interest rates, and have implemented concrete initiatives.

In addition, amid these environmental changes, the roles required of regional financial institutions have been changing greatly. With the issues facing local communities growing more complex, including population decline and a changing industrial structure, the roles expected of financial institutions

are clearly increasing in scope. The work that only we can do has also increased. There are more and more situations where local companies and customers can truly feel that our work is meaningful, and we increasingly sense that we are being relied upon. I believe this is precisely the strength of a regional financial institution.

While there is work that only megabanks and other financial institutions can do, regional financial institutions are entities that build long-term trust with customers and continue to walk alongside customers. I believe that engaging with customers from a medium- to long-term perspective and maintaining responsible relationships with them is an important role of regional financial institutions.

When I worked in various parts of Okayama Prefecture, I strongly appreciated the depth of ties with local communities. For example, when I visited customers in island communities and interacted with the local people, I had many opportunities to experience the close-knit relationships between people and the richness of the local culture. The experience made me realize again that the job of a regional financial institution is not simply to provide financial services but to engage with the community itself.

In addition, I strongly feel that it is small and medium-sized companies that support Japan's economy. The strength of local small and medium-sized companies lies in the close relationship between management and the frontlines and the ability to flexibly respond to change. I believe that supporting the efforts of these local companies and creating value together with local communities is the mission that will be required of regional financial institutions going forward.

■ Pursuit of comprehensive financial services



Pursuing high value-added services through the dual pillars of consulting and finance

- SDGs and decarbonization
- DX and SX
- Business succession



Pursuing a timely approach in line with customer stages and management challenges

- Human resources development
- Channel optimization
- Data utilization



Pursuing solutions as a united Group with the banking customer base as the starting point

- Mutual cooperation framework
- Personnel mobility across the Group

■ Leverage a sense of urgency to drive transformation and pave the way for the next growth strategy

Even amid changes in the external environment, I feel a strong sense of momentum in our recent business performance. We have achieved higher revenue and profit for six consecutive terms, and when looking at stock price trends, I believe we have received a certain level of recognition and expectation from the market.

Looking back at the time we formulated our long-term management plan, consolidated net income was hovering around 15.0 billion yen and the

Interview with the Management

general view was that it would continue along that trajectory into the future. Against this backdrop, we set the goal of consolidated net income of 30.0 billion yen in ten years, but from the perspective of that time, honestly speaking, the goal was a bit of stretch. It is true that at the time, due in part to a prolonged period of low interest rates, there was a strong sense of crisis that if things continued as they were, profitability would gradually decline. In fact, profits did decline for the three years following the start of our long-term management plan, but they bottomed out in the third year and have since been increasing, a trend that has continued through the present. Amid a difficult environment, we moved forward with initiatives while maintaining an awareness of the issues involved, recognizing that we needed to try something new and to create new sources of revenue. Thanks to your support, we achieved our target of consolidated net income of 30.0 billion yen one year ahead of schedule, and we are now in a position to look even further ahead.

Of course, environmental factors figured into our performance. For example, changes in the regulatory framework, including amendments to the Banking Act, and the shift to a world with interest rates have served as a tailwind for the Company. However, at the time we formulated the long-term management plan, we didn't assume that negative interest rates would last this long. Our current performance stems from the fact that we have continued to seek out new sources of profit while strengthening our foundation in a difficult environment and have put them into practice one by one.

On the other hand, that does not mean there are no issues. Rather, we recognize that our next management plan must address difficult issues even more than before in order to contribute to the development of the community and the regional economy. We must explore not only business areas that are visible to us now but also areas that are still not clearly visible. Through this

process, we intend to raise ROE to double-digits and achieve a PBR of over 1x. Going forward, we will move to swiftly implement various measures and initiatives and develop them into our next growth strategy.

Engaging in local issues to drive the transformation of our organization and values

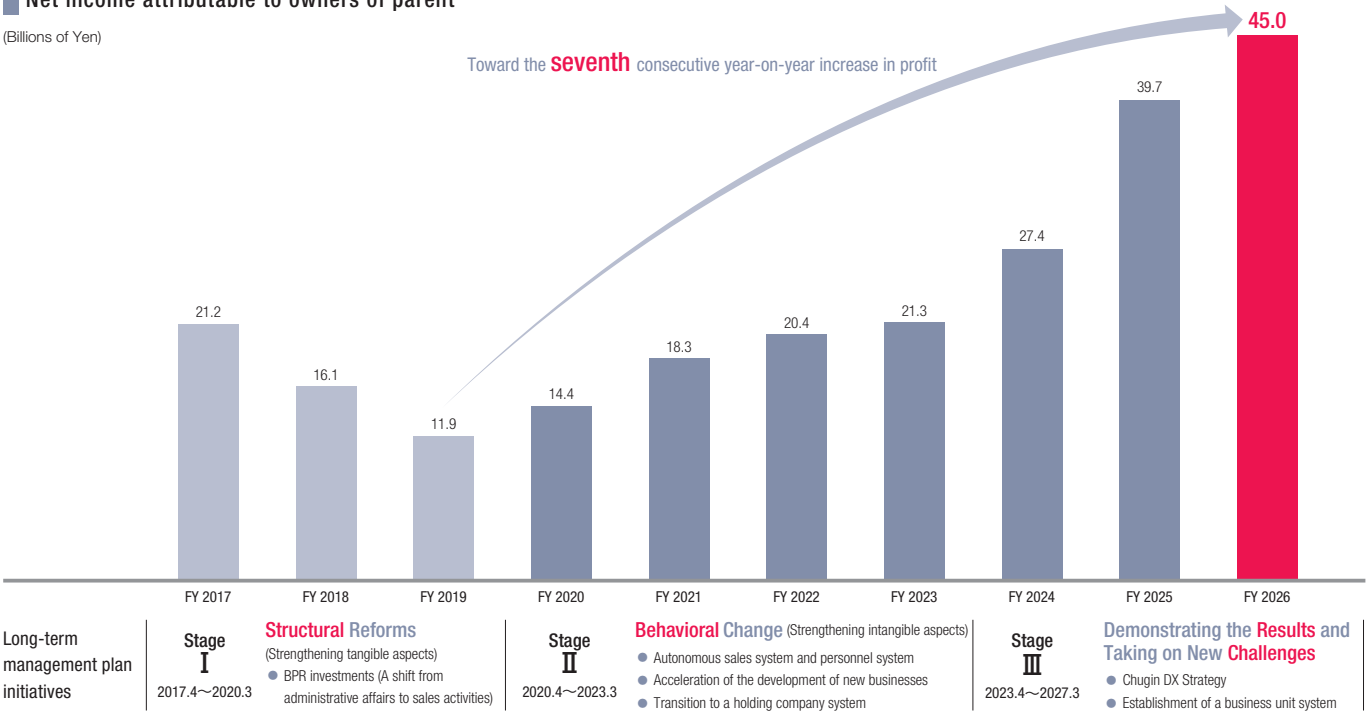
I was appointed president of Chugoku Bank just as the three-year period of the “Plan for Creating the Future Together: Stage I” was coming to an end, and I effectively took the lead in planning and promoting Stage II and subsequent phases of the plan. Our current achievements were not realized over the short term; rather, they are the result of the cumulative efforts of Group employees that have been ongoing since before the medium-term management plan.

At the time I was appointed president, there was a strong awareness of the issues of population decline and regional economic contraction. It was in this context that we launched the regional revitalization SDGs initiative. At the time, it was not entirely clear that the initiative would translate directly into profits. However, I thought that we needed to go beyond short-term profits to envision our future from the perspective of how we wanted to be in ten years and to determine what we needed to do now by working backward from that. We made promoting regional revitalization SDGs one of the priorities of the “Plan for Creating the Future Together: Stage II” and moved forward with concrete initiatives.

A key factor in making this a reality was a change in mindset among each and every bank employee. Through the Chugin-no-kokoro (now called the Chugin Value), the Company has sought to foster a shared sense of values and purpose in our work. In addition, with regard to our performance

Net income attributable to owners of parent

(Billions of Yen)



evaluation system, we are working to move beyond the traditional headquarters-led, top-down approach to create a system whereby individuals can take the initiative in tackling challenges. We have introduced a system that allows employees to propose new business ideas and have worked to create an organization in which new ideas emerge from the frontlines. From 2020 onward, there was a change in the environment in the form of the COVID-19 pandemic, but we took this change as an opportunity and worked to build an organizational foundation by revising personnel systems and organizational management.

The Company is currently expanding collaboration with local government bodies, companies, universities, and other entities. Comprehensive collaboration agreements with local governments and connections between industry, government, academia, and finance have grown stronger than before and efforts to solve issues across the region as a whole are expanding. A strength of regional financial institutions is that they are a hub for various types of local information. Organically connecting companies, local government bodies, universities, and other entities to create new value is an important role of the Group.

At the same time, there is still a long way to go before we see results. Population decline and the outflow of young people continue. However, even on the assumption of environmental change, I think it is important to consider how to leverage this change to foster local industry and the economy and create new value. Going forward, we will continue working to create

sustainable regional value while further deepening our collaboration with the community.

Enhancing human value and creating new customer value through DX

The Company positions digital transformation (DX) and business process reform not as merely efficiency initiatives but as initiatives to allow people to focus on higher added value work. Up until now, our work had been a mixture of jobs that could only be done by people and routine work that didn't necessarily need to be done by people. I believe that promoting DX enables people to allocate the abilities and ingenuity they possess to higher value areas. With the working population continuing to decline, it is important that we revise our work practices to improve productivity.

The Group is currently promoting business process outsourcing (BPO) and shared service initiatives. As labor shortages become increasingly severe, local companies have found it difficult to secure human resources to handle administrative processes like general affairs and accounting. The Group therefore is undertaking these processes to help create an environment that allows companies to focus management resources on the business activities they should be prioritizing. Additionally, within the Group as well, we are aiming to build efficient operational systems by sharing accounting, administrative, and other processes. Through such business process reforms,

Interview with the Management

we will generate surplus capacity and allocate that capacity to the creation of new value. This is the underlying philosophy of the Company's DX strategy.

The Company announced its DX strategy the year before last and has been promoting business process and organizational reforms based on the belief that the Company itself should become a DX company. At the same time, rather than waiting for the reforms to be completed, we have simultaneously moved forward with providing new products and services to customers and offering consultation on DX.

In particular, business succession is an important challenge facing the region. I believe that one key solution is to not only introduce successors but also support the formation of systems that allow business to be continued with a limited number of staff through operational efficiency gains driven by DX.

In addition, contact points with customers are changing greatly through expanded use of the Chugin App. We have put in place an environment that allows more convenient use of services through smartphones, and the app has become an important customer contact point.

At the same time, we are not seeking to be a bank that operates entirely through an app. The pursuit of digitalization alone would ultimately make it difficult to distinguish ourselves from major financial institutions. This is precisely why it is important to determine how digital is to be combined with services provided by people. While we intend to enhance the convenience of standard procedures through the use of digital technology, we will allocate more time and human resources to consultations and problem-solving, work that people should be involved in. I believe that striking this balance will

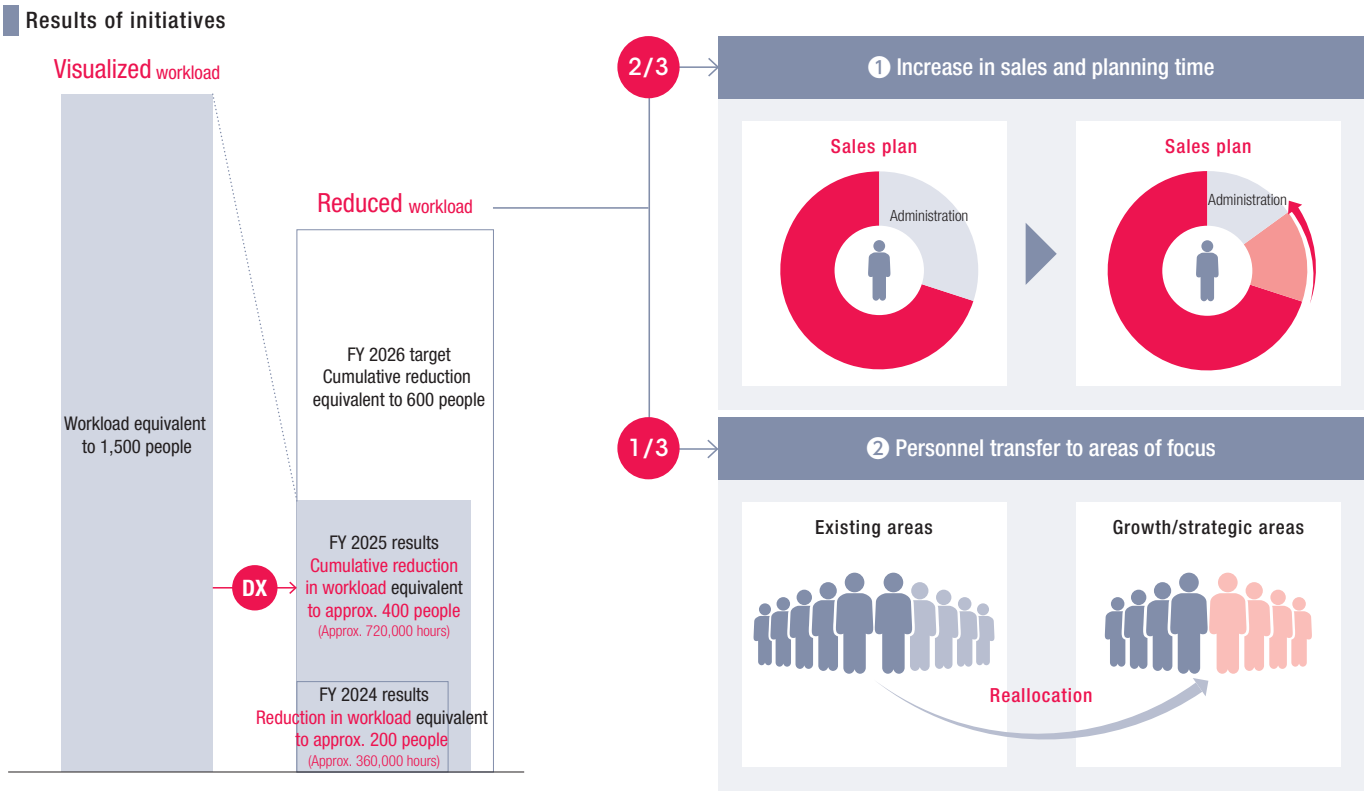
bolster our competitiveness as a regional bank. I think that ultimately it is people that are the biggest strength of a regional bank. DX is not about reducing people; rather, it is the foundation that allows people to focus on higher value-added work and engage more deeply with customers. Going forward, we will continue to combine digital with the power of people to create new value.

Maximizing Group synergies as One Chugin

Over three years have passed since Chugoku Bank transitioned to a holding company structure. From the perspective of Group management, there are still many issues, and I believe that this will be an important theme of the next management plan. In addition, we will move forward with creating an environment that allows human resources to thrive across the Group through initiatives such as promoting personnel exchange and revising our personnel systems.

At present, there are some differences in systems and mechanisms between Group companies and this has been a barrier to personnel exchange. This is why in the next stage we will work in earnest to standardize and revise our systems to build a unified organization as One Chugin.

At the same time, Group companies have much potential for future growth. In particular, I have great expectations for the consulting and energy sectors. In these growth fields, however, specialized human resources are essential,



and the shortage of personnel is a major issue. For this reason, we are focused on generating surplus capacity through streamlining existing processes and applying DX and allocating that capacity to growth fields.

In addition, in Group management it is important to not only promote the growth of individual companies but also create synergies through collaboration within the Group. For this reason, we are also reviewing our evaluation system. Mechanisms are being created to promote collaboration with an emphasis not only on the results of individual companies but also on how much value is generated for the Group as a whole. Furthermore, through initiatives such as having the top management of Group companies participate in events to welcome new employees, we are fostering a mindset that views each entity as an equal partner in value creation rather than adhering to a way of thinking that sees the bank as central and Group companies as subordinate.

Going forward, as One Chugin, the entire Group will engage in solutions to regional challenges and leverage their respective strengths to create new value.

Growing together with the community to realize sustained value creation

The environment surrounding regional financial institutions will change further going forward. At the same time, I believe that the roles expected of regional financial institutions and the value that they can provide are set to further expand. With the population declining, some question whether the region can

truly grow. In Japan, however, there are diverse cultures, industries, and values in each region, and within that context locally rooted companies and ways of life are sustained. Even if the population declines, regional value itself will not be lost. Rather, there are increasing instances of attention being placed on the unique charms and distinct characteristics of specific regions. Supporting the value and potential possessed by local companies is a key mission of the Company.

Regional banks are not merely financial institutions; it is important that they serve as places that local customers can consult with when they have a problem. For example, just as local electronics stores are relied on by community residents, including for everyday problems, regional financial institutions should also be places that address the various issues and concerns of customers, going beyond mere financial services. In fact, customers sometimes come to us with concerns, such as those related to inheritance, business succession, and management issues, that they find difficult to discuss within their families or companies. At such times, the fact that the customer thought to first consult with Chugin I believe is of tremendous value to us as a regional financial institution.

In addition, regional financial institutions are expected to play the role of supporting local communities and not just pursuing profitability. We will work together with the community to create new value for the region. These cumulative efforts will lead to the sustained enhancement of corporate value as a result. Regional banks still have great potential. Going forward, we will continue to deepen ties with the community as we balance social and economic value to drive sustainable growth.

Performance

This section provides an overview of the Group's earnings results for FY 2025 and outlook for FY 2026.

We recorded profit growth for the sixth consecutive year in FY 2025. Steady results are emerging in both the asset business and the fee business. In FY 2026, the final year of our medium-term management plan, we aim to achieve the KPIs while advancing initiatives aimed at further profit growth.

Fiscal Year 2025

In FY 2025, consolidated ordinary profit increased by ¥17.7 billion year on year to ¥56.0 billion and net income attributable to owners of parent increased by ¥12.3 billion year on year to ¥39.7 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 sixth 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.

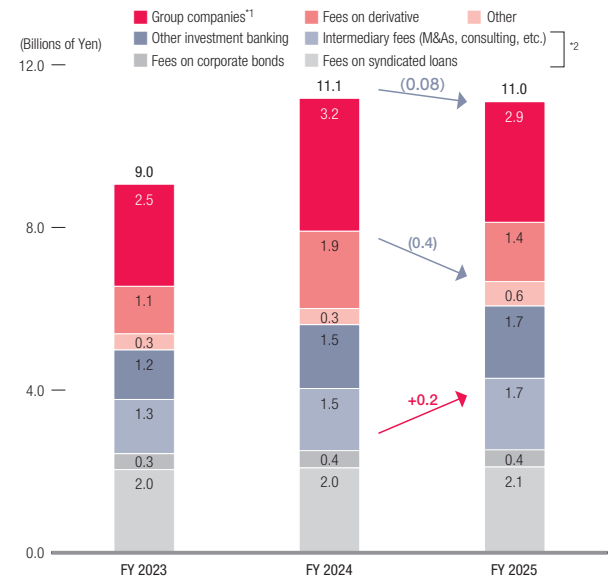
The impact of the policy rate hike, combined with the asset accumulation up until now, has led to a significant increase in yen loan interest.

Fee Business

Through a wide range of solution proposals that leverage the strengths of our holding company structure, the Group achieved steady profit growth.

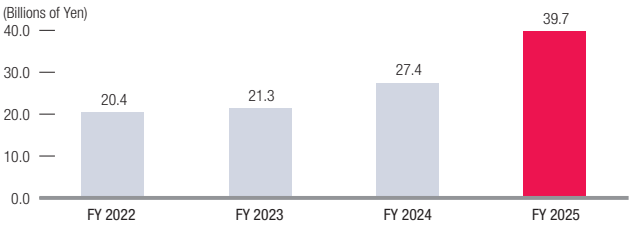
Corporate solution-related revenue saw an increase in intermediary fees from consulting services, M&As, etc., despite a reactionary decline in fees on derivatives, which had surged in FY 2024 due to exchange rate fluctuations. Revenues related to assets in custody increased steadily thanks to a favorable market environment.

Corporate solution-related revenue (Consolidated for the FG)

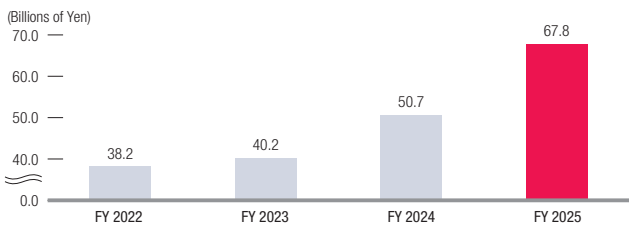


^{*1} Total of lease gross profit and operating revenue from Chugin Card, Human Innovations, and C Cube Consulting (after excluding internal transactions)
^{*2} Investment banking business included in net fee income

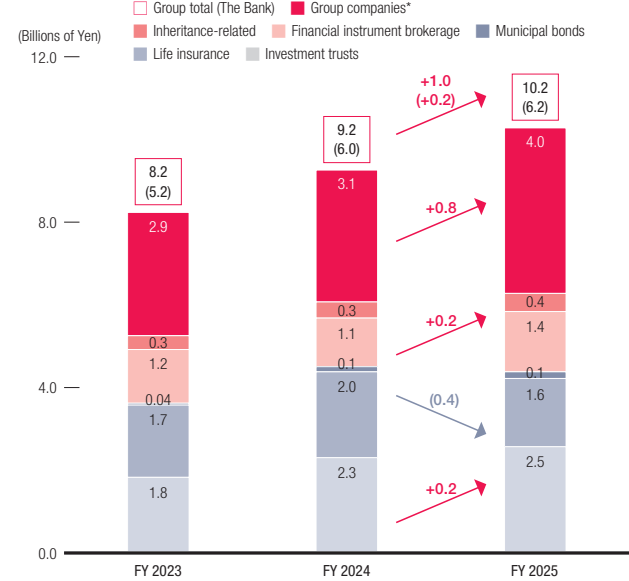
Net income attributable to owners of parent (Consolidated for the FG)



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



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

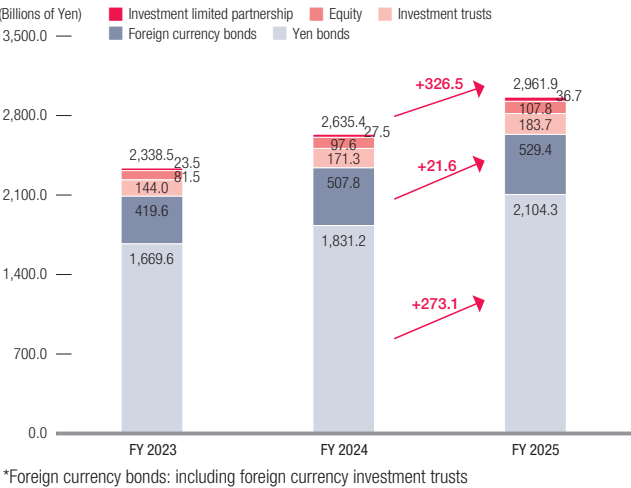


^{*} Total of operating revenues for Securities and Asset Management (after deducting internal transactions)

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. By reviewing our portfolio in light of changes in the interest rate environment, we are striving to balance both safety and profitability.

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, 2025	Mar. 31, 2026	Term-end comparison
Total	12.5	72.1	59.6
Securities	(18.1)	(13.3)	4.8
Held to maturity	(2.3)	(5.3)	(3.0)
Other securities	(15.7)	(8.0)	7.7
Equity	66.1	122.5	56.4
Investment trusts	36.0	76.9	40.9
Foreign currency bonds	(13.1)	(16.0)	(2.9)
Yen bonds	(104.1)	(192.4)	(88.3)
Asset swap	30.7	85.5	54.8
Foreign currency interest swap	3.2	6.2	3.0
Yen interest swap	27.4	79.2	51.8

Outlook for FY 2026

For FY 2026, we expect net income attributable to owners of parent to reach ¥45.0 billion.

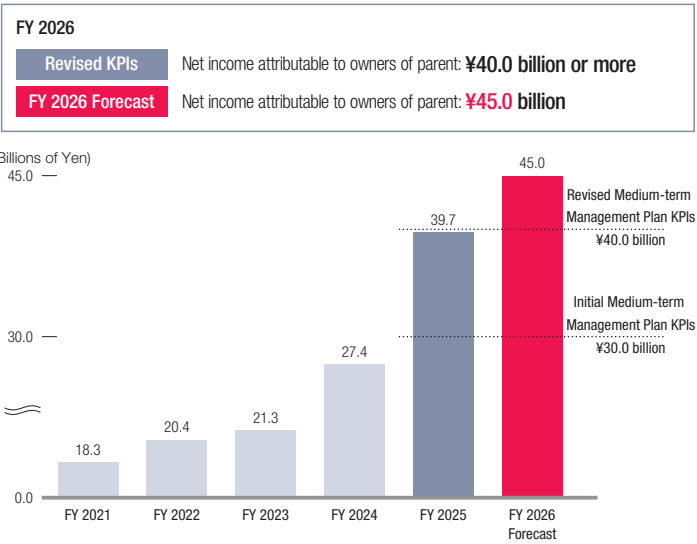
We will continue to expand our asset business and fee business, through which we solve various local challenges. We will also accelerate strategic investments for the future, such as human capital investments and innovation-related investments. Against a backdrop of high prices and growing uncertainty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

In FY 2026, the final year of our medium-term management plan, we aim to achieve the KPI of net income attributable to owners of parent of ¥40.0 billion or more, while working together as a Group to pursue further profit growth.

Consolidated financial results for the Chugin Financial Group

	FY 2025 results	FY 2026 forecast	Change
Consolidated ordinary profit	56.0	65.0	9.0
Net income attributable to owners of parent	39.7	45.0	5.3
<Reference: Non-consolidated for the Chugoku Bank>			
Core business gross profit	120.3	133.1	12.8
Expenses (decrease)	61.8	68.4	6.6
Core business net profit	58.4	64.6	6.2
Credit cost (decrease)	6.1	7.5	1.4
Profits and losses related to securities	(3.5)	0.0	3.5
Ordinary profit	51.5	61.0	9.5
Net income	36.9	42.3	5.4

Net income attributable to owners of parent



Toward Enhancement of Corporate Value



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

Masakazu Yamagata
Director and Senior Managing Executive Officer

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

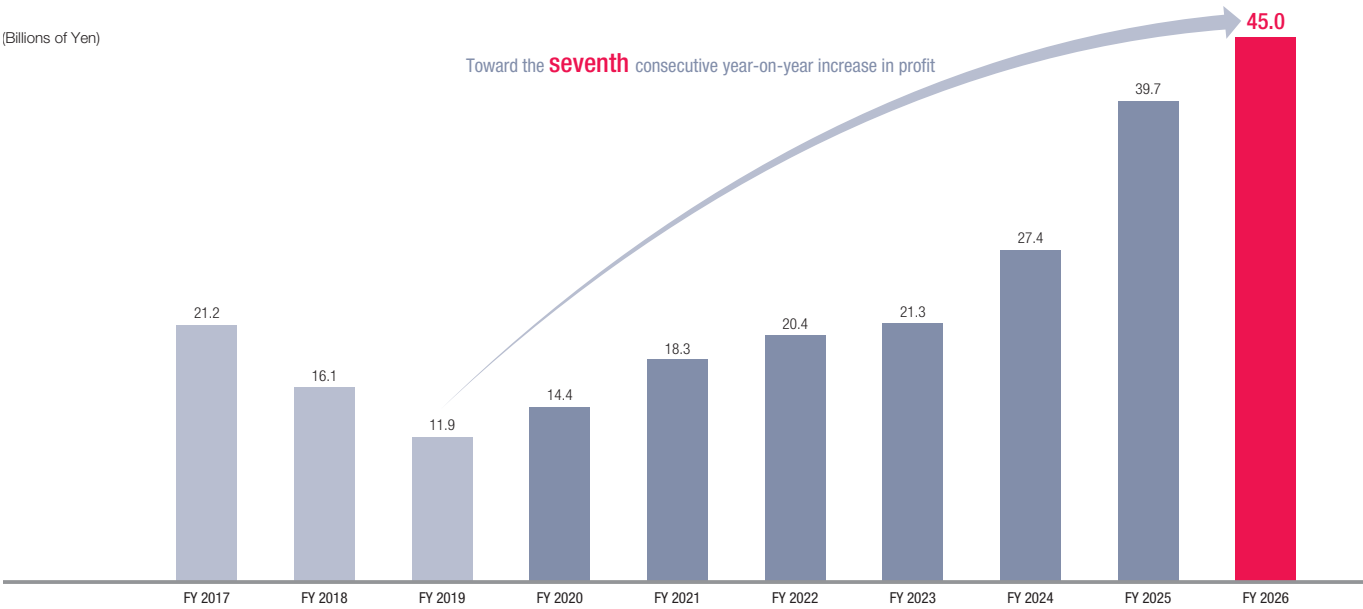
Initiatives in the Long-term Management Plan

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. In Stage II (April 2020–March 2023), we instituted behavioral change, such as building an autonomous sales system starting with introducing self-imposed targets and fully revising our personnel systems. 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 for the final year of the plan through the implementation of the Chugin DX Strategy and the establishment of a business unit system.

These achievements are steadily translating into profits. In FY 2026, building on our efforts to date, we will seek further profit growth as the culmination of our current medium-term and long-term management plans.

Net income attributable to owners of parent

(Billions of Yen)



Long-term management plan initiatives	Stage I	Structural Reforms	Stage II	Behavioral Change (Strengthening intangible aspects)	Stage III	Demonstrating the Results and Taking on New Challenges
	2017.4~2020.3	(Strengthening tangible aspects)	2020.4~2023.3	● Autonomous sales system and personnel system ● Acceleration of the development of new businesses ● Transition to a holding company system	2023.4~2027.3	● Chugin DX Strategy ● Establishment of a business unit system
		● BPR investments (A shift from administrative affairs to sales activities)				

Control and Strategic Use of Capital

Capital Control Indicators

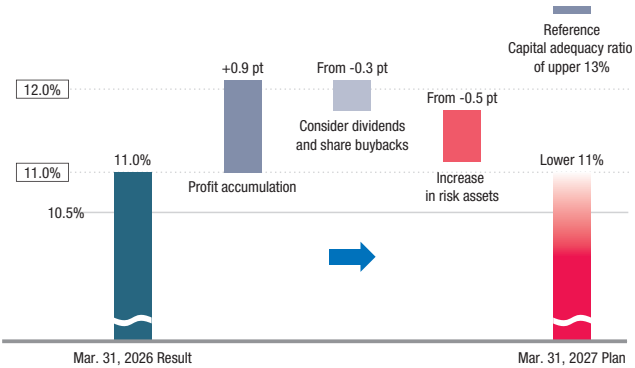
We control capital with two indicators.

From the standpoint of capital use, we have set the control range for the common equity Tier 1 ratio (FG consolidated; excluding valuation difference on available-for-sale securities, etc.) at 11-12%. As profits increase going forward, we will continue to return value to shareholders while building up high-quality risk assets to sustainably increase ROE.

At the same time, from the perspective of soundness, we conduct management using the capital adequacy ratio. We maintain a high level while utilizing Tier 2 capital as needed.

By managing capital with these two indicators, we will maintain high capital efficiency and strong financial soundness.

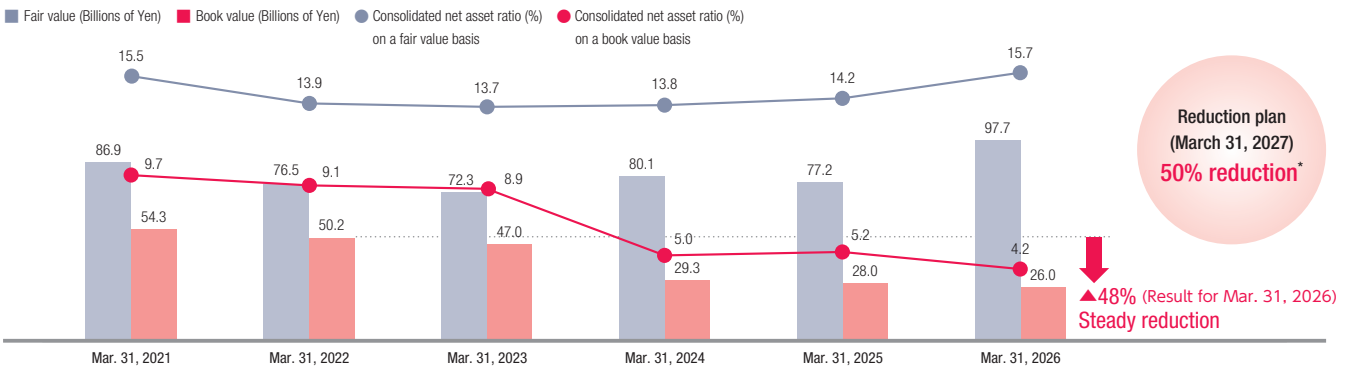
Ratio of common equity Tier 1 (FG consolidated; excluding valuation difference on available-for-sale securities, etc.)



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 for 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.

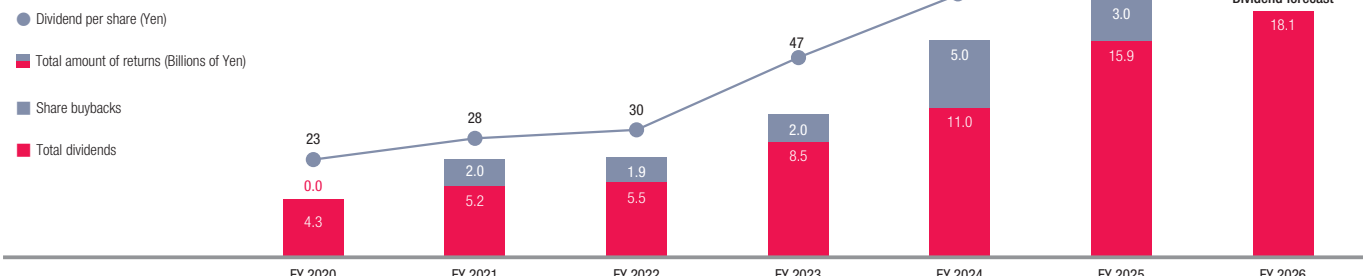


*Compared to Mar. 31, 2022; book value, including listed shares, unlisted shares, and deemed holding shares

Shareholder Returns

In FY 2026, we aim to increase dividends through profit growth, targeting a dividend payout ratio of approximately 40%. The dividend per share has increased substantially of late due to our strong performance, and in FY 2026 we expect it to exceed 100 yen for the first time.

In addition, we will carry out share buybacks flexibly through capital control.



Dividend payout ratio	29.8%	28.4%	26.9%	40.0%	40.4%	40.2%	Approx. 40%
Total payout ratio	29.8%	39.2%	36.4%	49.3%	58.6%	47.8%	Not yet determined

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

The calculation period was changed from one year starting with the General Meeting of Shareholders to the fiscal year.

Toward Enhancement of Corporate Value

Toward Increasing ROE

To enhance corporate value, we intend to continue making steady efforts to grow profit and increase ROE. Furthermore, we will implement initiatives aimed at sustainable growth into the future, ensuring that ROE improvement is not temporary. We also intend to communicate information, including non-financial information, so that our stakeholders can understand our initiatives, which will lead to higher growth expectations.

	FY 2025 Result	FY 2026 Plan
Net income attributable to owners of parent	¥39.7 billion	¥45.0 billion or higher
ROE *TSE basis	6.8%	7% or higher
Financial leverage	8.2 times	Increase
RORA	0.83%	Increase
PER	11.6 times	Increase
PBR	0.79 times	Toward 1x range

The Group's Strengths and Potential

We have a broad market base in the Eastern Setouchi economic zone, centering on Okayama Prefecture. In addition to favorable regional characteristics—its warm climate and status as a transportation hub—the area boasts stable demand for capital, supported by it being one of Japan's leading industrial regions and having a concentration of industries such as shipbuilding and maritime transport. This environment serves as a source of ongoing earning opportunities.

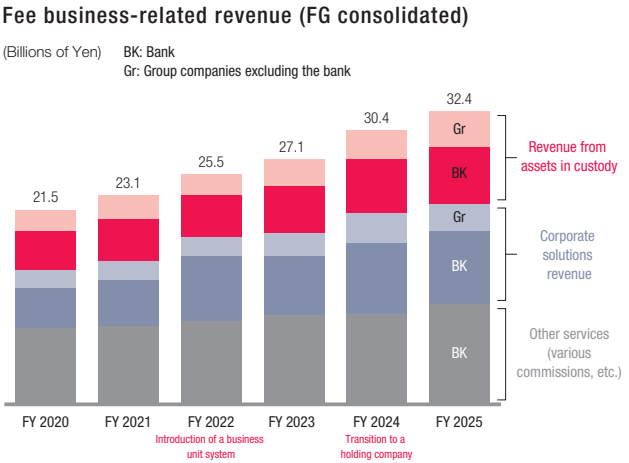
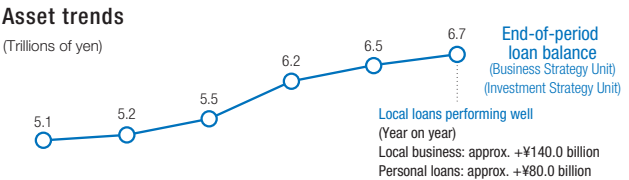
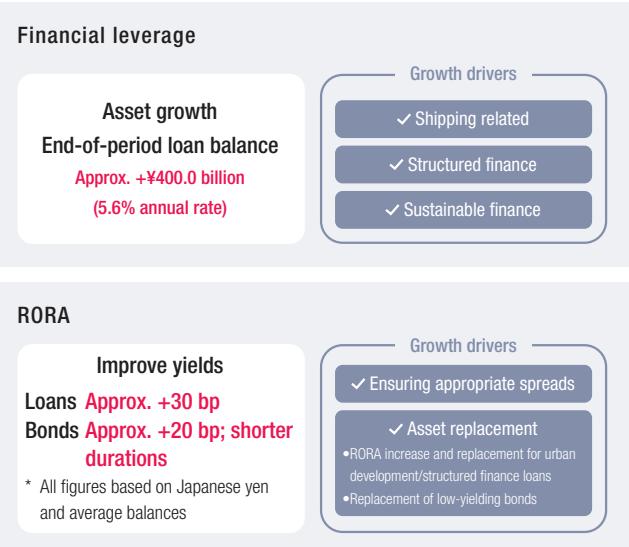
We have three strengths: ➊ Comprehensive Group capabilities ➋ Advanced finance and consulting capabilities ➌ Regional hub function and diverse expertise. Leveraging our broad market base and these strengths, we will increase net interest income by accumulating assets and securing appropriate spreads and expand fee-based revenue with a focus on corporate solutions and the assets-in-custody business. In addition, by linking the asset business and the fee business, we will create new regional needs and growth. Through these initiatives, we believe it will be possible to achieve profit growth that outstrips market interest rates.

➊ Comprehensive Group capabilities

We introduced a business unit system in June 2024 with the aim of strengthening our financial group function. We have established the Business Strategy Unit to oversee all business strategies centered on the local region and the Investment Strategy Unit to oversee strategic investment and loans, equities, and a wide range of asset strategies.

Under the business unit system, Group companies work together as one to provide optimal solutions, including consulting, asset management, decarbonization support, and staffing services, enabling us to provide more advanced, higher added-value services.

As a result, assets have been steadily expanding, and recently, in particular, we have successfully captured fund demand centered on the local market. Fee revenue has also been growing, driven by corporate solutions and the assets-in-custody business, and our revenue base is steadily expanding.



➋ Advanced finance and consulting capabilities

Ship financing

We have been involved in this industry, a key sector of the Setouchi region, for many years.

There is solid demand for financing against a backdrop of larger ships and decarbonization, and we believe there is ample room for growth as this sector accounts for around 7% of total loans. In terms of profitability, we maintain a high RORA exceeding that of regional business loans, and from a preservation perspective we have built up a portfolio of very high quality assets. In addition, we are developing specialized personnel centering on a dedicated department. We will continue to advance sales capabilities and risk management and aim to further expand assets while leveraging the strengths of an internationally active bank.

Structured finance

This is also a field we have been involved in ahead of other banks. While acquiring advanced insights and expertise through initiatives for a wide variety of projects, we have driven revenues and RORA.

Relationships and project formation capabilities acquired through structured finance are being used to solve the issues facing local customers, namely business succession and real estate liquidity needs.

Decarbonization

Through dialogue with customers, we provide accompanying support for everything from issue visualization to formulating and implementing plans to reduce greenhouse gas emissions. Through our consulting services, we provide integrated solutions to help customers and local communities in their decarbonization efforts. In finance as well, we have steadily built up assets by firmly capturing growing demand for funding driven by increasing awareness of decarbonization challenges.

Startup support

We have built a Group-wide support system tailored to each stage of our customers' development: we provide guidance in the pre-launch idea stage, offer funding, sales channel support, and human resources assistance after the company is established, and look toward IPOs and M&A during the growth stage. The results of these efforts are becoming apparent. In December 2025, two of Chugin Capital Partners' equity portfolio companies listed on the Tokyo Stock Exchange Growth Market.

➌ Regional hub function and diverse expertise

Community-based DX/SX support

C Cube Consulting provides advanced consulting centering on DX and SX by leveraging the capital of regional banks and highly specialized professionals from outside the company. As a model case for local DX/SX, we are creating local demand for funding and also promoting the nationwide dissemination of expertise and insights.

<Examples of initiatives>

Public sectors (prefecture/municipalities, universities, etc.)

- Smart counter implementation/BPR support
- DX support

Local customers (including listed companies)

- Growth strategy, marketing support
- Support for TCFD disclosure

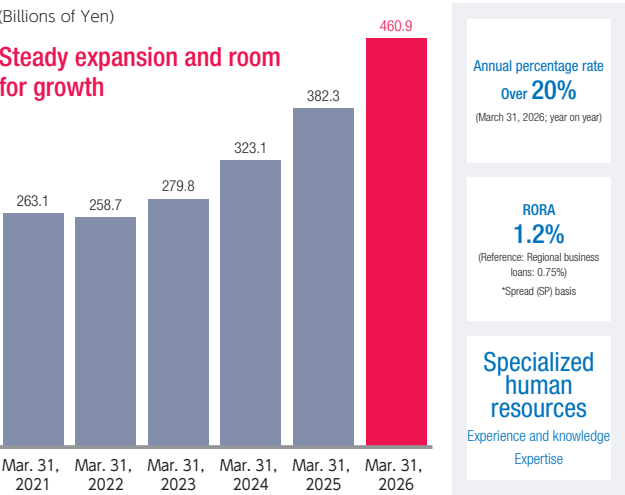
Nationwide regional financial institutions

- BPR support for sales branch administration
- Support for TNFD disclosure

Outside collaboration

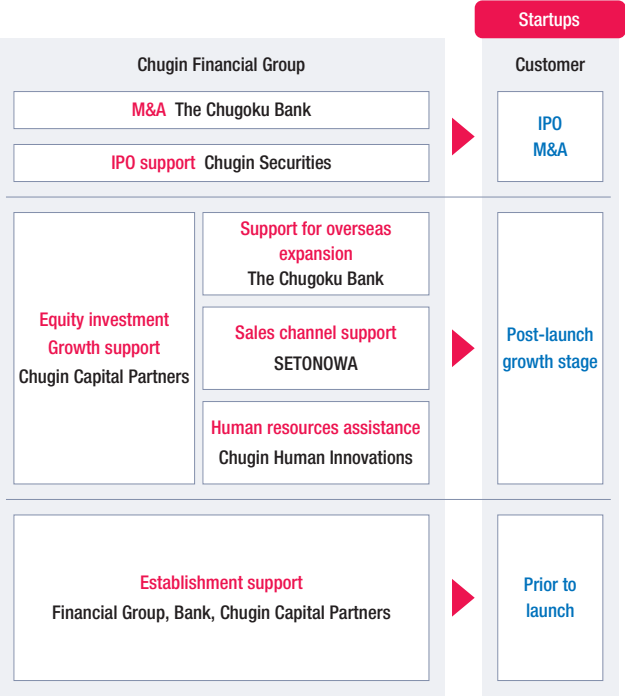
Through the TSUBASA ALLIANCE and cross-industry collaboration, we are promoting sustainable regional development and the co-creation of new value that goes beyond conventional thinking.

Ship finance (loan balance)—foreign vessel chartering business—



Startup support

Group-wide support system for each growth stage



Toward Enhancement of Corporate Value

Toward Increasing ROE

Recognition of Issues and Response Policy

We have identified ❶ changes in the procurement environment and ❷ developing and securing human resources as two key issues for profit growth. By steadily addressing these issues, we will continue and accelerate profit growth.

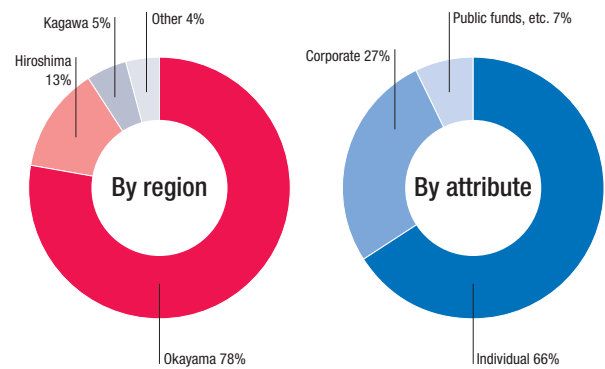
❶ Changes in the procurement environment

Strengthening deposits

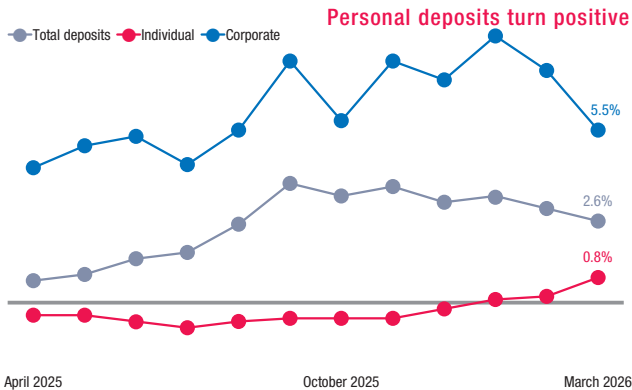
Backed by our strong market share in the local region (51.7% of the Okayama Prefecture market as of March 31, 2026), we have secured a stable base of highly loyal deposits. In addition, our deposit balance is trending steadily and our customer base is solid.

In order to continue to expand stable deposit procurement, we intend to increase convenience for individual customers by introducing new products and strengthening app features. For corporate customers, we will work to further expand our share of deposits. At the same time, we will reevaluate the role of physical channels such as branches and further strengthen our procurement base through expanding customer contact points.

Deposit composition (FY 2025 average balance)



Annual trends in average deposit balances



Deposits are a form of love for the local community.

With this as our slogan, we are moving forward with strengthening deposits.

We view deposits received from customers as the driving force behind the local economy (i.e., a sense of attachment to one's hometown and love for the local community), and by providing comprehensive financial services, including supplying funds that embody our customers' love for the local community, we will contribute to the development of the region.

Raising asset profitability

We are conducting initiatives to efficiently manage the funds we have raised and improve profitability. We will now discuss the initiatives of the Investment Strategy Unit, which engages in structured finance, securities investment, and other endeavors. With regard to loans, we manage structured finance together with urban development lending while rigorously carrying out investment that prioritizes RORA. In securities investment, we continue to replace low-yielding bonds by leveraging the unrealized gains of equity assets with the aim of improving yields and boosting net interest income.

In addition, along with strengthening deposits, we believe it is necessary to balance stable procurement with asset expansion by continuing to improve financial leverage while exploring the use of outside procurement such as corporate bonds.

Loans

Headquarters
Structured finance

Urban development
Corporate syndicated loans

Approx. ¥1.3 trillion
RORA of 1.73%
(Strategic investment and market-driven investment)

Approx. ¥0.8 trillion
RORA of 0.57%
(Tokyo and Osaka)

Control

- ✓ Shared RORA perspective
- ✓ Strengthening SP increases
- ✓ Limiting low-RORA projects
- ✓ Phased replacement Etc.

Securities

<Replacement record>

Timing	Sales amount	Sales gains/losses
FY 2024	Approx. ¥130.0 billion	-¥3.5 billion
FY 2025	Approx. ¥370.0 billion	-¥19.0 billion

Net interest income
Approx. **¥5.0 billion**
improvement
(Annual)

<Valuation gains/losses (Mar. 31, 2026)>

After taking asset swaps into account
Of which, net investment stocks and investment trusts

¥72.1 billion
Approx. **¥120.0 billion**

Still room for further replacement

*RORA is on an SP basis

❷ Developing and securing human resources

Human capital and D&I

We are expanding our human capital investment to enhance the capabilities of each employee and establish an environment where our diverse human resources can fully demonstrate their potential. While actively investing in human capital to contribute to human resources development linked to management strategy and increasing engagement, we will accelerate D&I as the foundation for this to help realize our corporate principles. For details, please see p. 36.

Personnel generation and strategic reallocation

As part of the Chugin DX Strategy, we are conducting operational process reform across the Group. We are carrying out a fundamental overhaul of operations and implementing measures to increase efficiency, including AI adoption and automation, with the goal of reducing administrative tasks equivalent to 600 people by FY 2026.

Recently we have seen solid results from the shifts in working hours and staff reassignments, and we intend to continue to move steadily forward.

Toward the Next Medium-term Management Plan

How to contribute to the development of local communities

Finally, we will discuss our direction ahead of our next medium-term management plan, which will begin in FY 2027.

Based on our long-term vision for 2040, we have begun planning for FY 2030 using a backcasting approach. The central theme is how to contribute to the development of the community.

We will proceed with planning in light of the following points:

- How to solve issues facing the community for a sustainable society
- How to maintain and expand the region's associated population and create industries
- How to strengthen the regional economy, raise local income levels, and attract people to the region

Sample considerations	
✓ Expanding investment and financing to contribute to regional growth, procurement strategy	✓ Next-generation channels, branches, sales structure
✓ Reallocating management resources, expanding human capital investment and innovation	✓ Utilizing accumulated capital (inorganic growth, regional initiatives, shareholder returns)

Early increase in ROE and continued profit growth

Although this is still at the preliminary consideration stage, the profit levels we aim to achieve in the next medium-term management plan are ROE of 10% or higher and net income attributable to owners of parent of ¥80.0 billion or higher. To reach these levels as soon as possible, we will move forward by leveraging the strengths we have previously highlighted while acknowledging our challenges and addressing them effectively.

Through regional development, we aim to achieve sustainable growth in 2040 and beyond.

Net income attributable to owners of parent

17 CHUGIN FINANCIAL GROUP, INC.

CHUGIN FINANCIAL GROUP, INC. 18

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.



Actions Taken in Stages I & II

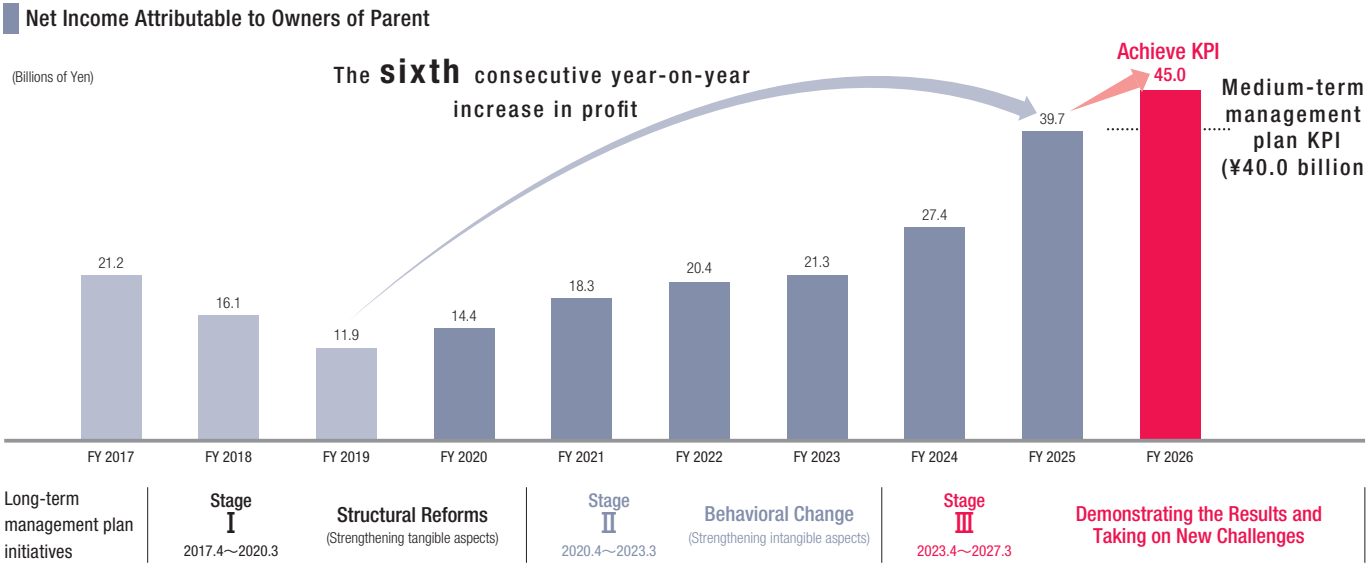
In Stage I, we focused on structural reforms and strengthening tangible aspects, conducted the BPR Promotion Project, and executed measures such as transitioning to the TSUBASA mission-critical system and jointly developing TSUBASA Fin Tech common infrastructure. We worked to secure personnel and time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

 Actions for Creating a Rich Future	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	Introduced TSUBASA Smile Launched new loan support system		Expanded into other business areas	
					Sustainability	
					Signed agreement for Okayama Future Co-creation Alliance	
		Concluded Okayama Co-creation Partnership			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
	2017	2018	2019	2020	2021	2022
 Actions for Building a Management Foundation	Established Nominating and Compensation Committee		Jointly established TSUBASA ALLIANCE Co., Ltd.			Formulated the Group's Corporate Principles
	Transitioned to TSUBASA mission-critical system	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
	Corporate culture reforms & human resource development				Moved to Prime Market of TSE	
	Introduced flat meetings	Introduced head office recruitment system	Began proactive recruitment of specialized talent	Reviewed performance award system Introduced sales branch self-imposed targets	Radical overhaul to human resource development measures Launched Open Lab	

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 six 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 was achieved early ahead of the plan’s final year. Accordingly, for Stage III of the medium-term management plan, we revised the FY 2026 target upward to ¥40.0 billion or more.



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
Alliances	▶ 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 systems 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	Results in FY 2025	Targets for FY 2026	
Net income attributable to owners of parent	¥21.3 billion	¥27.4 billion	¥39.7 billion	¥40.0 billion or more	Revised upward
ROE	3.85%	4.88%	6.8%	7% or higher	Revised upward
Ratio of common equity Tier 1 (excluding valuation difference on available-for-sale securities, etc.)	12.12%	11.58%	11.0%	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	Results in FY 2025	Targets for FY 2026	
“Deepening” the revitalization of regional economies and SDGs	CO ₂ emissions reduction*1	(46%)	(65%)	(73%)	(72%)	Revised upward
	Cumulative execution amount of sustainable financing*2	¥942.2 billion	¥1,152.5 billion	¥1,418.9 billion	¥1.5 trillion	
	Number of entrusted contracts for consultations*3	356	380	444	460	
	Number of owners of 5 products in custody and housing loans	214,000	220,000	226,000	260,000	
	Number of inheritance-related projects*4	553	734	906	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%	24.2%	25%	
	Amount of human capital investment*5	¥0.41 billion	¥0.50 billion	¥1.05 billion	¥1.0 billion	

*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 projects 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.



Environmental Initiatives

Response to Climate Change and Progress on Implementing the TCFD Recommendations

The Group views addressing climate change as a critical issue. As a leading regional bank, we are taking a proactive approach to climate change challenges and, to support the sustainable growth of our community and customers, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2021 as the Chugoku Bank and in October 2022 as Chugin Financial Group.

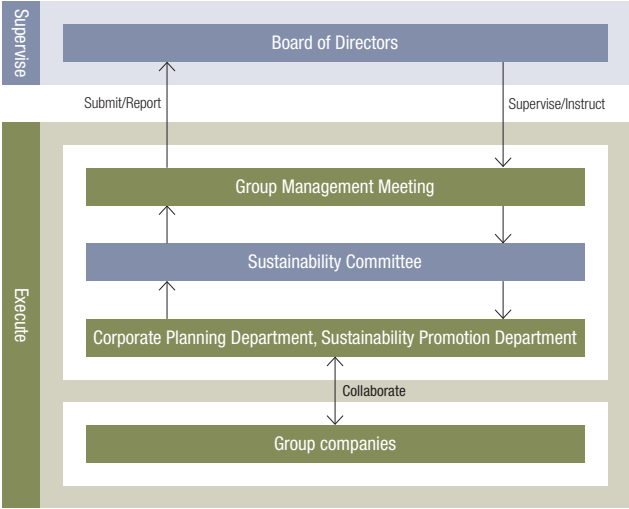
1. Governance

Approach to climate change

Guided by our Corporate Principles and Vision, the Group has identified six material issues (materiality): “Revitalization of regional economy and society,” “Response to low birthrate and aging society,” “DX promotion,” “Promotion of diverse human resources,” “Environmental management promotion,” and “Refining of governance.” Under “Environmental management promotion,” we recognize decarbonization and climate change as particularly critical issues. We are further advancing our existing climate change initiatives and working to enhance our disclosure of information in accordance with the TCFD recommendations.

Supervisory structure

With the aim of strengthening our sustainability management initiatives, the Group has established the Sustainability Committee, chaired by the President, under the Board of Directors and the Group Management Meeting. The Sustainability Committee meets four times a year to deliberate on matters such as identification and review of material issues, measures, policies, and progress on environmental and social issues, and measures, policies, and progress on regional revitalization SDGs. Important matters related to sustainability, including climate change and biodiversity, are regularly (at least three times a year) submitted for deliberation and reported to the Board of Directors following deliberation and discussion by the Sustainability Committee and the Group Management Meeting. Under this system, the Board of Directors oversees and directs these initiatives, and the results of its deliberations are incorporated into management strategy, risk management, and risk assessment. Furthermore, to promote the above initiatives across the entire Group, we have established a Sustainability Promotion Department and put in place a system for appropriate management, thereby ensuring the effectiveness of our initiatives.



Sustainability Committee	Members	Chairman: President
		Members: Director and Vice President, Director and Senior Managing Executive Officer, General Manager of Corporate Planning Department, General Manager of Sustainability Promotion Department, Director and Managing Executive Officer (The Chugoku Bank)
	Frequency convened	Observers: General Manager of related departments, presidents of Group companies Audit: Audit and Supervisory Committee Members
	Agenda items	Four times a year Identification and review of material issues Measures, policies, and progress on environmental and social issues (including TCFD compliance) Measures, policies, and progress on regional revitalization SDGs, etc.

2. Strategy

Management strategy related to climate change

Recognizing social and environmental issues as sustainability challenges for our business, and aiming to create a sustainable virtuous cycle between contributing to the development of local communities and enhancing corporate value, we established the Chugin Group Basic Policy on Sustainability in April 2022. In particular, climate change is a key issue for the Group and our stakeholders, and we will strengthen our efforts in this area as part of our sustainability management strategy, based on our Corporate Principles and Vision.

Risks and opportunities

We believe that assessing climate-related risks and opportunities and understanding their impact on our business partners and the Group are key considerations in formulating business strategies and strengthening risk management in response to climate change.

We view climate change mitigation as a business opportunity. By taking a medium- to long-term perspective to understand the challenges and needs of our business partners and local customers, and by supporting their efforts to address climate change and transition to a decarbonized society, we are working to create and expand business opportunities, including the provision of solutions such as investment and financing.

Category	Anticipated impact (timeline)
Transition risk	• Credit risk arising from changes in regulations, tax systems, and other measures related to climate change that negatively impact customers' business environments (medium to long term) • Credit risk arising from negative impacts on customers' business environments due to advances in decarbonization-related technologies and changes in market trends (medium to long term)
Physical risk	• Credit risk arising from customer business operations coming to a standstill due to damage to its business sites caused by natural disasters (short to long term) • Credit risk arising from a decline in the value of real estate collateral due to natural disasters (short to long term) • Operational risk arising from natural disasters affecting the Group's facilities (short to long term)
Opportunities	• An increase in investment, financing, and other business opportunities to support customers and local communities in their efforts to address climate change and transition to a decarbonized society (short to long term) • Reduction in business costs through resource and energy conservation (short to long term) • Enhancements to corporate value through a sustainability-focused business model (short to long term)

Scenario analysis

We are conducting scenario analyses on transition risks and physical risks with the aim of enhancing our decarbonization management and strengthening engagement with our business partners by identifying and analyzing the impact of climate change risks on the Group's finances.

(1) Transition risk

We selected sectors to analyze from two perspectives, the need for decarbonization and the Chugoku Bank's exposure, and, based on scenarios from the International Energy Agency (IEA), analyzed the impact of the transition to a decarbonized society on our business partners and the Chugoku Bank.

As we move toward a decarbonized society, we have reaffirmed the importance of supporting our business partners in transforming their business structures.

Sectors	Electric Power, Automobiles and Auto Parts, Land Transportation, Construction and Civil Engineering
Sector selection method	Sectors were selected based on two criteria: the need for decarbonization and the Chugoku Bank's exposure. (1) Sectors with a high ratio of CO ₂ emissions per unit of revenue (carbon intensity) were identified, taking into account the Chugoku Bank's exposure (2) Selected sectors where it is necessary to deepen engagement with customers on climate change going forward, such as those that have a significant impact as key regional industries
Scenario	IEA* "World Energy Outlook 2025" Net Zero Emissions (NZE) Scenario (1.5°C Scenario), etc. *International Energy Agency
Worldview	• A scenario to limit the global average temperature rise to 1.5°C from the Industrial Revolution to the year 2100 • Through smooth and swift policy responses and technological innovation, developed countries will achieve net-zero CO₂ emissions by around 2045, and the world as a whole by 2050.
Analysis method	• An impact assessment (qualitative analysis) is conducted on the selected sectors to evaluate the impact on their businesses • Based on the results of the qualitative analysis, we projected future changes in financial conditions, taking into account costs such as a carbon tax, according to various scenarios, and estimated the impact on credit costs.
Analysis results (impact)	Increase in credit costs through 2050: ¥35.0 billion in total

Environmental Initiatives

Response to Climate Change and Progress on Implementing the TCFD Recommendations

(2) Physical risk

In Okayama Prefecture and other areas that serve as the Chugoku Bank’s primary business base, the region has experienced large-scale flood damage caused by events such as the Heavy Rain Event of July 2018 (Western Japan Torrential Rains). We analyzed the estimated financial impact of damage expected to result from flood disasters and other such events by 2050.

The results of the analysis of physical risks indicated that the total increase in credit costs through 2050 would be up to ¥8.0 billion. While there may be a corresponding impact in any given fiscal year, we estimate that the impact will be limited to approximately ¥300 million per year.

Analysis scope	Impact of flood damage			
Analysis details	Analysis details ①	Impact of a decline in the collateral value of the Chugoku Bank's real estate collateral (buildings) due to damage caused by flooding and other water-related disasters (including home loans)	Analysis details ②	The impact of lost profits resulting from flood damage or other water damage suffered by a business partner (headquarters) with which we have credit transactions
Scenario	IPCC* RCP 8.5 Scenario (4°C Scenario) * Intergovernmental Plan on Climate Change			
Worldview	• A scenario in which the global average temperature rises continuously, increasing by 4.0°C from the time of the Industrial Revolution through the year 2100 • Measures to combat global warming are not implemented			
Analysis method	Impact estimated based on the flood depth at the location of a business partner (headquarters) with which the Chugoku Bank has real estate (building) collateral and credit transactions			
Analysis results (impact)	Increase in credit costs through 2050: ¥8.0 billion in total			

Carbon-related assets

As of the end of March 2026, carbon-related assets* accounted for 38.8% of the Chugoku Bank’s loans and other assets.

Energy	Transportation	Materials and buildings	Agriculture, food, and forest products	Total
3.0%	10.8%	22.3%	2.8%	38.8%

* Based on the Bank of Japan’s industry classification, the sectors corresponding to the primary businesses of our clients are considered target sectors and are included in the aggregate. Excludes renewable energy power providers.

Engagement on decarbonization

(1) Overview of the engagement strategy for decarbonization

The Group has been working to establish a framework for supporting our community and customers as we strive to achieve carbon neutrality across our investment and financing portfolio.

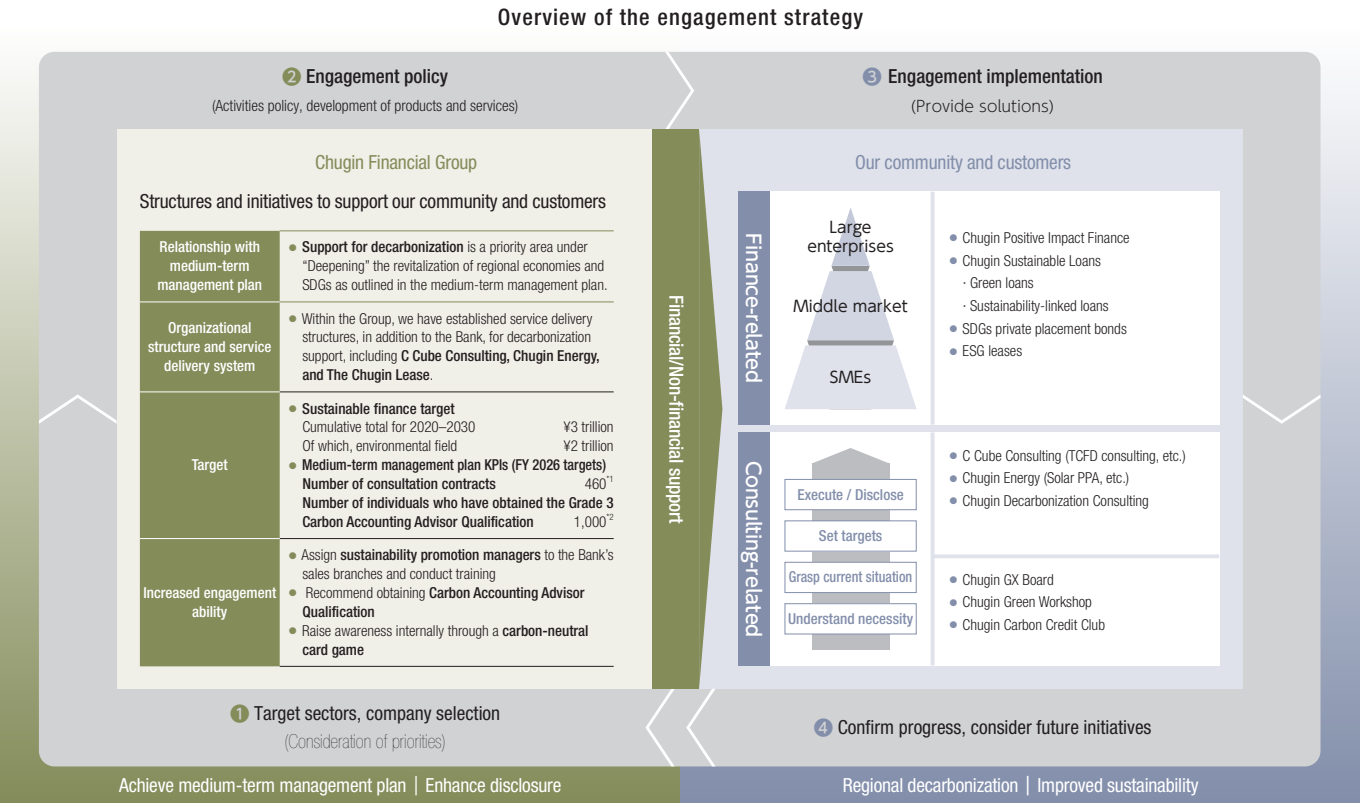
Under the “Deepening” the revitalization of regional economies and SDGs initiative outlined in our current medium-term management plan, we have identified support for decarbonization as a priority area and are promoting various initiatives in this regard.

In terms of our service delivery structure, we have established an integrated support system that brings together the entire Group, including the Chugoku Bank, which serves as the Group’s core, as well as C Cube Consulting (consulting), Chugin Energy (solar PPA business, etc.), and The Chugin Lease (leasing), to provide comprehensive support.

Through our framework of financial and non-financial support, we provide value to our community and customers in both finance and consulting, tailored to the scale and stage of their businesses.

We have systematically presented this framework for implementing the PDCA cycle regarding these organizational improvements, customer support, and solution implementation as an “Overview of the engagement strategy.”

By implementing this PDCA cycle, we aim to achieve the Group’s medium-term management plan and enhance our disclosures, while contributing to the decarbonization and improved sustainability of our community and customers.

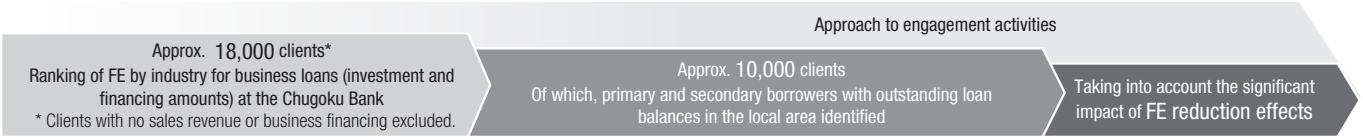


*1 Annual number of entrusted contracts for business succession, environmental, and other areas *2 Set since November 2024

(2) Approach to engagement activities

The Group believes that conducting engagement activities in preparation for financed emissions (FE) will contribute to the realization of sustainable regional development.

In order to support our customers in reducing their CO₂ emissions, we reviewed our approach to engagement activities.



Financed emissions (March 2026)

No.	Industry*	Financed emissions (t-CO ₂)
1	Capital goods	2,243,618
2	Electric power, utilities	977,081
3	Chemicals	643,220
4	Metals and mining	595,234
5	Truck services	538,673
6	Processed foods and meat	434,487
7	Construction materials	432,053
8	Oil and gas	376,360
9	Paper and forestry products	297,039
10	Automobiles and auto parts	201,382
11	Maritime transport	184,625
12	Agriculture	97,327
13	Real estate management and development	67,385
14	Rail transport	26,992
15	Beverages	13,645
16	Passenger air transport	7,996
17	Other	2,275,219
Total		9,412,337

* Industries have been classified based on carbon-related assets as defined in the TCFD recommendations

Local primary and secondary borrowers with outstanding loan balances*

No.	Industry	Financed emissions (t-CO ₂)	Percentage share
1	Capital goods	1,563,916	28.0
2	Truck services	376,291	6.7
3	Processed foods and meat	313,765	5.6
4	Construction materials	304,214	5.5
5	Chemicals	300,000	5.4
6	Metals and mining	271,003	4.9
7	Oil and gas	199,101	3.6
8	Paper and forestry products	191,518	3.4
9	Automobiles and auto parts	133,084	2.4
10	Electric power utilities	130,843	2.3
11	Maritime transport	94,655	1.7
12	Agriculture	48,929	0.9
13	Real estate management and development	30,643	0.5
14	Beverages	6,243	0.1
15	Rail transport	540	0.0
16	Passenger air transport	0	0.0
17	Other	1,612,115	28.9
Total		5,576,859	100.0

* Based on the Outstanding Loan Balances by Financial Institution section of the financial statements. Affiliated companies, officers, and other aggregated entries are not included in the ranking.



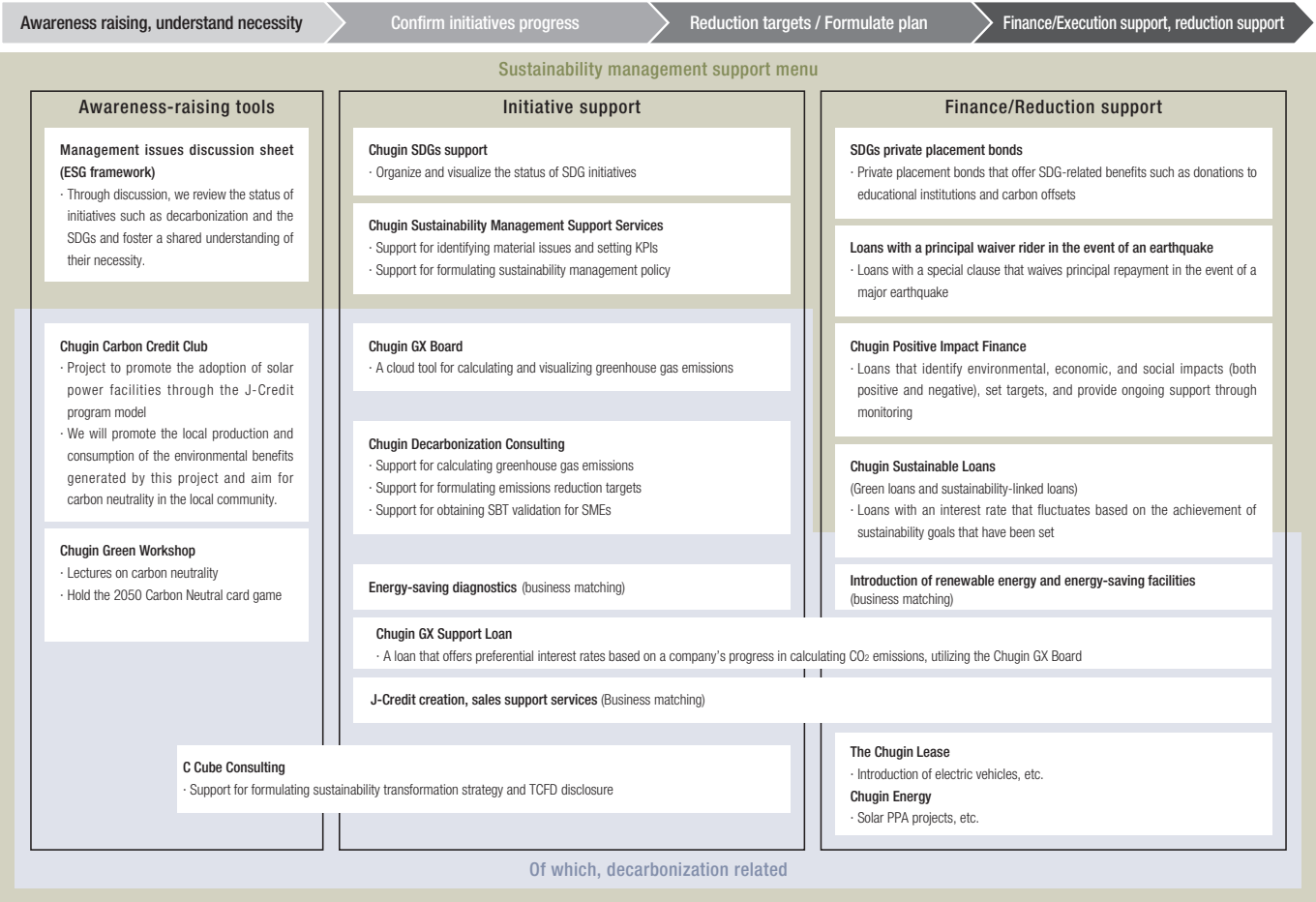
Environmental Initiatives

Response to Climate Change and Progress on Implementing the TCFD Recommendations

(3) Solutions to help our customers improve their sustainability

Our medium-term management plan sets forth our commitment to working as a unified Group to promote the sustainability of the entire region through proactive engagement with customers and support in both consulting and finance.

Our lineup of solutions tailored to each phase of our customers' initiatives is as follows.



Initiative examples

- The Chugoku Bank began offering the Chugin GX Board, a cloud-based service for calculating and visualizing greenhouse gas emissions, in August 2024.
- In addition to emissions calculation and visualization, which serve as the starting point for decarbonization management, this service supports disclosure efforts through the generation of various reports. To help foster momentum for decarbonization in local communities, the Chugoku Bank offers this service with user-friendly functionality and pricing that makes it accessible to small and medium-sized enterprises.
- Through the provision of this service, the Group will work together as a unified entity to support the decarbonization of local communities by sharing challenges related to decarbonization with our customers and providing various forms of consulting and financial support, including the formulation of specific targets and plans for reducing greenhouse gas emissions.

Engagement centered on the Chugin GX Board



Chugin GX Board



* Main solution offerings are shown.

3. Risk management

The Group recognizes that transition risks and physical risks stemming from climate change can have a significant impact on regional economies, and we have established a system in which the Sustainability Committee regularly identifies, assesses, and manages these risks.

Furthermore, since the risks associated with climate change span various risk categories defined by the Group, such as credit risk, market risk, liquidity risk, and operational risk, we are working to incorporate them into our existing risk management processes, including integrated risk management.

In April 2021, we established our Policy on Responsible Investment and Financing, under which we carefully evaluate investments and financing that may have negative environmental or social impacts and strive to mitigate or avoid such impacts. In addition, we exercise particular caution regarding investments and financing in specific industries and sectors, including weapons manufacturing, the construction of new coal-fired power plants, and palm oil plantation development and deforestation projects that pose a risk of illegal logging or human rights violations.

4. Metrics and targets

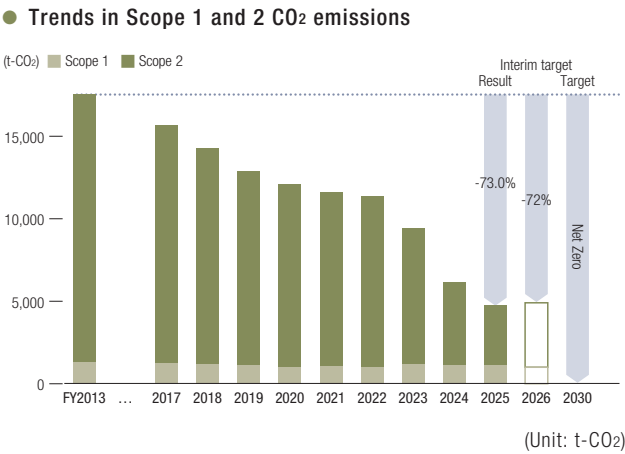
CO₂ emissions

Based on the TCFD recommendations and other guidelines, the Group has set CO₂ emission targets and calculates our actual emissions.

To ensure the transparency and accuracy of the disclosed information regarding actual CO₂ emissions for FY 2025, we plan to obtain a third-party assurance. The emissions calculated this time are preliminary figures; the final figures, which will have been verified by a third party, will be published on our website as soon as they are finalized.

(1) Reduction targets

With the aim of achieving carbon neutrality, we have set a goal to achieve net-zero Scope 1 and 2 CO₂ emissions by the end of FY 2030 for CO₂ emissions associated with the Group's energy use. In addition, while our interim target was to achieve a 72% reduction compared to FY 2013 by FY 2026, the final year of our medium-term management plan, we achieved this goal one year ahead of schedule in FY 2025.



FY	2013	...	2017	2018	2019	2020	2021	2022	2023	2024	2025	Compared to 2013
Scope 1	1,319		1,238	1,178	1,105	993	1,089	998	1,204	1,133	1,140	-13.6%
Scope 2	16,209		14,452	13,073	11,782	11,135	10,497	10,351	8,209	4,831	3,593	-77.8%
Total	17,528		15,690	14,251	12,887	12,128	11,586	11,349	9,413	5,964	4,733	-73.0%

* The Group has obtained third-party verification of its CO₂ emissions for FY 2024 and beyond. (FY 2025 emissions are preliminary figures)

Environmental Initiatives

Response to Climate Change and Progress on Implementing the TCFD Recommendations

(2) Results

Actual CO₂ emissions for Scopes 1, 2, and 3 are as follows. We will continue to work toward reducing emissions by cutting energy consumption and switching to clean energy, while also expanding the scope of Scope 3 emissions calculations and refining our emissions data.

(Unit: t-CO₂)

Measurement item			FY 2025
Scope 1	Direct energy consumption (gas, gasoline, diesel, etc.)		1,140
Scope 2 ^{*1}	Indirect energy consumption (use of electricity, heat, etc.)		3,593
Scope 3 ^{*2}	Total other indirect energy consumption (other than Scope 1 and 2)		9,469,097
	Category 1	Purchased goods and services	30,144
	Category 2	Capital goods	19,147
	Category 3	Electricity (fuel and energy-related activities not included in Scopes 1 and 2)	1,534
	Category 4	Transportation and distribution (upstream)	470
	Category 5	Waste generated in operations	2,889
	Category 6	Business travel	596
	Category 7	Employee commuting	1,960
	Category 8	Leased assets (upstream)	20
	Category 15	Investments	9,412,337
Total			9,473,830

^{*1} Calculated based on market standards. According to the location-based standard, it is 7,429 (t-CO₂).

^{*2} The calculation methods for Scope 3, emission factors, and other related items are based on the “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain, Ver. 2.8 (Ministry of the Environment and Ministry of Economy, Trade and Industry, March 2026),” “Emission Intensity Database for Calculating Greenhouse Gas Emissions, etc. of Organizations through Supply Chain, Ver. 3.6 (Ministry of the Environment and Ministry of Economy, Trade and Industry, April 2026),” and “Embodied energy and emission intensity that takes into account global supply chains (National Institute for Environmental Studies).”

(3) Scope 3 Category 15

Among Scope 3 emissions, CO₂ emissions from investments and financing, Category 15, are a particularly key focus for financial institutions seeking to reduce CO₂ emissions. We estimated the emissions of our investment and financing recipients using methodologies based on the PCAF Standard^{*1}. The results of the preliminary calculations are as follows (reference date: end of March 2026; scope: business loans from the Chugoku Bank).

We will continue to explore ways to further utilize this approach in our engagement activities aimed at promoting decarbonization among our business partners, as well as ways to expand the scope of our calculations.

Sector	Industry ^{*2}	Carbon intensity ^{*3} (Unit: t-CO ₂ /Millions of yen)	Emissions ^{*4} (Unit: t-CO ₂)
Energy	Oil and gas	4.56	376,360
	Coal	–	–
	Electric power, utilities	23.28	977,081
Transportation	Air freight	–	–
	Passenger air transport	5.02	7,996
	Maritime transport	6.05	184,625
	Rail transport	1.94	26,992
	Truck services	3.82	538,673
	Automobiles and auto parts	4.50	201,382
Materials and buildings	Metals and mining	15.14	595,234
	Chemicals	5.60	643,220
	Construction materials	8.66	432,053
	Capital goods	3.71	2,243,618
	Real estate management and development	1.14	67,385
Agriculture, food, and forest products	Beverages	2.49	13,645
	Agriculture	7.83	97,327
	Processed foods and meat	4.92	434,487
	Paper and forestry products	3.82	297,039
Other		2.23	2,275,219
Total		3.18	9,412,337

^{*1} Partnership for Carbon Accounting Financials: International initiative for measuring and disclosing CO₂ emissions related to investment and financing

^{*2} Industry: Carbon-related assets as defined by the TCFD recommendations (4 sectors, 18 industries) and others

^{*3} Carbon intensity: CO₂ emissions per 1 million yen of revenue for portfolio companies; Carbon intensity by industry = $\sum(\text{carbon intensity per borrower}) / \text{number of borrowers}$

^{*4} Emissions: Emissions by industry = $\sum[(\text{carbon intensity} \times \text{revenue}) \times \text{share of investment and financing}]$

Sustainable finance

(1) Target

As a regional financial group, the Group has established sustainable finance target to help our local customers deepen their understanding of climate change and to support their efforts toward a decarbonized society.

We have set an interim target of ¥1.5 trillion through FY 2026, the final year of our medium-term management plan, and are actively supporting our customers' initiatives through investments, financing, and other measures aimed at addressing social and environmental challenges.

Please note that this sustainable finance target refers to the total amount disbursed from FY 2020 through FY 2030, which includes financing in the following fields as well as support for regional revitalization and SDG/ESG initiatives.

Target details	¥3 trillion by the end of FY 2030 (of which, environment-related target of ¥2 trillion)	Social fields	Medicine, nursing care, childcare, education, etc.
		Environmental fields	Solar, wind, biomass, EVs, etc.

(2) Results

● Sustainable finance results (Group totals)

(Unit: Billions of Yen)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Cumulative total
Sustainable finance	303.5	141.1	197.2	300.4	210.3	266.4	1,418.9
Of which, social fields	237.4	101.6	87.5	96.9	90.9	73.4	687.8
Of which, environmental field	66.1	39.5	109.7	203.5	119.4	193.0	731.1

● Sustainable finance results (Non-consolidated for the Bank)

(Unit: Billions of Yen)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Cumulative total
Sustainable finance	303.5	141.1	197.2	292.8	197.3	254.5	1,386.4
Of which, social fields	237.4	101.6	87.5	96.1	89.8	73.2	685.5
Of which, environmental field	66.1	39.5	109.7	196.8	107.5	181.3	700.9

Roadmap

We aim to achieve our targets through the systematic implementation of various initiatives.

		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Target	Scopes 1 and 2 (Compared to FY 2013)		-72%				-100%
	Sustainable finance (Of which, the environment)		¥1.5 trillion				¥3 trillion (¥2 trillion)
Initiatives	Energy savings	Replacement with high-efficiency, energy-saving equipment					
	Renewable energy	Switch to renewable power, solar power generation					
		Electric power procurement via offsite PPAs					
	Offsets	Offsets with credits/non-fossil certificates					
	Initiatives for customers	Implement engagement activities					

Environmental Initiatives

Measures for Biodiversity Conservation

The Group believes that maintaining and restoring natural capital is essential to the sustainability of the regions that form the foundation of our business. We have therefore identified environmental management promotion and revitalization of regional economy and society as our material issues, and we aim to achieve a balance between environmental and economic considerations. Consequently, we joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum in December 2023 and became a TNFD Adopter in December 2025. We are also engaged in a variety of activities aimed at preserving and enhancing the value of the region’s natural capital.

Status of Implementation of Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations

We have published information on the impact of the Group’s activities on natural capital on our website as part of our initiatives in response to the TNFD recommendations. An overview is provided below.

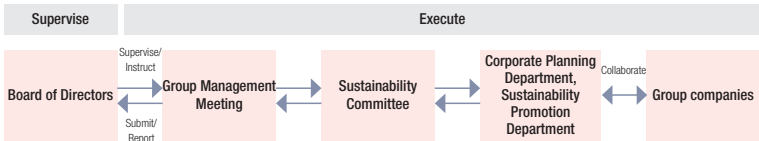
Click here to view our initiatives in response to the TNFD recommendations.

<https://www.chugin-fg.co.jp/sustainability/environment/tnfd/> (Japanese only)



Governance

Under the supervision of the Board of Directors, the Sustainability Committee takes the lead in addressing key sustainability issues, including biodiversity. We also oversee and execute the transition plan under this organizational structure.



Strategy

A) Previous fiscal year’s analysis results

We identified seven key sectors by taking into account the Group’s investment and financing portfolio as well as the characteristics and conditions of the local natural environment.

Capital goods / Construction and engineering / Real estate management and development / Apparel / Forest products / Chemicals / Truck services
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B) Ideal state for 2030 and development of a transition plan

Decision made to advance initiatives in phases across five pillars toward a transition to a nature-positive society

Grasp current situation	I	Understanding and communicating the relationship between nature and the community
Prepare to promote	II	Build momentum and establish a framework for cooperation
Promote the transition	III	Support the transition in the financial field
	IV	Support the transition in non-financial fields
	V	Chugin Financial Group’s own initiatives

C) Developing solutions via value chain analysis

Selecting key performance indicators in the construction and engineering and real estate management and development sectors through value chain analysis of leading companies in these sectors.

Green spaces and managed area	Number of ecosystem and species surveys
To promote efforts toward key performance indicators in the construction and engineering and real estate management and development sectors, we are exploring potential solutions that Chugin Financial Group could provide.	
Staffing services and support for matching with companies possessing specialized knowledge and technology	
Support for equipment acquisition through leasing / Assistance with grant applications / Arrangement of green loans	
Development of natural capital finance linked to key performance indicators	
Implementation of profit-generation consulting related to key performance indicators	

Risk and Impact Management

Going forward, we plan to conduct detailed surveys and analyses of other key sectors as needed. We regard environmental issues as key management priorities and aim to integrate them into our company-wide risk management process under the oversight of the Board of Directors.

Metrics and Targets

In addition to the following goals set last fiscal year, we will continue to explore ways to expand our set of indicators based on this fiscal year’s analysis results.

Sustainable finance execution amount (¥3 trillion by 2030)
Expand customer support (consulting, business matching)

Indicators considered for expansion going forward	Sustained promotion of dialogue for realizing a nature-positive society
	Expanded investment in companies that help preserve and restore natural capital
	Expansion of green spaces and managed areas*
	Increased number of ecosystem and species surveys*

* Includes the area and number of surveys conducted using solutions provided by the Group.

Initiative Examples

Setouchi Nagisa Forum

While the Seto Inland Sea boasts a rich ecosystem, recent environmental changes have led to a decline in seaweed beds. Seaweed beds play an important role in the marine ecosystem. In addition to serving as breeding grounds and food sources for marine life, they are also gaining attention as carbon dioxide sinks.

The Group has been participating in the Setouchi Nagisa Forum (organized by Innoqua Inc.) since its launch in September 2024. This project brings together a diverse range of stakeholders connected to the Seto Inland Sea, including local businesses, major corporations, financial institutions, universities, and local governments, with the goal of conserving biodiversity in the Seto Inland Sea and revitalizing the regional economy.

Through this forum, we aim to create a model for a locally sustainable society where people and the ocean thrive together by engaging in marine conservation activities and local educational initiatives. The Group is primarily focused on seaweed bed restoration efforts at Muneagehama in Tamano City and environmental education programs for local elementary, middle school, and high school students.



Muneagehama designated a Nationally Certified Sustainably Managed Natural Site

In March 2026, the action plan for Muneagehama (in Tamano City), which the Group submitted jointly with the Muneage Fisheries Cooperative, Innoqua Inc., and the Setouchi Nagisa Forum, was certified under the Act on Promoting Activities to Enhance Regional Biodiversity, and Muneagehama was designated as a Nationally Certified Sustainably Managed Natural Site.

* The Ministry of the Environment is working toward achieving the 30 by 30 goal, which aims to conserve at least 30 percent of both land and sea environments. Under the Act on Promoting Activities to Enhance Regional Biodiversity, once an implementation plan formulated by the ministry is certified, the area covered by the plan becomes a Nationally Certified Sustainably Managed Natural Site (an area designated for nature conservation activities led by the private sector).



Chugin Forest

We named the 16-hectare city-owned forest in the Mikamo-Kuroda area of Maniwa City, which was damaged by Typhoon No. 23 in 2004, “Chugin Forest,” and since 2008, we have been providing restoration support through activities such as tree planting, underbrush clearing, and thinning. Starting in FY 2023, we expanded the area by three hectares as part of our support for demonstration sites, bringing the total coverage area to 19 hectares. The total amount of aid provided to date is approximately ¥8.40 million.

Based on the results of these activities, we have obtained certification under the Okayama Prefecture Carbon Dioxide Forest Absorption Assessment System for the estimated amount of carbon dioxide absorbed by Chugin Forest in accordance with our initiatives for the fiscal year.



Wildlife Survey Team

From October 2025 through January 2026, we co-hosted the citizen-participatory biological survey “Let’s Find Them with Our Smartphones! Okayama Wildlife Survey Team 2025” in collaboration with the Ryobi Group. This event was open to participants throughout Okayama Prefecture. It involved using the smartphone app Biome to photograph and post images of local wildlife, thereby documenting biodiversity.

The survey revealed approximately 1,400 species of organisms, including rare species such as those at risk of extinction, as well as invasive species that threaten local wildlife and the environment. We plan to use the results of this survey to inform future efforts to protect local biodiversity.



Signing of a Partnership Agreement to Realize a Nature-Positive Economy

While companies are required to disclose information on environmental management and the relationship between natural capital and their businesses, in order to integrate natural capital initiatives into business operations, they need support that combines scientifically grounded environmental assessments with strategic planning that contributes to enhancing corporate value. Therefore, in March 2026, with the aim of supporting integrated efforts that combine environmental conservation initiatives with the creation of economic value, Chugin Financial Group, Inc., C Cube Consulting Co., Ltd., and Innoqua Inc. entered into a partnership agreement.

Going forward, based on this agreement, we will promote initiatives aimed at realizing a new industrial model grounded in the region’s natural capital (a nature-positive economy).



Environmental Initiatives

Providing Solutions to Address Environmental Challenges

Amid growing calls for action to address climate change and achieve a decarbonized society, the Chugoku Bank offers a variety of solution services tailored to our customers’ needs and environmental challenges.

Chugin GX Board

In August 2024, we began offering Chugin GX Board, a cloud-based service for calculating and visualizing greenhouse gas emissions.

In addition to emissions calculation and visualization, which serve as the starting point for decarbonization management, this service supports disclosure efforts through the generation of various reports. To help foster momentum for decarbonization in local communities, we offer this service with user-friendly functionality and pricing that make it accessible to small and medium-sized enterprises.

Chugin Decarbonization Consulting

In August 2022, we launched the Chugin Decarbonization Consulting service, which provides support ranging from tracking greenhouse gas emissions in business operations and setting reduction targets to obtaining SBT validation for small and medium-sized enterprises.

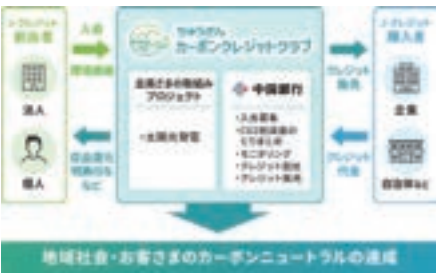
Chugin Carbon Credit Club

In January 2024, we became the first bank in Japan to begin offering management services for J-Credits generated through solar power projects.

The projects undertaken by the Chugin Carbon Credit Club involve the installation of solar power generation systems in households and businesses. Through this initiative, the Chugoku Bank aims to promote the local production and consumption of environmental value and achieve carbon neutrality in the local community.

Chugin Green Workshop

In July 2024, we launched the Chugin Green Workshop, a decarbonization training service that utilizes a card game. The program aims to help our local corporate clients systematically understand key questions such as “Why must we work toward decarbonization?” and “How should we go about it?” as well as to enhance our engagement with clients on decarbonization issues.



TOPIC

First financial institution to sign a comprehensive partnership agreement with the National Institute for Environmental Studies

In May 2026, with the aim of contributing to sustainable regional development (the creation of Regional Circular and Ecological Sphere), we signed a comprehensive partnership agreement with the National Institute for Environmental Studies, a national research and development agency.

The National Institute for Environmental Studies is a leading research institution in the environmental field that addresses a wide range of environmental issues, including climate change, air pollution, water quality, ecosystems, and resource recycling. By applying the institute’s insights, data, and expertise to the local community, we will halt the loss of environmental capital necessary for sustaining the local community and economy, thereby contributing to the region’s sustainability.

Fields of collaboration

- 1 Research and studies on climate change adaptation and mitigation measures, and their implementation in society
- 2 Research and studies on coexistence with nature and biodiversity, and their implementation in society
- 3 Utilization of environmental capital and community awareness-raising efforts aimed at solving environmental problems



Endorsement of Initiatives

The Group actively participates in domestic and international initiatives with the aim of creating a sustainable society. We also leverage external evaluations and partnerships with stakeholders to enhance our SDG and ESG initiatives.

Sustainable Development Goals (SDGs)

This plan of action for people, planet, and prosperity, adopted at the United Nations Sustainable Development Summit, sets forth 17 goals and 169 targets. The Group supports this initiative and will continue to implement measures aimed at achieving the SDGs.



Principles for Financial Action for the 21st Century

A set of principles formulated in October 2011 for domestic financial institutions to fulfill the responsibilities and roles necessary for building a sustainable society. The Group signed and began participating in the initiative in December 2011. In FY 2024, we were awarded the Best Practice: Minister of the Environment Award.



Task Force on Climate-related Financial Disclosures (TCFD)

A task force that calls on individual companies to disclose the impacts of climate change in their financial reports. The Group views climate change as a key management priority and, in order to support the sustainable growth of our community and customers, announced its endorsement of the TCFD in May 2021.



CDP

An initiative that measures, manages, and reduces the impact of climate change by promoting ongoing dialogue related to climate change between institutional investors and business executives. The Group’s efforts to address environmental issues were assessed on an 8-rank scale, and we achieved a B score (third from the top) in FY 2025.



GX League

A forum where a group of companies actively engaged in green transformation (GX) collaborate with government, academia, and the financial sector to engage in discussions aimed at transforming the entire economic and social system and to take practical steps toward creating new markets. The Group joined in 2024 and publishes its emissions and targets.



Poseidon Principles

A framework developed by private financial institutions to quantitatively assess the extent to which ship financing by financial institutions contributes to reducing greenhouse gas emissions from international shipping. The Group signed and began participating in the initiative in October 2023. Through participation in the principles, we seek to support the decarbonization efforts of our customers and help achieve the greenhouse gas reduction targets of the International Maritime Organization.



[Climate Alignment Scores as of December 31, 2024]

Climate Alignment Score (Minimum) +5.5% Climate Alignment Score (Striving) +11.9%
* Climate Alignment Score (climate change alignment of the ship finance portfolio)
Minimum is the alignment score with the targets of a 20% reduction by 2030 and a 70% reduction by 2040.
Striving is the alignment score with the targets of a 30% reduction by 2030 and a 80% reduction by 2040.

Taskforce on Nature-related Financial Disclosures (TNFD)

An international initiative under which companies assess and disclose risks and opportunities related to natural capital and related matters with the aim of being nature positive. The Group began participating in the TNFD Forum in December 2023 and became an adopter in December 2025. Disclosure since FY 2025.



30 by 30

An voluntary alliance of companies, local governments, and other organizations to achieve the 30 by 30 goal for biodiversity. The Group began participating in the initiative in 2023. The 30 by 30 goal is the goal to conserve and protect at least 30% of land and sea areas in Japan by 2030.



Nationally Certified Sustainably Managed Natural Sites

A system under the Act on Promoting Activities to Enhance Regional Biodiversity whereby target activity areas are designated as Nationally Certified Sustainably Managed Natural Sites (an area designated for nature conservation activities led by the private sector) upon certification of an implementation plan for the maintenance, restoration, and creation of biodiversity. Muneagehama, for which the Group submitted a joint application, was certified in March 2026.



Message from the Chief Human Resources Officer

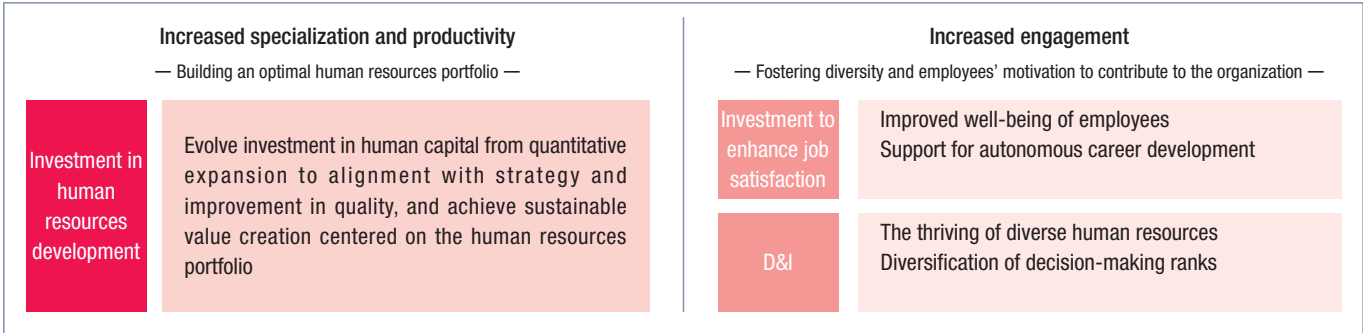
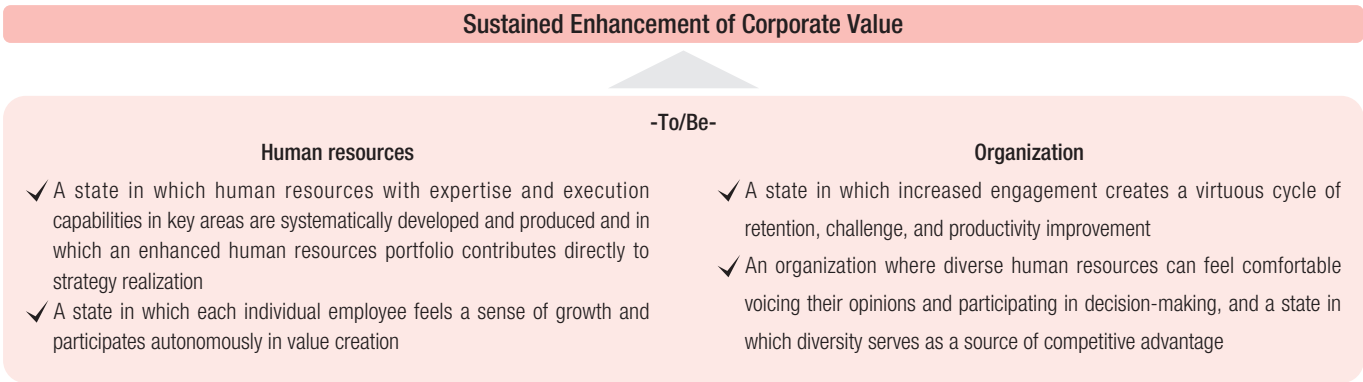
Driven by our increased investment in human capital and our promotion of diversity & inclusion, we are creating a group of human resources desired internally and externally, and provide the finest comprehensive financial services to customers and members of the community.

Tetsuji Ono
Director and Senior Managing Executive Officer



We see potential in our changing times and are always taking on new “challenges”

Based on our long-term management plan and current medium-term management plan, the Group is promoting the creation of added value for communities and customers and the enhancement and diversification of our businesses. To steadily carry out these management strategies, we recognize human capital as an important management resource and are implementing a human resources strategy aligned with corporate strategy. The basic policy of our human resources strategy is to work to develop, secure, and optimize the assignment of necessary human resources based on business strategy. We are currently enhancing human resources development measures and assignments with a focus on key areas that include business strategy and planning, DX, sales, investments, and markets. In addition, under the current medium-term management plan, we have established KPIs related to human capital investment and diversity and are working to monitor the status of strategic investment in human resources as well as progress in the development and promotion of a diverse workforce. Through these initiatives, we are further strengthening the alignment between corporate strategy and human resources strategy, thereby driving medium- to long-term growth and the sustained enhancement of corporate value.

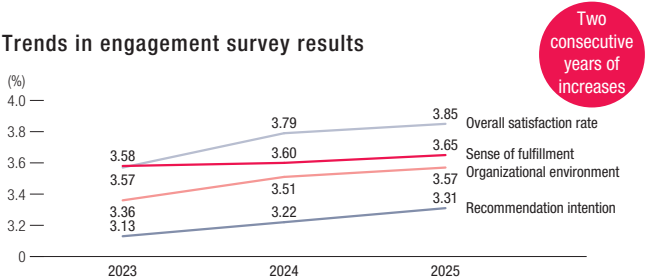


Human Capital and D&I

Enhancement of Employee Engagement

The Group defines a high level of employee engagement as the state in which employees understand and empathize with the company's direction, are attached to the company, and can take the initiative, and we position increasing engagement as a key management challenge. Based on the results of the engagement survey, we use three metrics—sense of fulfillment, organizational environment, and recommendation intention—as the engagement score. Together with the overall satisfaction rate, which serves as a KPI, these four metrics are considered key management indicators, and we are working to continuously improve them. The engagement score in FY 2025 exceeded the previous year for two consecutive years of increases. Going forward, we will continue aiming to sustainably enhance corporate value by further increasing employee engagement.

Overall satisfaction rate (KPI: continued improvement)	Judged comprehensively, how satisfied are you with working at the Chugin Group?
Sense of fulfillment	You feel a sense of fulfillment through your work
Organizational environment	You think the Chugin Group is creating a work environment that facilitates the achievement of business objectives
Recommendation intention	You think you would recommend the Chugin Group if your acquaintances or friends were interested in the Chugin Group



Improvement in Employee Well-Being

Health and productivity management

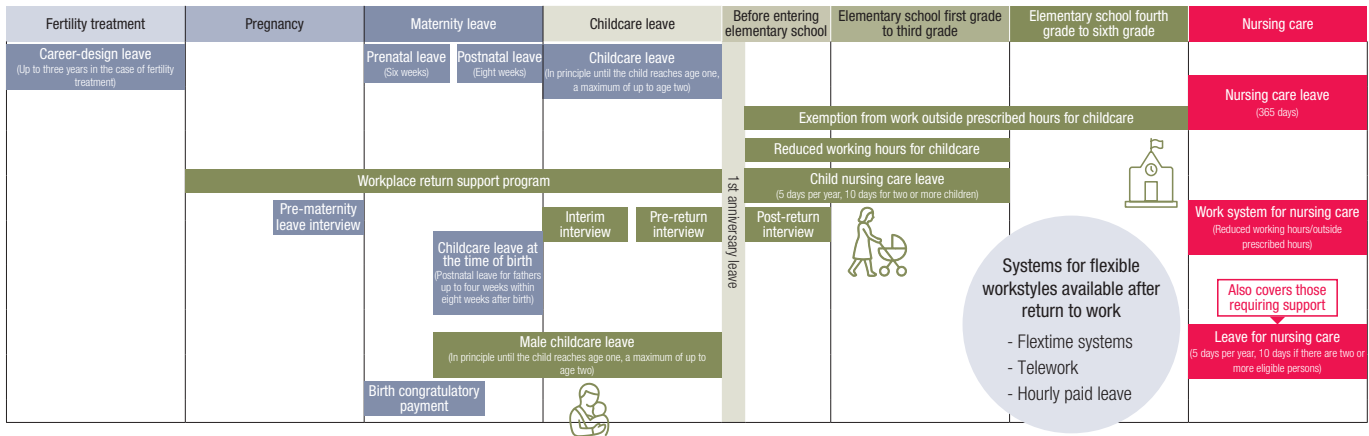
We are working on health and productivity management initiatives based on our health and productivity management declaration with the aim of realizing the physical and mental health and well-being of each and every one of our employees, as well as bringing out their performance. We aim to promote health by holding study sessions for all employees on topics such as mental health and conducting health and productivity management questionnaires to improve health literacy, and promoting exercise opportunities such as the health challenge campaign. We are working to maintain and promote the physical and mental health of employees and prevent illness in cooperation with the health insurance association, industrial physicians, and public health nurses. We will continue various initiatives to support the well-being of employees so that each and every employee runs a health PDCA cycle through self-care and is excited about health promotion initiatives.

Workstyle reform

We are engaged in workstyle reforms based on the belief that having a diverse workforce that is motivated and able to work voluntarily will lead to the provision of high value-added services to our customers. We have introduced a telework system and a super flextime system without core hours as part of these efforts. The entire Group is also working to curb overtime work and encourage employees to take paid leave through various systems.

Support for balancing work with childcare and nursing care

The Group has developed and expanded systems to support a balance between work and private life, and promotes the use of these systems to enable each and every officer and employee to maximize their performance in their respective environments. In terms of male childcare leave, in order to support balancing work with childcare, we promote planned and substantive acquisition of childcare leave in order to encourage active participation in housework and childcare regardless of gender.



Message from Outside Directors

How do you view this year, the last year of the medium-term management plan?

I see this fiscal year, the last year of our medium-term management plan, as an extremely important year for laying a solid foundation for the next medium-term management plan and for fleshing out the medium- to long-term management strategies that will enable us to make a leap forward to our next growth stage. In the period of the current medium-term management plan, profit set a record high by a large margin and the stock price increased nearly threefold. Quantitatively, we achieved our goals ahead of schedule, delivering outstanding results. At the same time, the Chugoku Bank is driving a majority of our growth on its own, and the profitability and pace of growth of our Group companies is not necessarily adequate. I feel there are still issues to be addressed to realize the synergies expected of the holding company structure. I also think we need to strengthen our efforts even further to support the



Yukiyo Kiyono Outside Director

How do you view this year, the last year of the medium-term management plan?

With the establishment of the Chugin Financial Group in 2022, we have put into place systems that are more convenient and helpful for our customers, and these efforts are already beginning to yield results. Within this context, this fiscal year is a year for laying the foundation for our next medium-term management plan.

Amid the dynamic trend of population decline, the global situation is far from stable and changes day to day. While placing high priority on communication with customers, the challenge lies in how to process information from internal and external sources in an effective and timely manner. From my perspective as someone who has dedicated my career to product development at SHIMANO INC. and served customers around the world, it still takes too long to move from having an idea to testing and implementing it. I hope this will be year in which we break free from convention and evolve into a company that continues to take on challenges

revitalization of the regional economy. In the next medium-term management plan, I hope that, as the region's top financial group, the Group will be able to overcome these challenges and achieve even greater success.

Future initiatives of the Nominating and Compensation Committee

I currently serve as a member of the Nominating and Compensation Committee, and I recognize that the most pressing task of the committee is to formulate a succession plan ahead of the start of the next medium-term management plan and ensure its steady implementation. President Kato approaches his work with energy and dedication, but he also plays an important role in the business community and is extremely busy. In light of these circumstances, and to ensure the continuity and stability of management, I feel the current succession plan has issues that need to be

How do you view this year, the last year of the medium-term management plan?

In Stage III of the medium-term management plan, we achieved results that exceeded even the revised targets, which were raised from the initial targets, as of the previous fiscal year and met our financial KPIs, but in the final fiscal year I expect us to pursue even loftier goals. For companies that have recently been established, there may be some areas in which their efforts are not yet reflected in performance figures, but I think that further realizing synergies among Group companies is an issue.

With regard to sustainability, we must not be satisfied with merely achieving our KPIs. When Group companies reaffirm and implement our three growth strategies—"deepening" the revitalization of regional economies and SDGs, creating innovation, and strengthening our Group management foundation—it will pave the way for our next medium-term management plan. Amid a

with a sense of urgency.

What points do you prioritize in your discussions with management?

Currently, major common challenges facing the region include promoting DX amid a labor shortage, as well as diversity and inclusion (D&I) and the advancement of women in the workforce.

Even when companies are compelled by necessity to pursue DX, the high barrier to entry makes it difficult to see results. And even when IT is introduced, including AI, it doesn't always work as intended. In response to such feedback from the field, we will take the lead by first implementing these solutions internally and then proposing the processes and benefits to our customers to ensure a smooth rollout.

The participation and advancement of women in the workforce is essential to regional revitalization. We aim to create attractive programs and communities that will encourage women, who have a high rate of moving out

considered.

It will be important to further deepen this effort going forward, and I intend to take on this task responsibly as a committee member, in consultation with Chairman Kiyono.

Message to stakeholders

I personally was born and raised in the Omotecho Shopping Street district of Okayama, and I feel a sense of melancholy when I see Omotecho as it is today. Whenever I see how vibrant the shopping districts are in other regions, I feel there must be something I can do to help. Drawing on the network of contacts I've built since childhood and the experience I've gained over the years, I hope to contribute to regional revitalization on a personal level as well, and I would be delighted to collaborate with the Chugin Financial Group, which is sincerely committed to the region's development.

declining population and the exodus of young people from the prefecture, Group companies must collaborate in pooling their wisdom to widely promote the region's appeal, create jobs, and encourage people to move here.

Issues related to efforts to improve the effectiveness of the Board of Directors

According to the results of an assessment of the effectiveness of the Board of Directors conducted by an independent outside organization, enhancing the succession plan and sharing the results of nomination and compensation deliberations were identified as top priorities.

I serve as a member of the Nominating and Compensation Committee. Since there had long been calls to share the status and results of our deliberations with the Board of Directors, starting in FY 2024 the progress and results of deliberations have been reported to the board, but given the survey

of the prefecture, to remain in the prefecture and encourage those who have moved away to return.

We will continue our discussions, starting with these internal initiatives, to foster a corporate culture that contributes to bringing smiles to the local community.

What role would you like to play on the Board of Directors going forward?

We are implementing a variety of initiatives both internally and externally, including regional revitalization efforts, to help our local customers thrive and be more active. At board meetings and pre-meeting briefings, detailed explanations are provided regarding agenda items and reports, creating an open environment where frank discussions can take place. However, I find it difficult to communicate decisions and policies to people inside and outside the Company who did not attend the meeting.

I will clearly communicate our activities and achievements to our customers and support the Company as it leads the way as a community leader.



Kenichi Fukuhara Outside Director

results, I think that further improvement is needed.

With regard to the succession plan as well, the Nominating and Compensation Committee recognizes its importance and is currently considering it, but going forward I feel we need to be mindful of providing appropriate reports to the Board of Directors.

What role would you like to play on the Board of Directors going forward?

Last fiscal year, I accompanied the full-time Audit and Supervisory Committee Member on onsite audits and had the opportunity to listen directly to feedback from employees at three bank branches. I reported to the Board of Directors and expressed my opinions based on this. Going forward, I intend to visit Group companies as much as possible and bring issues I identify from the unique external perspective of a local lawyer to the attention of the Board of Directors so they can be addressed.



Yasuhiro Hitomi Outside Director

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, 2026, consolidated ordinary income increased by ¥37,340 million (17.6%) year on year to ¥249,074 million due to an increase in interest income and an increase in gains on sales of stocks and other securities. Consolidated ordinary expenses increased by ¥19,611 million (11.3%) year on year to ¥193,036 million due to increases in interest on deposits and loss on sales of bonds. As a result, consolidated ordinary profit increased by ¥17,730 million (46.2%) year on year to ¥56,038 million, and net income attributable to owners of parent increased by ¥12,271 million (44.7%) year on year to ¥39,705 million.

The results by business segment are as follows.

Banking business

Ordinary income increased by ¥36,317 million (18.9%) year on year to ¥228,350 million, mainly due to an increase in interest on loans and discounts and interest and dividends on securities associated with a strategic expansion of asset balances and a rise in domestic interest rates. Ordinary profit increased by ¥16,684 million (46.6%) year on year to ¥52,480 million.

Leasing business

Ordinary income decreased by ¥136 million (0.9%) year on year to ¥14,579 million, mainly due to the absence of lease income associated with large-scale projects that had been recorded in the previous fiscal year. Ordinary profit decreased by ¥135 million (19.7%) year on year to ¥550 million.

Securities business

Ordinary income increased by ¥1,088 million (27.3%) year on year to ¥5,063 million due to the growth of trading income, and ordinary profit increased by ¥492 million (56.6%) year on year to ¥1,360million.

Other business

Ordinary income increased by ¥20,202 million (82.7%) year on year to ¥44,603 million due to an increase in dividend income from Group companies (before consolidation eliminations), and ordinary profit increased by ¥18,803 million (96.5%) year on year to ¥38,285 million.

Cash Flows

The status of cash flows is as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥70.9 billion due primarily to an increase in the outstanding balance of deposits and interest and dividends received (increased by ¥24.0 billion year on year).

Cash flows from investing activities

Net cash used in investing activities was ¥293.1 billion due primarily to purchase of securities (decreased by ¥28.1 billion year on year).

Cash flows from financing activities

Net cash used in financing activities was ¥6.1 billion due primarily to the payment of cash dividends and redemption of bonds (decreased by ¥10.3 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, 2026 were ¥973.3 billion, down ¥228.4 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, 2026, the Company has increased ordinary dividend by ¥11 from the initially planned year-end dividend of ¥42.0 (¥79.0 for the year) announced on November 14, 2025, to ¥53.0 (¥90.0 for the year), in light of the above shareholder return policy.

With respect to the dividend policy for the fiscal year ending March 31, 2027, we aim to achieve a dividend payout ratio of around 40%, and we forecast an annual dividend of ¥102 (interim ¥51).

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 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, as 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 increased by ¥9.5 billion from the end of the previous fiscal year to ¥123.9 billion.

Status of impaired loans		(Billions of Yen)		
		End of March 2025 (A)	End of March 2026 (B)	Change (B) – (A)
Risk-managed loans (loans disclosed under the Financial Revitalization Act)	Loans in bankruptcy/ rehabilitation or similar proceedings	32.9	29.6	△3.3
	Loans at risk	56.5	66.1	9.6
	Loans past due three months or more but less than six months	0.8	0.5	△0.3
	Restructured loans	24.2	27.7	3.5
	Total	114.4	123.9	9.5

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 “Create with our community, customers and employees a rich future that we can all share.” 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 rehabilitation 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 “start-ups/new businesses support, 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 support,” we further enhance our supporting activities for management improvement through integration among the Company's sales 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 support 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's Corporate Code of Conduct as the basis for conduct that conforms to social norms in the course of management and operations; the Guidelines for the Conduct of Group's Clerks 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 Guidelines for the Conduct of Group's Clerks are designed to prevent corrupt practices such as entertainment, gift-giving, and bribery that deviate from social norms. In FY 2025, no disciplinary action was taken in relation to corruption, and no fine or settlement costs were incurred.
- (4) 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.
- 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 Help Line 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 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 sales 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

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 corporate 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

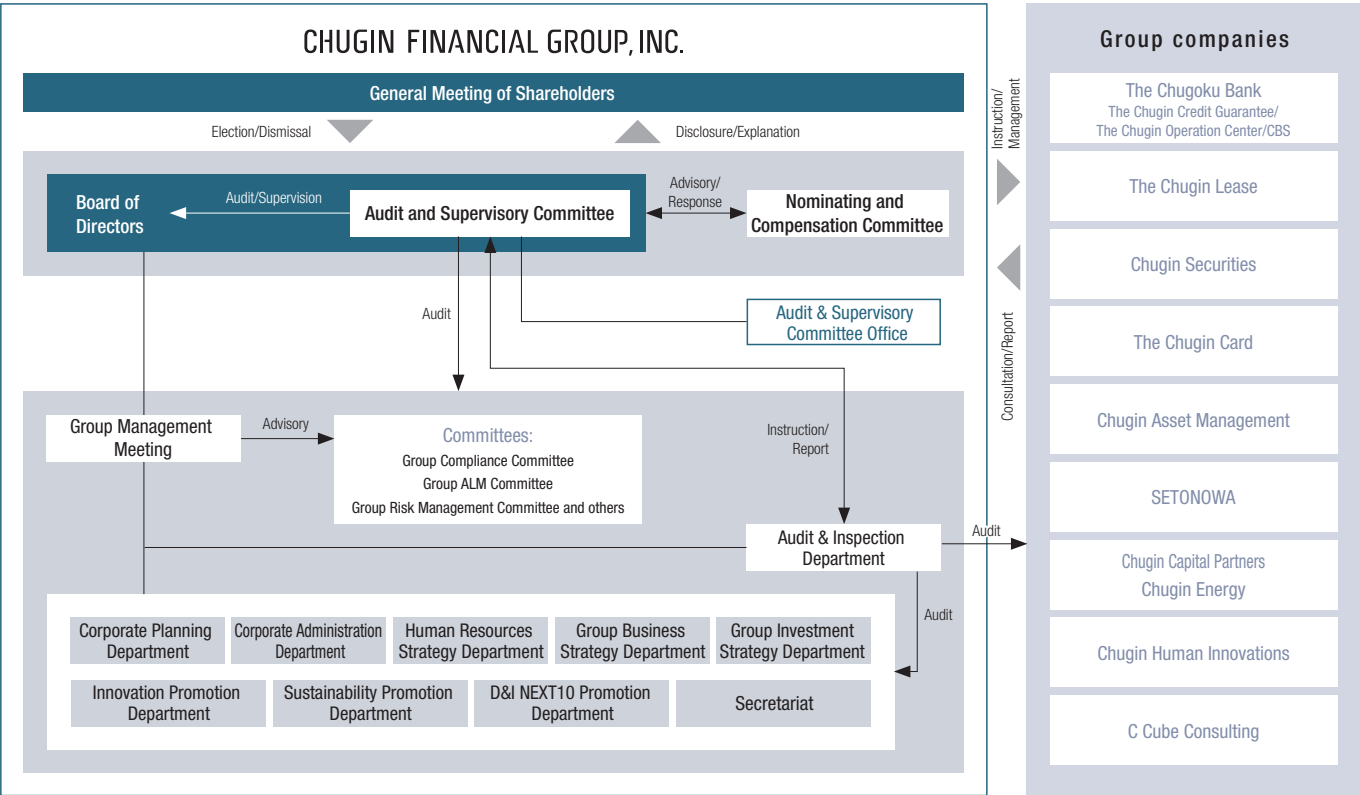
The Company has adopted the form of a company with an Audit and Supervisory Committee as part of measures to strengthen its corporate governance. As of the end of June 2026, the Company had a total of five directors not serving as Audit and Supervisory Committee Members (including two outside directors) 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, 2026)

Board of Directors and Executive Officers (As of June 30, 2026)

Chugin Financial Group, Inc.

Directors



Sadanori Kato
President (Representative Director)
Apr. 1981 Joined The Chugoku Bank, Ltd. (hereinafter, the "Bank"); Jun. 2013 Director and General Manager; Personnel Department; Jun. 2015 Managing Director; Jun. 2017 Senior Managing Director (Representative Director); Jun. 2019 Director and President (Representative Director) (current position); Oct. 2022 Director and President (Representative Director); the Company (current position)



Tetsuji Ono
Director and Senior Managing Executive Officer (Representative Director)
Apr. 1992 Joined the Bank; Jun. 2021 Executive Officer, General Manager, Bingo Hiroshima Regional Headquarters; Jun. 2023 Executive Officer, the Company, and Director and Managing Executive Officer, the Bank; Apr. 2025 Managing Executive Officer, the Bank; Apr. 2026 Senior Managing Executive Officer, the Company, and Director and Senior Managing Executive Officer (Representative Director), the Bank; Jun. 2026 Director and Senior Managing Executive Officer (Representative Director), the Company, and Director and Senior Managing Executive Officer (Representative Director), the Bank (current position)



Masakazu Yamagata
Director and Senior Managing Executive Officer (Representative Director)
Apr. 1994 Joined the Bank; Jun. 2019 Executive Officer and General Manager, Management Planning Department; Jun. 2022 Managing Executive Officer, General Manager, Chuo Regional Headquarters, and General Manager, Head Office Business Department; Jun. 2024 Director and Managing Executive Officer; Apr. 2025 Managing Executive Officer, the Company, and Director and Managing Executive Officer, the Bank; Apr. 2026 Senior Managing Executive Officer, the Company, and Director and Senior Managing Executive Officer (Representative Director), the Bank; Jun. 2026 Director and Senior Managing Executive Officer (Representative Director) the Company, and Director and Senior Managing Executive Officer (Representative Director), the Bank (current position)



Kenichi Fukuhara
Outside Director
Apr. 1976 Joined Nomura Securities Co., Ltd.; Jun. 2000 Director, Nomura Securities Co., Ltd.; Jun. 2016 Representative Director and President, Benesse Holdings, Inc.; Oct. 2016 Representative Director and Vice Chairman, Benesse Holdings, Inc.; Jun. 2019 Special Adviser, Benesse Holdings, Inc.; Jun. 2023 Outside Director, the Company (current position); Mar. 2025 Outside Auditor, Whiz Partners Inc. (current position)



Yoichiro Yatsurugi
Outside Director
Feb. 2005 President and Representative Director, WILLCOM, Inc.; Sep. 2007 President and Representative Director, SAP Japan Co., Ltd.; Dec. 2011 President and Representative Director, iGREQUE.com; Apr. 2015 Director, iGREQUE.com; Apr. 2024 President, Geo Technologies, Inc. (current position); Jun. 2024 Outside Director, the Company (current position)



Takeo Nishiu
Director (Audit and Supervisory Committee Member)
Apr. 1988 Joined the Bank; Jun. 2019 Executive Officer and General Manager, Personnel Department; Jun. 2022 Managing Executive Officer, the Bank, and President, Chugin Human Innovations Co., Ltd.; Jun. 2023 Executive Officer, the Company, and President, Chugin Human Innovations Co., Ltd.; Jun. 2024 Director (Audit and Supervisory Committee Member), the Bank; Jun. 2026 Director (Audit and Supervisory Committee Member), the Company (current position)



Yukiyo Kiyono
Outside Director (Audit and Supervisory Committee Member)
Apr. 1995 Registered as attorney-at-law; Apr. 1995 Joined Kondo Gennosuke Law Office (currently Legal Professional Corporation Taiyo Sogo Law Office); Apr. 2004 Established Kiyono Law Office, Attorney-at-law, Kiyono Law Office (current position); 2009 Vice Chairman, Okayama Lawyers Association; Jun. 2020 Outside Director (Audit and Supervisory Committee Member), the Bank; Oct. 2022 Outside Director (Audit and Supervisory Committee Member), the Company (current position); Apr. 2025 Governor, Japan Federation of Bar Associations



Yasuhiro Hitomi
Outside Director (Audit and Supervisory Committee Member)
Mar. 2010 Director, Head of Fishing Operations Division and Vice President, Development and Design Department, SHIMANO INC.; Jan. 2017 Director, In charge of Fishing Operations Division and Development and Design Department, SHIMANO INC.; Mar. 2018 Advisor, SHIMANO INC.; Jun. 2022 Outside Director (Audit and Supervisory Committee Member), the Bank; Jun. 2024 Outside Director (Audit and Supervisory Committee Member), the Company (current position)



Emiko Ikigoshi
Outside Director (Audit and Supervisory Committee Member)
Mar. 1994 Registered as Certified Public Accountant; Jun. 2003 Admitted as Partner (Shain), ChuoAoyama Audit Corporation; Aug. 2007 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) and admitted as Partner; Oct. 2023 Established Ikigoshi CPA Firm, Representative (current position); Jun. 2024 Outside Director (Audit and Supervisory Committee Member), the Company (current position), Outside Director (Audit and Supervisory Committee Member), SINKO INDUSTRIES LTD. (current position), Outside Director, Hisaka Works, Ltd. (current position)

Directors (Audit and Supervisory Committee Members)

Executive Officers

Teruchika Watanabe
Managing Executive Officer.

Yasunori Saimyoji
Managing Executive Officer.

Naoki Kenmochi
Managing Executive Officer.

Hiroyuki Yoshioka
Managing Executive Officer.

Toshihito Mouri
Executive Officer.

Takayuki Ikeda
Executive Officer

Taizo Ito
Executive Officer.

Mami Hashimoto
Executive Officer

Satoshi Tanaka
Executive Officer

* Messrs. Kenichi Fukuhara, Yoichiro Yatsurugi, Ms. Yukiyo Kiyono, Mr. Yasuhiro Hitomi, and Ms. Emiko Ikigoshi are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

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 Group's 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 from 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 market risk management policy 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.

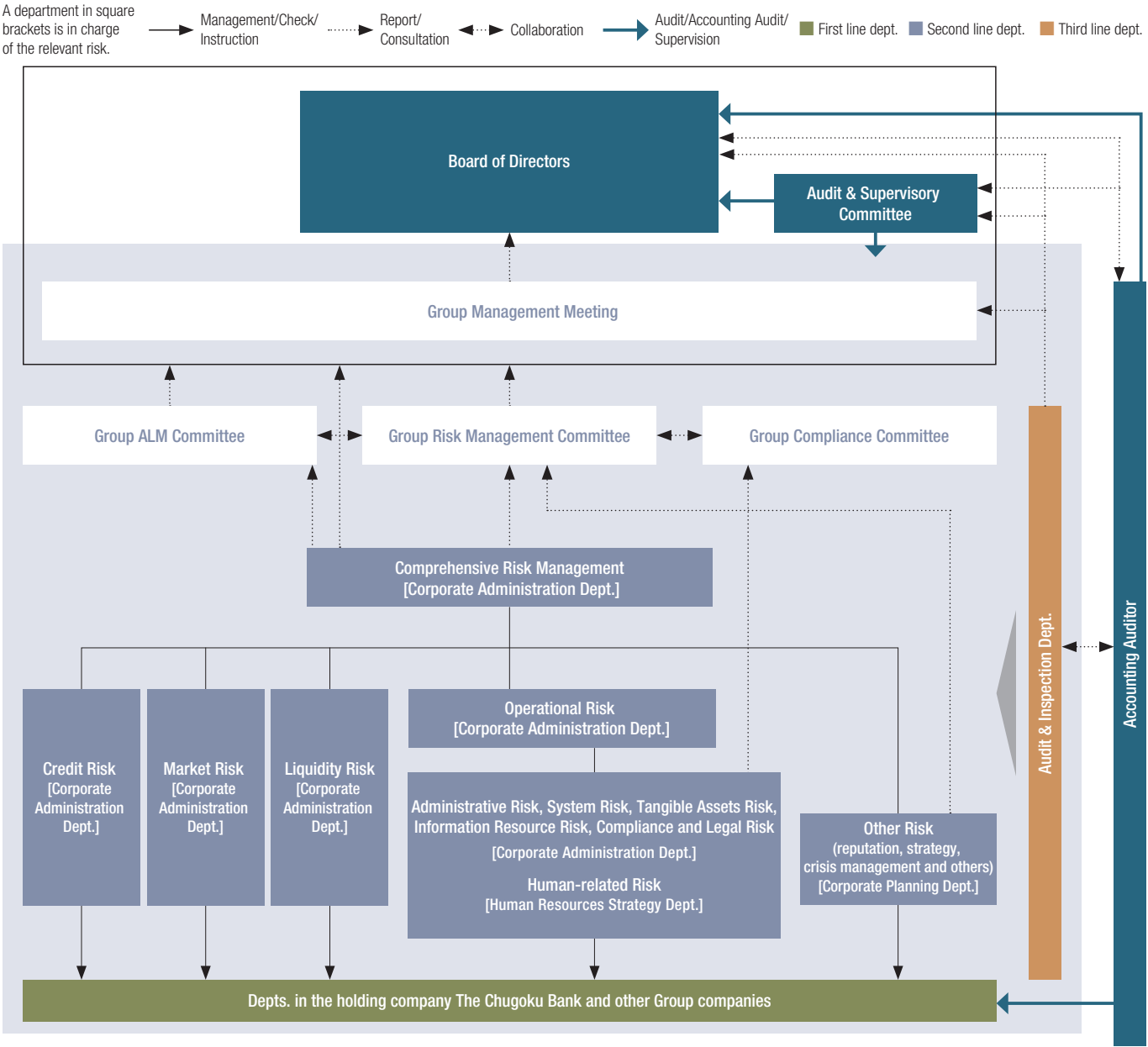
A liquidity risk management system has been established so that each Group company manages liquidity risks based on our basic liquidity risk management policy, and the Corporate Administration Department, which is responsible for overseeing and managing liquidity risk, oversees and manages liquidity 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 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 divisions operate under different structures.
* Two outside directors who do not concurrently hold an executive position have advanced knowledge in risk management divisions.

(As of June 30,2026)

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 and Supervisory Committee system, wherein each Audit and 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 and 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 rules, 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 shall be deemed to be significant matters requiring the resolution of the Board of Directors, and shall be discussed and deliberated on in advance in the presence of the Audit and Supervisory Committee Members by the Group Management Meeting, 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, regulations 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 divisions 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 employment 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 and Supervisory Committee. 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 and Supervisory Committee.
- (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 and Supervisory Committee, if required, their independence from directors (excluding directors serving as Audit and Supervisory Committee Members) and ensuring of the effectiveness of directions to the assistants by the Committee

- (1) The Company shall place assistants to the Audit and Supervisory Committee in the Audit and Supervisory Committee Office as employees who are to assist the Audit and Supervisory Committee with their duties.
- (2) It shall be stipulated that employees who are to assist the Audit and Supervisory Committee shall perform investigation, planning, management and instruction concerning the audits by the Committee, without performing additional work related to the execution of duties by directors. The Audit and Supervisory Committee 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 and Supervisory Committee with their duties to ensure independence from directors (excluding directors serving as Audit and Supervisory Committee Members.)

8. System for reporting to the Audit and Supervisory Committee

- (1) In accordance with the Standards of Reporting to Audit and Supervisory Committee, directors and employees shall report to the Audit and Supervisory Committee 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 and Supervisory Committee may also request reports from directors and employees as required.
- (2) In accordance with the Chugin Financial Group Management Regulations, directors and Audit & Supervisory Board Members of subsidiaries, as well as other persons who have received reports from such persons, shall report to the Audit and Supervisory Committee important matters which may have impact on the Company's business and other matters essential to report, 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 and Supervisory Committee Members and for handling of the other expense or debt incurred regarding the execution of the duties

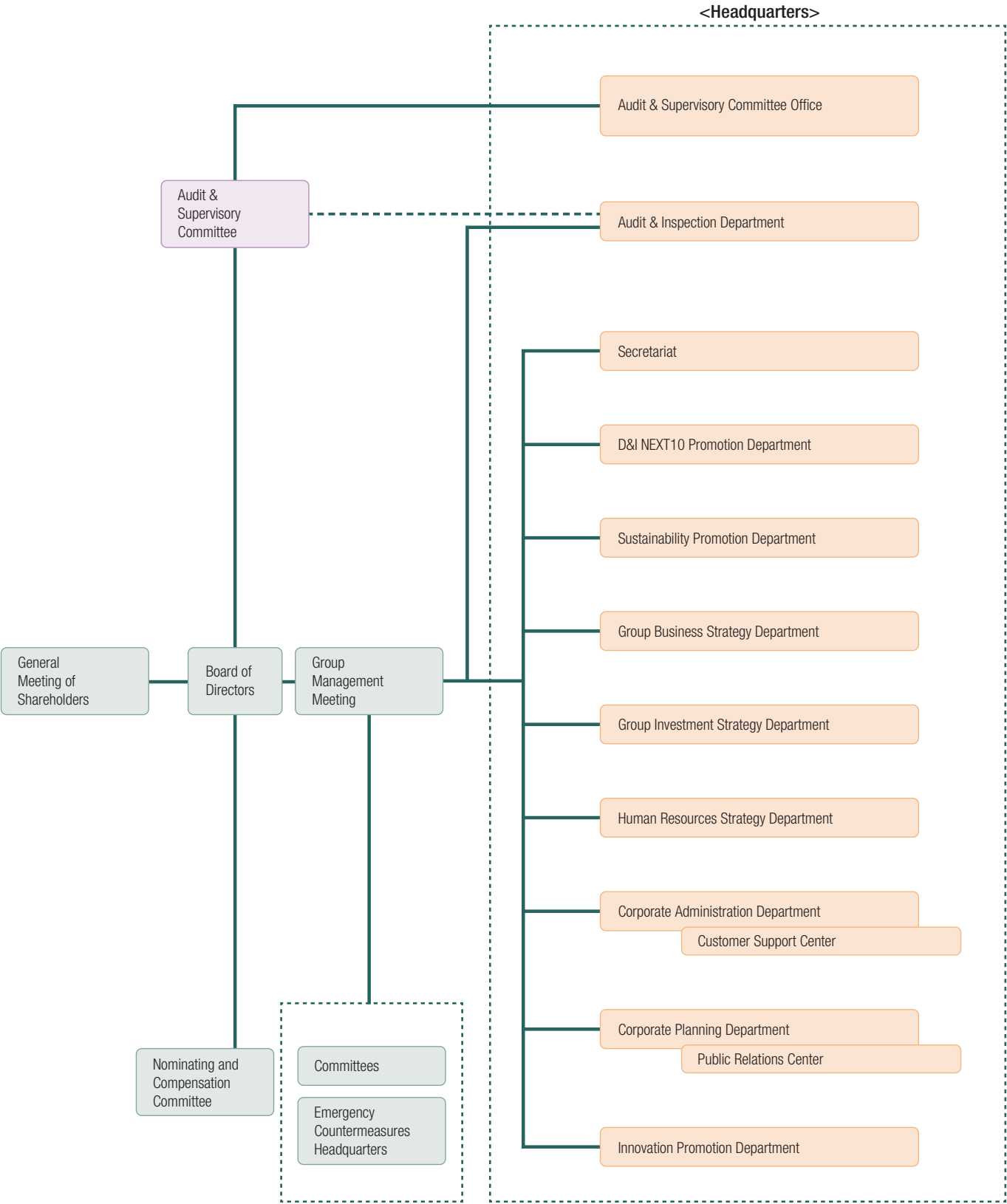
In accordance with the Auditing Standards for Audit and Supervisory Committee, the Company shall include a budget in advance for the expenses acknowledged by the Audit and Supervisory Committee to be necessary for the execution of duties. Expenses expended urgently or temporarily may be claimed to the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

10. System to ensure that audits by the Audit and Supervisory Committee are implemented effectively

The Company works to ensure the effectiveness of the audits performed by the Audit and 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 divisions, the Accounting Auditor, and the audit firm in accordance with the Audit and Supervisory Committee Regulations and the Auditing Standards for Audit and Supervisory Committee.
Representative Directors shall exchange opinions with the Audit and 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 by the Audit and Supervisory Committee.

Organization Chart

(As of June 30, 2026)



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
Organizational Chart for the Chugin Financial Group	
The Chugoku Bank, Limited	Banking business
Domestic offices: Head office, 122 branch offices, 5 sub-branch offices, 31 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: 193 locations (215 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 June,30, 2026)

Shareholder Information

(As of March 31, 2026)

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	40	489,291	26.51
Securities firms	32	53,388	2.89
Other corporations	531	491,697	26.64
Foreign investors			
Non-Individuals	238	255,105	13.82
Individuals	10	32	0.00
Individuals	16,217	556,372	30.14
Total	17,070	1,845,976	100.00
Number of shares held in less than trading units	—	173,861	—

Major Shareholders

Unit: 1,000 shares

Name of Shareholders	Number of holding shares	Percentage of outstanding shares
The Master Trust Bank of Japan, Ltd.	23,697	13.33
Custody Bank of Japan, Ltd.	9,693	5.45
Okayama Tochisouko Co., Ltd.	5,430	3.05
Nippon Life Insurance Company	4,756	2.67
KURABO INDUSTRIES LTD.	4,559	2.56
CP CHEMICAL INCORPORATED	4,478	2.51
Chugin Financial Group Employee Stock Ownership Plan	4,319	2.42
Meiji Yasuda Life Insurance Company	3,804	2.14
Shizuka Forestry Co., Ltd.	2,370	1.33
SUMITOMO LIFE INSURANCE COMPANY	2,320	1.30
Total	65,429	36.80

Service Networks

(As of June 30, 2026)

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) 86-234-6618
Facsimile: (81) 86-234-6595

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

Tokyo Office
10th Floor, 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,
Telephone: (852) 2523-0312

Singapore 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
2nd Floor, 3-6-1, Aioi Nissay Dowa Insurance
Midosuji Building,
Hirano-machi, Chuo-ku, Osaka

Tokyo Branch
10th Floor, 1-5-5, Muromachi Chibagin Mitsui
Building,
Nihonbashi-Muromachi, Chuo-ku, Tokyo

Foreign Remittance Offices

97 Offices

Financial Section

(As of June 30, 2026)	
Location	Number of Offices
Okayama Pref.	113
Hiroshima Pref.	27
Tottori Pref.	1
Kagawa Pref.	16
Ehime Pref.	1
Hyogo Pref.	6
Osaka Pref.	1
Tokyo	1
Liaison Offices	1
Overseas Offices	5
Internet Branch	1

Consolidated Financial Statements
Consolidated Balance Sheets

Chugin Financial Group, Inc. and its Consolidated Subsidiaries
March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
ASSETS:			
Cash and due from banks (Notes 21 and 25)	¥ 975,274	¥ 1,203,294	\$ 6,100,037
Call loans	131,994	193,782	825,581
Other debt purchased (Notes 5 and 9)	16,586	20,092	103,740
Trading account securities (Notes 5, 12 and 21)	524	510	3,277
Money trusts (Notes 6 and 21)	18,000	11,700	112,584
Securities (Notes 5, 8, 12 and 21)	3,107,354	2,776,089	19,435,539
Loans and bills discounted (Notes 8, 9, 12 and 21)	6,797,024	6,571,458	42,513,284
Foreign exchange (Note 8)	15,177	25,485	94,927
Lease receivables and investments in leased assets	36,826	33,365	230,335
Other assets (Notes 8, 12, 18, 21 and 22)	216,881	144,413	1,356,523
Tangible fixed assets (Note 10)	46,701	42,315	292,100
Intangible fixed assets (Note 11)	5,088	2,523	31,823
Net defined benefit asset (Note 17)	20,536	9,195	128,446
Deferred tax assets (Note 13)	5,511	28,534	34,469
Customers' liabilities for acceptances and guarantees (Note 8)	51,844	55,491	324,268
Reserve for possible loan losses (Note 3)	(75,075)	(72,674)	(469,570)
Total assets	¥ 11,370,252	¥ 11,045,576	\$ 71,117,413
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 12 and 21)	¥ 8,503,902	¥ 8,363,791	\$ 53,189,279
Call money	151,232	165,426	945,909
Payables under repurchase agreements (Note 12)	78,543	149,768	491,262
Payables under securities lending transactions (Notes 12 and 21)	763,018	765,678	4,772,441
Borrowed money (Notes 12, 15 and 21)	851,857	763,697	5,328,102
Foreign exchange	692	409	4,328
Bonds payable (Note 16)	40,000	30,000	250,187
Due to trust account	14,185	11,933	88,722
Other liabilities (Notes 15, 18, 21 and 22)	290,495	192,454	1,816,956
Accrued employees' bonuses	2,046	1,779	12,797
Accrued directors' bonuses	30	43	187
Reserve for directors' retirement benefits	29	53	181
Reserve for reimbursement of deposits	550	650	3,440
Reserve for point program	145	143	906
Net defined benefit liability (Note 17)	253	1,625	1,582
Deferred tax liabilities (Note 13)	712	255	4,453
Reserves under special laws	10	8	62
Acceptances and guarantees	51,844	55,491	324,268
Total liabilities	¥ 10,749,551	¥ 10,503,210	\$ 67,235,120
Net assets (Note 24):			
Shareholders' equity			
Common stock			
Authorized shares: 500,000,000 shares in 2026 and 2025			
Issued shares: 184,771,461 shares in 2026 and 2025	¥ 16,000	¥ 16,000	\$ 100,075
Capital surplus	7,453	7,314	46,616
Retained earnings	538,633	511,855	3,368,982
Less treasury stock, at cost			
7,005,231 shares in 2026	(10,017)	(7,637)	(62,653)
5,860,146 shares in 2025			
Accumulated other comprehensive income:			
Net unrealized losses on available-for-sale securities (Note 7)	(2,080)	(8,643)	(13,009)
Net deferred gains on hedging instruments	59,704	20,852	373,430
Accumulated adjustments for retirement benefits (Note 17)	10,893	2,481	68,132
Total	68,517	14,690	428,552
Subscription rights to shares (Note 26)	114	141	713
Total net assets	620,700	542,366	3,882,286
Total liabilities and net assets	¥ 11,370,252	¥ 11,045,576	\$ 71,117,413

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, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Income (Note 22):			
Interest and dividends on:			
Loans and discounts	¥ 107,336	¥ 98,846	\$ 671,353
Securities	54,692	43,358	342,081
Other	7,933	7,840	49,618
Fees and commissions	26,098	24,173	163,234
Other operating income	30,554	28,832	191,105
Bad debt recovered	10	21	62
Other income	22,460	8,780	140,480
Total income	249,087	211,853	1,557,962
Expenses:			
Interest on:			
Deposits	34,461	18,240	215,542
Borrowings	3,001	3,783	18,770
Other	38,933	52,656	243,513
Fees and commissions	4,317	3,920	27,001
Other operating expenses	34,603	19,245	216,431
General and administrative expenses	66,565	59,526	416,343
Reserve for possible loan losses	6,737	14,034	42,137
Losses on impairment of fixed assets (Note 10)	30	100	187
Provision of reserve for financial instruments transaction liabilities	2	—	12
Other expenses	4,769	2,062	29,828
Total expenses	193,421	173,570	1,209,788
Income before income taxes	55,666	38,282	348,173
Income taxes (Note 13):			
Current	17,121	13,450	107,086
Deferred	(1,160)	(2,601)	(7,255)
	15,960	10,848	99,824
Net income	39,705	27,434	248,342
Net income attributable to non-controlling interests			
Net income attributable to owners of parent	¥ 39,705	¥ 27,434	\$ 248,342

	Yen		U.S. Dollars (Note 1)
	2026	2025	2026
Per share of common stock			
Basic net income	¥ 222.95	¥ 152.61	\$ 1.394
Diluted net income	222.77	152.46	1.393
Cash dividends applicable to the year (Note 24)	90.00	62.00	0.562

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, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Net income	¥ 39,705	¥ 27,434	\$ 248,342
Other comprehensive income (Note 20):			
Net unrealized gains (losses) on available-for-sale securities	6,562	(64,290)	41,043
Net deferred gains on hedging instruments	38,851	14,828	243,001
Adjustments for retirement benefits	8,412	(1,273)	52,614
Total other comprehensive income	53,826	(50,735)	336,664
Comprehensive income	¥ 93,532	¥ (23,301)	\$ 585,013
Comprehensive income attributable to:			
Owners of parent	¥ 93,532	¥ (23,301)	\$ 585,013
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, 2026 and 2025

	Millions of Yen									
	2026									
	Accumulated other comprehensive income								Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized losses on available-for-sale securities	Net deferred gains on hedging instruments	Accumulated adjustments for retirement benefits	Total		
Balance at beginning of year	¥ 16,000	¥ 7,314	¥511,855	¥ (7,637)	¥ (8,643)	¥ 20,852	¥ 2,481	¥ 14,690	¥ 141	¥ 542,366
Net income attributable to owners of parent			39,705							39,705
Cash dividends			(12,928)							(12,928)
Purchases of treasury stock				(3,001)						(3,001)
Disposals of treasury stock		138		621						759
Net changes in items other than shareholders' equity					6,562	38,851	8,412	53,826	(26)	53,799
Net changes during the year	—	138	26,777	(2,380)	6,562	38,851	8,412	53,826	(26)	78,334
Balance at end of year	¥ 16,000	¥ 7,453	¥538,633	¥ (10,017)	¥ (2,080)	¥ 59,704	¥ 10,893	¥ 68,517	¥ 114	¥ 620,700

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen									
	2025									
	Accumulated other comprehensive income								Subscription rights to shares	Total net assets
	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		
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.

	Thousands of U.S. Dollars (Note 1)									
	2026									
	Accumulated other comprehensive income								Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized losses on available-for-sale securities	Net deferred gains on hedging instruments	Accumulated adjustments for retirement benefits	Total		
Balance at beginning of year	\$ 100,075	\$ 45,746	\$3,201,494	\$ (47,767)	\$ (54,059)	\$ 130,422	\$ 15,517	\$ 91,881	\$ 881	\$3,392,331
Net income attributable to owners of parent			248,342							248,342
Cash dividends			(80,860)							(80,860)
Purchases of treasury stock				(18,770)						(18,770)
Disposals of treasury stock		863		3,884						4,747
Net changes in items other than shareholders' equity					41,043	243,001	52,614	336,664	(162)	336,496
Net changes during the year	—	863	167,481	(14,886)	41,043	243,001	52,614	336,664	(162)	489,954
Balance at end of year	\$ 100,075	\$ 46,616	\$3,368,982	\$ (62,653)	\$ (13,009)	\$ 373,430	\$ 68,132	\$ 428,552	\$ 713	\$3,882,286

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, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities			
Income before income taxes.....	¥ 55,666	¥ 38,282	\$ 348,173
Depreciation	5,268	4,249	32,949
Losses on impairment of fixed assets	30	100	187
Amortization of goodwill	61	—	381
Share-based compensation expenses	345	89	2,157
Provision of reserve for possible loan losses	6,737	14,034	42,137
Increase (decrease) in reserve for point program	1	9	6
Increase (decrease) in reserve for directors' retirement benefits	(24)	(0)	(150)
Increase (decrease) in accrued employees' bonuses	267	205	1,670
Increase (decrease) in accrued directors' bonuses	(12)	(1)	(75)
Increase (decrease) in net defined benefit liability	(462)	(763)	(2,889)
Increase (decrease) in reserve for reimbursement of deposits	(100)	(150)	(625)
Interest and dividend income	(169,963)	(150,045)	(1,063,066)
Interest expense	76,395	74,680	477,827
Losses (gains) related to securities, net	736	(3,534)	4,603
Losses (gains) on money trusts, net	18	266	112
Foreign exchange losses (gains), net	(35,524)	5,980	(222,191)
Losses (gains) on disposals of fixed assets, net	49	(104)	306
Decrease (increase) in trading account securities, excluding foreign exchange contracts	(13)	506	(81)
Decrease (increase) in call loans and other debt purchased	65,294	2,039	408,393
Increase (decrease) in payables under repurchase agreements	(71,224)	(8,254)	(445,484)
Decrease (increase) in due from banks, excluding the Bank of Japan	37	1,016	231
Decrease (increase) in foreign exchange assets	10,307	(11,406)	64,467
Decrease (increase) in loans and bills discounted	(229,903)	(342,025)	(1,437,972)
Decrease (increase) in lease receivables and investments in leased assets	(3,461)	(2,908)	(21,647)
Decrease (increase) in other assets	(71,041)	54,963	(444,339)
Increase (decrease) in deposits	140,111	54,218	876,351
Increase (decrease) in borrowed money	86,879	19,591	543,401
Increase (decrease) in call money	(14,193)	20,402	(88,772)
Increase (decrease) in foreign exchange liabilities	283	(31)	1,770
Increase (decrease) in payables under securities lending transactions	(2,660)	161,628	(16,637)
Increase (decrease) in due to trust account	2,251	1,945	14,079
Increase (decrease) in other liabilities	143,271	52,540	896,115
Interest and dividends received	167,378	148,850	1,046,897
Interest paid	(77,052)	(73,896)	(481,936)
Subtotal	85,755	62,481	536,371
Income taxes paid	(14,851)	(15,536)	(92,888)
Net cash provided by operating activities	70,904	46,944	443,482

Cash flows from investing activities			
Purchases of securities	(1,183,899)	(837,497)	(7,404,922)
Proceeds from sales of securities	665,913	359,821	4,165,080
Proceeds from redemption of securities	241,133	203,445	1,508,212
Purchases of money trusts	(6,347)	—	(39,698)
Proceeds from money trusts	29	20,300	181
Purchases of tangible fixed assets	(6,645)	(11,006)	(41,562)
Purchases of intangible fixed assets	(2,266)	(899)	(14,173)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 25)	(1,519)	—	(9,500)
Proceeds from sales of tangible fixed assets	425	762	2,658
Net cash used in investing activities	(293,176)	(265,073)	(1,833,725)

Cash flows from financing activities			
Issuance of subordinated bonds	20,000	20,000	125,093
Redemption of subordinated bonds	(10,000)	—	(62,546)
Cash dividends paid	(12,928)	(10,566)	(80,860)
Purchases of treasury stock	(3,001)	(5,000)	(18,770)
Repayments on lease obligations	(185)	(218)	(1,157)
Proceeds from sales of treasury stock	1	0	6
Proceeds from exercise of employee share options	0	0	0
Net cash provided by (used in) financing activities	(6,114)	4,214	(38,241)

Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net decrease in cash and cash equivalents	(228,386)	(213,913)	(1,428,483)
Cash and cash equivalents at beginning of year	1,201,718	1,415,632	7,516,374
Cash and cash equivalents at end of year (Note 25)	¥ 973,331	¥ 1,201,718	\$ 6,087,884

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 Regional 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, 2026, which was ¥159.88 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 fourteen (thirteen in 2025) significant subsidiaries after elimination of all significant intercompany transactions, balances and unrealized profits.

Chugin Energy 1st, LLC became a consolidated subsidiary of the Company in the year ended March 31, 2026.

Thirteen (thirteen in 2025) 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, 2026 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 (four in 2025) 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, 2026 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 (thirteen in 2025) subsidiaries and one (one in 2025) affiliated company also were not accounted for by the equity method for the year ended March 31, 2026 because their exclusion had no significant effect on the consolidated financial statements.

One (one in 2025) 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, 2026 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 two consolidated subsidiaries 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.

Chugin Energy 1st, LLC has changed its balance sheet date from September 30 to December 31. Following this change to the balance sheet date, the company's operating results for the six months from July 1, 2025 to December 31, 2025 are consolidated for the year ended March 31, 2026.

Goodwill

Goodwill is amortized using the straight-line method over a reasonable period of 20 years or less, determined on a case-by-case basis.

(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 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 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 categorized its 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, 2026 and 2025 were ¥75,075 million (\$469,570 thousand) and ¥72,674 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, 2026 and 2025 was 5.71 years and 5.72 years, respectively, for normal borrowers; 4.59 years and 4.58 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, 2026, 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. 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.

As for lessors' accounting treatments applied by a consolidated subsidiary engaged in the leasing business, the method of recognizing income from finance leases and related leasing costs when lease payments are received, which is admitted for selective application for finance leases under the current accounting standards, etc., is abolished, and the method of allocating the interest equivalent amounts for the lessor over the lessor's lease term is applied.

(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.

(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 immaterial.

5. Securities

Securities include investments in interests and equity securities of unconsolidated subsidiaries and affiliates in the amounts of ¥8,565 million (\$53,571 thousand) and ¥182 million (\$1,138 thousand) as at March 31, 2026, and ¥7,165 million and ¥182 million as at March 31, 2025, respectively.

Securities received under repurchase agreements, etc., that are permitted to be disposed of through sale or pledge (re-pledge) were not held as at March 31, 2026, and were held in the amounts of ¥550 million as at March 31, 2025 without such disposal.

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 ¥73,478 million (\$459,582 thousand) and ¥83,559 million as at March 31, 2026 and 2025, 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
	2026	2025	2026
	¥	¥	\$
Amount of net unrealized gains (losses) included in the consolidated statements of income	(1)	(9)	(6)

(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, 2026 and 2025:

Type	Millions of Yen		
	2026		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	¥ 211,317	¥ 81,185	¥ 130,131
Bonds	27,604	27,496	108
Japanese government bonds	13,988	13,933	54
Japanese municipal bonds	6,375	6,372	2
Japanese corporate bonds	7,240	7,190	50
Other	424,935	339,140	85,795
Foreign bonds	227,708	222,879	4,829
Other	197,227	116,260	80,966
Subtotal	¥ 663,857	¥ 447,821	¥ 216,035

Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	¥ 26,891	¥ 29,686	¥ (2,794)
Bonds	1,865,154	2,057,760	(192,606)
Japanese government bonds	987,563	1,111,695	(124,131)
Japanese municipal bonds	573,367	623,646	(50,278)
Japanese corporate bonds	304,222	322,418	(18,196)
Other	392,605	416,053	(23,447)
Foreign bonds	335,952	355,363	(19,410)
Other	56,653	60,690	(4,036)
Subtotal	2,284,652	2,503,500	(218,848)
Total	¥ 2,948,509	¥ 2,951,322	¥ (2,813)

Type	Thousands of U.S. Dollars		
	2026		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	\$ 1,321,722	\$ 507,787	\$ 813,929
Bonds	172,654	171,978	675
Japanese government bonds	87,490	87,146	337
Japanese municipal bonds	39,873	39,854	12
Japanese corporate bonds	45,283	44,971	312
Other	2,657,837	2,121,215	536,621
Foreign bonds	1,424,243	1,394,039	30,203
Other	1,233,593	727,170	506,417
Subtotal	\$ 4,152,220	\$ 2,800,981	\$ 1,351,232

Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	\$ 168,194	\$ 185,676	\$ (17,475)
Bonds	11,665,961	12,870,652	(1,204,691)
Japanese government bonds	6,176,901	6,953,308	(776,401)
Japanese municipal bonds	3,586,233	3,900,713	(314,473)
Japanese corporate bonds	1,902,814	2,016,624	(113,810)
Other	2,455,622	2,602,282	(146,653)
Foreign bonds	2,101,275	2,222,685	(121,403)
Other	354,347	379,597	(25,243)
Subtotal	14,289,792	15,658,618	(1,368,826)
Total	\$ 18,442,012	\$ 18,459,607	\$ (17,594)

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)

(3) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as at March 31, 2026 and 2025:

Held-to-maturity debt securities

Type	Millions of Yen			
	2026			
	Carrying amount	Fair value	Difference	
Held-to-maturity debt securities whose fair value exceeds carrying amount:				
Japanese government bonds	¥ —	¥ —	¥ —	—
Japanese municipal bonds	—	—	—	—
Japanese corporate bonds.....	—	—	—	—
Subtotal	¥ —	¥ —	¥ —	—
Held-to-maturity debt securities whose fair value does not exceed carrying amount:				
Japanese government bonds	¥ 69,507	¥ 67,008	¥ (2,499)	
Japanese municipal bonds	16,098	14,886	(1,212)	
Japanese corporate bonds.....	34,128	32,505	(1,622)	
Subtotal	¥ 119,734	¥ 114,400	¥ (5,334)	
Total.....	¥ 119,734	¥ 114,400	¥ (5,334)	

Type	Thousands of U.S. Dollars			
	2026			
	Carrying amount	Fair value	Difference	
Held-to-maturity debt securities whose fair value exceeds carrying amount:				
Japanese government bonds	\$ —	\$ —	\$ —	—
Japanese municipal bonds	—	—	—	—
Japanese corporate bonds.....	—	—	—	—
Subtotal	\$ —	\$ —	\$ —	—
Held-to-maturity debt securities whose fair value does not exceed carrying amount:				
Japanese government bonds	\$ 434,744	\$ 419,114	\$ (15,630)	
Japanese municipal bonds	100,688	93,107	(7,580)	
Japanese corporate bonds.....	213,460	203,308	(10,145)	
Subtotal	\$ 748,899	\$ 715,536	\$ (33,362)	
Total.....	\$ 748,899	\$ 715,536	\$ (33,362)	

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)	

(4) The Company recognized impairment loss on Japanese corporate bonds in the amount of ¥48 million (\$300 thousand) in the year ended March 31, 2026, and did not recognize impairment loss in the year ended March 31, 2025.

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, 2026 and 2025 were as follows:

Type	Millions of Yen			
	2026			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	¥ 62,164	¥ 13,547	¥ 1,914	
Bonds	410,809	2,020	20,868	
Japanese government bonds	175,359	2,020	8,231	
Japanese municipal bonds	207,214	—	10,983	
Japanese corporate bonds	28,235	0	1,654	
Other	138,699	5,400	1,740	
Foreign bonds	78,145	1,950	984	
Other	60,553	3,449	756	
Total.....	¥ 611,673	¥ 20,969	¥ 24,523	

Type	Thousands of U.S. Dollars			
	2026			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	\$ 388,816	\$ 84,732	\$ 11,971	
Bonds	2,569,483	12,634	130,522	
Japanese government bonds	1,096,816	12,634	51,482	
Japanese municipal bonds	1,296,059	—	68,695	
Japanese corporate bonds	176,601	0	10,345	
Other	867,519	33,775	10,883	
Foreign bonds	488,772	12,196	6,154	
Other	378,740	21,572	4,728	
Total.....	\$ 3,825,825	\$ 131,154	\$ 153,383	

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	

6. Money Trusts

(1) Money trusts as a type of trading account securities as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Carrying amount (fair value).....	¥ 10,000	¥ 5,200	\$ 62,546
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, 2026 and 2025 were as follows:

	Millions of Yen				
	2026				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 8,000	¥ 8,000	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars				
	2026				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	\$ 50,037	\$ 50,037	\$ —	\$ —	\$ —

	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	¥ —	¥ —	¥ —

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

Net unrealized losses on available-for-sale securities as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Net unrealized losses on available-for-sale securities	¥ (3,234)	¥ (12,851)	\$ (20,227)
Deferred tax assets	1,153	4,208	7,211
Net unrealized losses on available-for-sale securities before adjustment for non-controlling interests, net of taxes	(2,080)	(8,643)	(13,009)
Non-controlling interests	—	—	—
Net unrealized losses on available-for-sale securities, net of taxes	¥ (2,080)	¥ (8,643)	\$ (13,009)

8. 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
	2026	2025	2026
Loans in bankruptcy/rehabilitation or similar proceedings.....	¥ 29,557	¥ 32,861	\$ 184,869
Loans at risk.....	66,071	56,505	413,253
Loans past due three months or more but less than six months...	523	785	3,271
Restructured loans.....	27,746	24,222	173,542
Total.....	¥ 123,898	¥ 114,373	\$ 774,943

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, 2026 and 2025 was ¥4,986 million (\$31,185 thousand) and ¥10,867 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 ¥3,902 million (\$24,405 thousand) and ¥10,100 million as at March 31, 2026 and 2025, respectively.

9. 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, 2026 and 2025 amounted to ¥1,661,108 million (\$10,389,717 thousand) and ¥1,618,972 million, respectively. Of these amounts, ¥1,373,791 million (\$8,592,638 thousand) and ¥1,335,360 million as at March 31, 2026 and 2025, 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.

10. Tangible Fixed Assets

Tangible fixed assets as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Land	¥ 19,100	¥ 19,043	\$ 119,464
Buildings	9,781	9,123	61,177
Lease assets	2,104	1,095	13,159
Other tangible fixed assets	15,228	12,796	95,246
Construction in progress.....	486	255	3,039
Total.....	¥ 46,701	¥ 42,315	\$ 292,100

Accumulated depreciation as at March 31, 2026 and 2025 was ¥87,655 million (\$548,254 thousand) and ¥83,869 million, respectively. The amounts that were directly offset against acquisition costs as at March 31, 2026 and 2025 were ¥4,882 million (\$30,535 thousand) and ¥4,877 million, respectively. Of these amounts, ¥5 million (US\$31 thousand) was directly offset against acquisition costs during the year ended March 31, 2026, while no such amount was directly offset during the year ended March 31, 2025.

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, 2026 and 2025 as follows:

(Millions of Yen)		2026		
	Purpose of Use		Type	Losses on impairment of fixed assets
Okayama Prefecture	Branches	2 branches	Buildings	¥24
Prefectures other than Okayama	Shared assets	1 item	Buildings	¥5

(Thousands of U.S. Dollars)			2026	
	Purpose of Use		Type	Losses on impairment of fixed assets
Okayama Prefecture	Branches	2 branches	Buildings	\$150
Prefectures other than Okayama	Shared assets	1 item	Buildings	\$31

(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

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 and subsidiary corporations, etc., 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 ¥30 million (\$187 thousand) and ¥100 million as “Losses on impairment of fixed assets” for the years ended March 31, 2026 and 2025, 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.

11. Intangible Fixed Assets

Intangible fixed assets as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Software.....	¥ 2,118	¥ 2,063	\$ 13,247
Software in progress	1,696	333	10,607
Goodwill	1,137	—	7,111
Other intangible fixed assets.....	135	126	844
Total.....	¥ 5,088	¥ 2,523	\$ 31,823

12. Pledged Assets

Pledged assets as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Securities	¥ 1,377,033	¥ 1,471,181	\$ 8,612,915
Loans and bills discounted	500,522	551,173	3,130,610
Other assets	53	73	331
Total.....	¥ 1,877,609	¥ 2,022,428	\$11,743,864

Liabilities secured by pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Payables under securities lending transactions.....	¥ 763,018	¥ 765,678	\$ 4,772,441
Borrowed money.....	775,233	751,934	4,848,842
Payables under repurchase agreements.....	78,543	149,768	491,262
Deposits.....	20,025	23,859	125,250
Total.....	¥ 1,636,819	¥ 1,691,241	\$10,237,797

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, 2026 and 2025:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Securities	¥ 108,502	¥ 91,198	\$ 678,646
Trading account securities	91	94	569
Other assets	25	25	156

Other assets included the following items as at March 31, 2026 and 2025:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Cash collateral paid for financial instruments.....	¥ 48,270	¥ 40,282	\$ 301,913
Initial margins for futures markets.	2,746	2,372	17,175
Guarantee deposits	815	798	5,097

13. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Deferred tax assets:			
Reserve for possible loan losses ...	¥ 21,160	¥ 20,263	\$ 132,349
Unrealized losses on available-for-sale securities	68,725	41,824	429,853
Net defined benefit liability	2,014	6,009	12,596
Depreciation	4,230	3,945	26,457
Deferred losses on hedging instruments.....	717	1,086	4,484
Losses on impairment of fixed assets.....	1,292	1,292	8,081
Accrued employees’ bonuses	762	642	4,766
Write-down of securities.....	385	454	2,408
Software	483	508	3,021
Other	2,865	2,574	17,919
Subtotal	102,638	78,602	641,968
Valuation allowance	(1,852)	(1,747)	(11,583)
Total deferred tax assets	100,786	76,855	630,385

Deferred tax liabilities:

Unrealized gains on available-for-sale securities	(67,572)	(37,616)	(422,641)
Deferred gains on hedging instruments	(28,045)	(10,634)	(175,412)
Reserve for advanced depreciation of tangible fixed assets.....	(242)	(242)	(1,513)
Other	(126)	(83)	(788)
Total deferred tax liabilities	(95,987)	(48,576)	(600,369)
Net deferred tax assets (liabilities) ...	¥ 4,798	¥ 28,278	\$ 30,010

Reconciliation between the statutory tax rate and the effective tax rate of the Company as at March 31, 2026 and 2025 was as follows:

	2026	2025
Statutory tax rate	30.5%	30.5%
Permanent differences due to non-deductible expenses such as entertainment expenses	0.1	0.2
Permanent differences due to non-taxable income such as dividend income	(0.9)	(0.8)
Changes in valuation allowance	(0.1)	(0.6)
Tax credits	(0.9)	—
Other	(0.0)	(1.0)
Effective tax rate	28.7%	28.3%

14. Business Combinations

Business combination through the acquisition of shares and absorption-type merger of companies by a consolidated subsidiary

Chugin Energy Co., Ltd., a consolidated subsidiary of the Company, resolved at its Board of Directors’ meeting held on January 24, 2025, to acquire all shares of eight local solar power generation companies effective July 1, 2025 and conducted an absorption-type merger of them, in which seven of the eight companies would be absorbed while the remaining one would be the surviving company, as well as to change the name of the surviving company and implement an organizational restructuring. These procedures were carried out on July 1, 2025, and the name of the surviving company was changed to Chugin Energy 1st, LLC.

1. Purpose of acquisition of shares and the merger

Chugin Energy Co., Ltd. acquired shares of the eight local solar power generation companies to expand its business and facilitate the decarbonization of the region by promoting the use of local FIT solar power plants as a long-term energy source. In addition, for operational efficiency, it conducted an absorption-type merger of the eight companies of which shares were acquired, with Asahi Mega Solar Takebe Tajiko Power Generation Co., Ltd. as the surviving company and the other seven companies dissolved.

2. Overview of the acquisition of shares

(1) Names of the companies involved in the business combination and descriptions of their businesses		
- Acquiring company	Name of the company:	Chugin Energy Co., Ltd.
	Business description:	Regional energy and decarbonization business
- Acquirees	Names of the companies:	Asahi Mega Solar Takebe Tajiko Power Generation Co., Ltd. and other seven local solar power generation companies
	Business description:	Electrical construction, solar power generation, and related businesses

(2) Date of the business combination
July 1, 2025

(3) Legal form of the business combination
Acquisition of shares

(4) Name of the combined entity
No change.

(5) Ratio of voting rights acquired
100%

(6) Main grounds for determining the acquirer
The Company’s consolidated subsidiary acquired the shares for cash consideration.

(7) Period for which the operating results of the acquirees are included in the consolidated financial statements
From July 1, 2025 to December 31, 2025

(8) Acquisition cost of the acquirees and breakdown of consideration by type

	Cash	Millions of Yen		Thousands of U.S. Dollars	
		¥	1,736	\$	10,858
Consideration for acquisition					
Acquisition cost		¥	1,736	\$	10,858

(9) Major acquisition-related cost and amount
Advisory fees, etc. ¥23 million (\$143 thousand)

(10) Amount of goodwill recognized, reason for recognition, and amortization method and period

- Amount of goodwill recognized ¥1,198 million (\$7,493 thousand)
- Reason for recognition
Attributable to the expected future excess earning capacity of the acquired companies.
- Amortization method and period
Goodwill is amortized on a straight-line basis over the estimated periods during which the excess earning capacity of each company is expected to be realized (7 to 11 years).

(11) Amounts of assets acquired and liabilities assumed at the date of business combination and their major components

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 510	\$ 3,189
Non-current assets	1,440	9,006
Total assets	1,951	12,202
Current liabilities	25	156
Non-current liabilities	1,387	8,675
Total liabilities	¥ 1,412	\$ 8,831

(12) Estimated impact on the consolidated statements of income for the year ended March 31, 2026, assuming the business combination was completed on the first day of the fiscal year, and its calculation method
Description is omitted due to lack of materiality.

3. Overview of the absorption-type merger

(1) Names of the companies involved in the business combination and descriptions of their businesses		
- Surviving company in the absorption-type merger	Name of the company:	Asahi Mega Solar Takebe Tajiko Power Generation Co., Ltd.
	Business description:	Electrical construction, solar power generation, and related businesses
- Absorbed companies in the absorption-type merger	Names of the companies:	Seven local solar power generation companies referred to in the above 2. (1)
		Names of the companies involved in the business combination and descriptions of their businesses
	Business description:	Electrical construction, solar power generation, and related businesses

(2) Date of the business combination
July 1, 2025

(3) Legal form of the business combination

An absorption-type merger with Asahi Mega Solar Takebe Tajiko Power Generation Co., Ltd. as the surviving company and the seven local solar power generation companies referred to in the above 2. (1) Names of the companies involved in the business combination and descriptions of their businesses, as the absorbed companies.

(4) Name of the combined entity
Chugin Energy 1st, LLC

(5) Summary of the accounting treatment applied

The transaction is treated as a transaction under common control based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

15. Borrowed Money and Other Liabilities

Borrowed money and other liabilities as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Borrowed money.....	¥ 851,857	¥ 763,697	\$ 5,328,102
Lease liabilities			
(due within one year).....	162	217	1,013
Lease liabilities			
(due after one year).....	1,818	719	11,371

The weighted average interest rates on the outstanding balances as at March 31, 2026 and 2025 were as follows:

	2026	2025
Borrowed money.....	0.639%	0.332%
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, 2026 and 2025 ware as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Less than one year.....	¥ 1437,576	¥ 206,758	\$ 2,736,902
From one to two years.....	407,873	146,917	2,551,119
From two to three years.....	2,007	406,920	12,553
From three to four years.....	1,538	1,125	9,619
From four to five years	791	720	4,947
Over five years.....	2,072	1,256	12,959
Total borrowed money.....	¥ 1851,857	¥ 763,697	\$ 5,328,102

Lease liabilities classified by maturity as at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Less than one year.....	¥ 162	¥ 217	\$ 1,013
From one to two years.....	160	216	1,000
From two to three years.....	160	215	1,000
From three to four years.....	160	215	1,000
From four to five years	160	71	1,000
Over five years.....	1,178	2	7,368
Total lease liabilities	¥ 1,980	¥ 936	\$ 12,384

16. Bonds Payable

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Subordinated bond.....	¥ 40,000	¥ 30,000	\$ 250,187

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, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Beginning balance of projected benefit obligation	¥ 54,477	¥ 54,199	\$ 340,736
Service cost	1,034	1,317	6,467
Interest cost	593	592	3,709
Actuarial differences	(8,858)	393	(55,404)
Retirement benefits paid	(2,154)	(2,025)	(13,472)
Prior service cost.....	—	—	—
Other	—	—	—

Ending balance of projected benefit obligation	¥ 45,092	¥ 54,477	\$ 282,036
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(b) Changes in plan assets for the years ended March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Beginning balance of plan assets....	¥ 62,047	¥ 62,780	\$ 388,084
Expected return on plan assets....	1,342	1,339	8,393
Actuarial differences	2,286	(1,890)	14,298
Contribution from the employer ...	1,191	1,219	7,449
Retirement benefits paid	(1,493)	(1,402)	(9,338)
Other	—	—	—
Ending balance of plan assets.....	¥ 65,374	¥ 62,047	\$ 408,894

(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
	2026	2025	2026
Funded defined benefit obligation ...	¥ 44,783	¥ 54,151	\$ 280,103
Plan assets.....	(65,374)	(62,047)	(408,894)
	(20,591)	(7,895)	(128,790)
Unfunded defined benefit obligation ...	308	325	1,926
Net liability (asset) recorded in the consolidated balance sheet	¥ (20,282)	¥ (7,570)	\$ (126,857)

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Net defined benefit liability	¥ 253	¥ 1,625	\$ 1,582
Net defined benefit asset.....	(20,536)	(9,195)	(128,446)
Net liability (asset) recorded in the consolidated balance sheet	¥ (20,282)	¥ (7,570)	\$ (126,857)

(d) The components of retirement benefit expenses for the years ended March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Service cost	¥ 1,034	¥ 1,317	\$ 6,467
Interest cost	593	592	3,709
Expected return on plan assets	(1,342)	(1,339)	(8,393)
Amortization of actuarial differences..	1,524	928	9,532
Amortization of prior service cost ..	(418)	(418)	(2,614)
Other	(20)	(17)	(125)

Retirement benefit expenses on defined benefit plans.....	¥ 1,371	¥ 1,062	\$ 8,575
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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
	2026	2025	2026
Prior service cost	¥ (418)	¥ (418)	\$ (2,614)
Actuarial differences	12,668	(1,355)	79,234
Total.....	¥ 12,250	¥ (1,773)	\$ 76,619

(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
	2026	2025	2026
Unrecognized prior service cost	¥ 2,440	¥ 2,858	\$ 15,261
Unrecognized actuarial differences	13,439	770	84,056
Other	—	—	—
Total.....	¥ 15,879	¥ 3,628	\$ 99,318

(g) Plan assets

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

	2026	2025
Investment trusts	39.8%	24.0%
Bonds	13.5%	13.1%
Equity securities.....	12.9%	13.9%
General account.....	10.1%	7.3%
Cash and deposits	4.2%	22.4%
Other	19.5%	19.3%
Total.....	100%	100%

Note: Total plan assets as at March 31, 2026 and 2025 included an employees' retirement benefit trust established for corporate welfare pension plans that represented 41.5% and 41.6% 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, 2026 and 2025 were as follows:

	2026	2025
Discount rate	2.700%	1.100%
Long-term expected rate of return	2.000% - 2.397%	2.000% - 2.364%

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, 2026 and 2025 was ¥384 million (\$2,401 thousand) and ¥219 million, respectively.

18. Derivative Transactions

Derivative transactions as at March 31, 2026 and 2025 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 and recognized gains (losses) 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			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	¥ 73,830	¥ 69,750	¥ (477)	¥ (477)
Pay floating/ receive fixed.....	71,799	69,769	1,115	1,115
Total.....			¥ 638	¥ 638

Type	Thousands of U.S. Dollars			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	\$ 461,783	\$ 436,264	\$ (2,983)	\$ (2,983)
Pay floating/ receive fixed.....	449,080	436,383	6,973	6,973
Total.....			\$ 3,990	\$ 3,990

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

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			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥1,259,150	¥1,016,072	¥ 8	¥ 8
Forward foreign exchange				
Sold.....	178,052	107,476	(20,870)	(20,870)
Bought.....	152,527	106,039	23,216	23,216
Currency options				
Sold.....	2,478	1,366	(35)	52
Bought.....	2,478	1,366	35	(44)
Total.....			¥ 2,354	¥ 2,363

Type	Thousands of U.S. Dollars			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	\$7,875,594	\$6,355,216	\$ 50	\$ 50
Forward foreign exchange				
Sold.....	1,113,660	672,229	(130,535)	(130,535)
Bought.....	954,009	663,241	145,208	145,208
Currency options				
Sold.....	15,499	8,543	(218)	325
Bought.....	15,499	8,543	218	(275)
Total.....			\$ 14,723	\$ 14,779

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

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			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	¥ 264	¥ —	¥ 3	¥ 3
Total.....			¥ 3	¥ 3

Type	Thousands of U.S. Dollars			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	\$ 1,651	\$ —	\$ 18	\$ 18
Total.....			\$ 18	\$ 18

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

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			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Earthquake derivatives				
Sold.....	¥ 800	¥ —	¥ (17)	¥ —
Bought.....	800	—	17	—
Total.....			¥ —	¥ —

Type	Thousands of U.S. Dollars			
	2026			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Earthquake derivatives				
Sold.....	\$ 5,003	\$ —	\$ (106)	\$ —
Bought.....	5,003	—	106	—
Total.....			\$ —	\$ —

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.....			¥ —	¥ —

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

(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 and the 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:

Type	Hedged items	Millions of Yen		
		2026		
		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		¥ 814,871	¥ 763,003	¥88,546
Total.....				¥88,546

Type	Hedged items	Thousands of U.S. Dollars		
		2026		
		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		\$5,096,766	\$4,772,348	\$553,827
Total.....				\$553,827

Type	Hedged items	Millions of Yen		
		2025		
		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

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				
2026				
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	¥ 7,994	¥ —	¥ 57
Currency swaps	Loans	664,829	292,151	(1,571)
Total				¥ (1,513)

Thousands of U.S. Dollars				
2026				
Type	Hedged items	Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	\$ 50,000	\$ —	\$ 356
Currency swaps	Loans	4,158,299	1,827,314	(9,826)
Total				\$ (9,463)

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)

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, 2026 and 2025 was as follows:

As lessee:

Obligations under operating leases that were not cancellable as at March 31, 2026 and 2025 were as follows:

Millions of Yen				Thousands of U.S. Dollars
2026				2026
Due within one year	¥ 148	¥ 112		\$ 925
Due after one year	367	246		2,295
Total	¥ 516	¥ 359		\$ 3,227

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2026 and 2025 were as follows:

Millions of Yen				Thousands of U.S. Dollars
2026				2026
Net unrealized gains (losses) on available-for-sale securities:				
Increase (decrease) during the year	¥ 3,719	¥ (91,750)		\$ 23,261
Reclassification adjustments	5,898	(958)		36,890
Subtotal, before income taxes and tax benefit or (expense)	9,617	(92,708)		60,151
Income taxes and tax benefit or (expense)	(3,054)	28,417		(19,101)
Subtotal, net of income taxes and tax benefit or (expense)	6,562	(64,290)		41,043

Net deferred gains on hedging instruments:				
Decrease during the year	33,621	(8,722)		210,288
Reclassification adjustments	23,010	30,456		143,920
Subtotal, before income taxes and tax benefit or (expense)	56,631	21,733		354,209
Income taxes and tax benefit or (expense)	(17,779)	(6,904)		(111,202)
Subtotal, net of income taxes and tax benefit or (expense)	38,851	14,828		243,001
Adjustments for retirement benefits:				
Increase (decrease) during the year	11,346	(2,283)		70,965
Reclassification adjustments	903	509		5,647
Subtotal, before income taxes and tax benefit or (expense)	12,250	(1,773)		76,619
Income taxes and tax benefit or (expense)	(3,838)	500		(24,005)
Subtotal, net of income taxes and tax benefit or (expense)	8,412	(1,273)		52,614
Total other comprehensive income	¥ 53,826	¥ (50,735)		\$ 336,664

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), credit derivative transactions (credit default swaps) and weather derivative transactions (earthquake derivatives). 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 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 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, 2026 and 2025 was as follows:			
	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Market risk volume	¥ 225,608	¥ 185,581	\$ 1,411,108
Banking business.....	225,509	185,544	1,410,489
[Price fluctuation risk]	[175,348]	[129,536]	[1,096,747]
[Interest rate risk]	[71,281]	[75,197]	[445,840]
[Considering correlation]	[(21,120)]	[(19,189)]	[(132,099)]
Trading activities.....	99	37	619

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 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 deterioration in the market funding environment. 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, 2026 and 2025. 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		
	2026		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	¥ 524	¥ 524	—
(2) Money trusts.....	18,000	18,000	—
(3) Securities			
Held-to-maturity debt securities	119,734	114,400	¥ (5,334)
Available-for-sale securities (*1)	2,945,319	2,945,319	—
(4) Loans and bills discounted.....	6,797,024		
Reserve for possible loan losses (*2).....	(73,166)		
	6,723,858	6,624,777	(99,080)
Total assets	¥ 9,807,436	¥ 9,703,021	¥ (104,415)
Liabilities			
(1) Deposits	¥ 8,445,033	¥ 8,444,369	¥ (664)
(2) Negotiable certificates of deposit.....	58,869	58,898	28
(3) Borrowed money.....	851,857	851,864	6
Total liabilities.....	¥ 9,355,760	¥ 9,355,131	¥ (628)
Derivative transactions (*3)			
Derivative transactions to which hedge accounting is not applied	¥ (53,025)	¥ (53,025)	—
Derivative transactions to which hedge accounting is applied	87,032	87,032	—
Total derivative transactions.....	¥ 34,007	¥ 34,007	¥ —

	Thousands of U.S. Dollars		
	2026		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	\$ 3,277	\$ 3,277	—
(2) Money trusts.....	112,584	112,584	—
(3) Securities			
Held-to-maturity debt securities	748,899	715,536	\$ (33,362)
Available-for-sale securities (*1)	18,422,060	18,422,060	—
(4) Loans and bills discounted.....	42,513,284		
Reserve for possible loan losses (*2).....	(457,630)		
	42,055,654	41,435,933	(619,714)
Total assets	\$ 61,342,481	\$ 60,689,398	\$ (653,083)
Liabilities			
(1) Deposits	\$ 52,821,072	\$ 52,816,918	\$ (4,153)
(2) Negotiable certificates of deposit.....	368,207	368,388	175
(3) Borrowed money.....	5,328,102	5,328,146	37
Total liabilities.....	\$ 58,517,388	\$ 58,513,453	\$ (3,927)
Derivative transactions (*3)			
Derivative transactions to which hedge accounting is not applied	\$ (331,654)	\$ (331,654)	—
Derivative transactions to which hedge accounting is applied	544,358	544,358	—
Total derivative transactions.....	\$ 212,703	\$ 212,703	\$ —

	Millions of Yen		
	2025		
	Book value	Fair value	Difference
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)	¥ —

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.

(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		U.S. Dollars
	2026	2026	2026
Unlisted equity securities (*1) (*2)..	¥ 7,070	¥ 7,445	\$ 44,220
Investments in partnerships (*3)....	35,228	27,097	220,340
Foreign stocks in foreign currency (*1) ..	1	0	6

(*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 ¥77 million (\$481 thousand) and ¥32 million were recognized for the years ended March 31, 2026 and 2025, respectively.

(*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						
	2026						
	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).....	¥ 938,259	—	—	—	—	—	
Securities	232,283	¥ 384,256	¥ 373,052	¥ 132,814	¥ 475,506	¥ 969,751	
Held-to-maturity debt securities.....	—	29,642	13,738	2,700	73,654	—	
Japanese government bonds.....	—	4,987	4,958	—	59,561	—	
Japanese municipal bonds.....	—	5,300	—	1,700	9,098	—	
Japanese corporate bonds	—	19,354	8,779	1,000	4,994	—	
Available-for-sale securities with maturities	232,283	354,613	359,313	130,114	401,852	969,751	
Japanese government bonds	69,309	48,200	141,495	57,424	293,686	391,436	
Japanese municipal bonds.....	19,497	45,820	51,402	49,661	76,487	336,874	
Japanese corporate bonds	50,646	140,761	64,331	3,376	798	51,548	
Other	92,830	119,830	102,084	19,652	30,880	189,891	
Loans and bills discounted (*2)	1,629,648	1,303,009	953,276	636,612	636,175	1,509,357	
Total.....	¥ 2,800,191	¥ 1,687,265	¥ 1,326,328	¥ 769,427	¥ 1,111,682	¥ 2,479,108	

	Thousands of U.S. Dollars						
	2026						
	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).....	\$ 5,868,520	—	—	—	—	—	
Securities	1,452,858	\$ 2,403,402	\$ 2,333,324	\$ 830,710	\$ 2,974,143	\$ 6,065,492	
Held-to-maturity debt securities.....	—	185,401	85,926	16,887	460,683	—	
Japanese government bonds.....	—	31,192	31,010	—	372,535	—	
Japanese municipal bonds.....	—	33,149	—	10,632	56,905	—	
Japanese corporate bonds	—	121,053	54,909	6,254	31,235	—	
Available-for-sale securities with maturities	1,452,858	2,217,994	2,247,391	813,822	2,513,460	6,065,492	
Japanese government bonds	433,506	301,476	885,007	359,169	1,836,915	2,448,311	
Japanese municipal bonds.....	121,947	286,589	321,503	310,614	478,402	2,107,042	
Japanese corporate bonds	316,775	880,416	402,370	21,115	4,991	322,416	
Other	580,622	749,499	638,503	122,917	193,144	1,187,709	
Loans and bills discounted (*2)	10,192,944	8,149,918	5,962,446	3,981,811	3,979,078	9,440,561	
Total.....	\$ 17,514,329	\$ 10,553,321	\$ 8,295,771	\$ 4,812,528	\$ 6,953,227	\$ 15,506,054	

	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

(*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 ¥95,470 million (\$597,135 thousand) and ¥89,355 million and loans without contract due dates in the amount of ¥33,475 million (\$209,375 thousand) and ¥32,207 million are not included in the above tables as at March 31, 2026 and 2025, 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					
	2026					
	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 (*).....	¥ 8,151,277	¥ 199,665	¥ 83,526	¥ 325	¥ 10,237	—
Negotiable certificates of deposit.....	58,869	—	—	—	—	—
Payables under securities lending transactions	763,018	—	—	—	—	—
Borrowed money.....	437,576	409,880	2,330	586	846	¥ 636
Total.....	¥ 9,410,742	¥ 609,545	¥ 85,857	¥ 911	¥ 11,084	¥ 636

	Thousands of U.S. Dollars					
	2026					
	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 (*).....	\$ 50,983,719	\$ 1,248,842	\$ 522,429	\$ 2,032	\$ 64,029	—
Negotiable certificates of deposit.....	368,207	—	—	—	—	—
Payables under securities lending transactions	4,772,441	—	—	—	—	—
Borrowed money.....	2,736,902	2,563,672	14,573	3,665	5,291	\$ 3,977
Total.....	\$ 58,861,283	\$ 3,812,515	\$ 537,009	\$ 5,698	\$ 69,326	\$ 3,977

	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

(*) 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			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money trusts	—	¥ 10,000	—	¥ 10,000
Trading account securities and securities				
Trading securities				
Japanese government bonds and Japanese municipal bonds, etc.....	¥ 97	427	—	524
Available-for-sale securities (*1)				
Equity securities	238,209	—	—	238,209
Japanese government bonds	1,001,552	—	—	1,001,552
Japanese municipal bonds.....	—	579,743	—	579,743
Japanese corporate bonds	—	234,173	¥ 77,289	311,463
Other	336,404	465,905	6,932	809,242
Total assets	¥ 1,576,263	¥ 1,290,249	¥ 84,221	¥ 2,950,735

Derivative transactions (*2)

Interest rate-related derivatives.....	—	¥ 89,184	—	¥ 89,184
Currency-related derivatives	—	(55,180)	—	(55,180)
Bond-related derivatives.....	¥ 3	—	—	3
Total derivative transactions.....	¥ 3	¥ 34,003	¥ —	¥ 34,007

	Thousands of U.S. Dollars			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money trusts	—	\$ 62,546	—	\$ 62,546
Trading account securities and securities				
Trading securities				
Japanese government bonds and Japanese municipal bonds, etc.....	\$ 606	2,670	—	3,277
Available-for-sale securities (*1)				
Equity securities	1,489,923	—	—	1,489,923
Japanese government bonds	6,264,398	—	—	6,264,398
Japanese municipal bonds.....	—	3,626,113	—	3,626,113
Japanese corporate bonds	—	1,464,679	\$ 483,418	1,948,104
Other	2,104,103	2,914,091	43,357	5,061,558
Total assets	\$ 9,859,038	\$ 8,070,108	\$ 526,776	\$ 18,455,935

Derivative transactions (*2)

Interest rate-related derivatives.....	—	\$ 557,818	—	\$ 557,818
Currency-related derivatives	—	(345,133)	—	(345,133)
Bond-related derivatives.....	\$ 18	—	—	18
Total derivative transactions.....	\$ 18	\$ 212,678	\$ —	\$ 212,703

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)	

(*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 investment trusts to which the treatment in Paragraph 24-9 is applied as at March 31, 2026 and 2025 was ¥5,108 million (\$31,948 thousand) and ¥5,040 million, respectively.

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

Millions of Yen								
2026								
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)						
¥ 5,040	—	¥ 67	¥ (0)	—	—	¥ 5,108	—	

Thousands of U.S. Dollars								
2026								
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)						
\$ 31,523	—	\$ 419	\$ (0)	—	—	\$ 31,948	—	

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	—	

(*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						
2026						
Fair value						
	Level 1	Level 2	Level 3	Total		
Money trusts	—	—	¥ 8,000	¥	8,000	
Securities						
Held-to-maturity debt securities						
Japanese government bonds	¥ 67,008	—	—		67,008	
Japanese municipal bonds	—	¥ 14,886	—		14,886	
Japanese corporate bonds	—	32,505	—		32,505	
Loans and bills discounted	—	—	6,624,777		6,624,777	
Total assets	¥ 67,008	¥ 47,392	¥ 6,632,777	¥	6,747,178	
Deposits	—	¥ 8,444,369	—	¥	8,444,369	
Negotiable certificates of deposit.....	—	58,898	—		58,898	
Borrowed money.....	—	775,233	¥ 76,630		851,864	
Total liabilities	¥ —	¥ 9,278,501	¥ 76,630	¥	9,355,131	

Thousands of U.S. Dollars						
2026						
Fair value						
	Level 1	Level 2	Level 3	Total		
Money trusts	—	—	\$ 50,037	\$	50,037	
Securities						
Held-to-maturity debt securities						
Japanese government bonds	\$ 419,114	—	—		419,114	
Japanese municipal bonds	—	\$ 93,107	—		93,107	
Japanese corporate bonds	—	203,308	—		203,308	
Loans and bills discounted	—	—	41,435,933		41,435,933	
Total assets	\$ 419,114	\$ 296,422	\$ 41,485,970	\$	42,201,513	
Deposits	—	\$ 52,816,918	—	\$	52,816,918	
Negotiable certificates of deposit.....	—	368,388	—		368,388	
Borrowed money.....	—	4,848,842	\$ 479,296		5,328,146	
Total liabilities	\$ —	\$ 58,034,156	\$ 479,296	\$	58,513,453	

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	

(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 6, “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, 2026 and 2025. 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 others (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									
2026									
	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%-4.900%			0.308%	
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%	

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									
2026									
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year	
Trading account securities and securities									
Available-for-sale securities									
Japanese corporate bonds	¥ 88,599	¥ (48)	¥ (317)	¥ (10,943)	—	—	¥ 77,289	—	
Other	6,931	—	190	(189)	—	—	6,932	—	
Thousands of U.S. Dollars									
2026									
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year	
Trading account securities and securities									
Available-for-sale securities									
Japanese corporate bonds	\$ 554,159	\$ (300)	\$ (1,982)	\$ (68,445)	—	—	\$ 483,418	—	
Other	43,351	—	1,188	(1,182)	—	—	43,357	—	
Millions of Yen									
2025									
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year	
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	—	

(*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, 2026 and 2025 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Ordinary income (Note 1).....	¥ 249,074	¥ 211,734	\$1,557,880
Of which, fee and commissions (Note 2)	26,064	24,163	163,022
Deposit-taking and lending business.....	11,655	10,148	72,898
Domestic or Foreign exchange business	5,214	4,964	32,611
Security-related business	3,058	2,826	19,126
Agency business.....	2,297	2,705	14,367
Custody and safe deposit business.....	129	138	806
Guarantee business	389	408	2,433
Other business.....	3,318	2,970	20,753
Of which, trust fees	34	9	212
Ordinary income from contracts with customers	¥ 25,103	¥ 23,787	\$ 157,011
Ordinary income other than the above (Note 1) (Note 2)	223,971	187,946	1,400,869
Total ordinary income (Note 1) (Note 2)	¥ 249,074	¥ 211,734	\$1,557,880

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, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Receivables from contracts with customers included in other assets.....	¥ 1,308	¥ 1,248	\$ 8,181
Contract liabilities included in other liabilities.....	48	59	300

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							
	2026							
	Reportable segments				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Securities	Total				
Ordinary income:								
External customers	¥ 226,071	¥ 14,415	¥ 4,950	¥ 245,437	¥ 3,636	¥ 249,074	—	¥ 249,074
Intersegment income	2,278	163	112	2,555	40,966	43,521	¥ (43,521)	—
Total.....	¥ 228,350	¥ 14,579	¥ 5,063	¥ 247,992	¥ 44,603	¥ 292,596	¥ (43,521)	¥ 249,074
Segment profit.....	52,480	550	1,360	54,392	38,285	92,678	(36,639)	56,038
Segment assets	11,322,941	68,133	15,264	11,406,338	567,906	11,974,245	(603,993)	11,370,252
Segment liabilities.....	10,772,219	45,096	8,963	10,826,280	47,107	10,873,388	(123,836)	10,749,551
Other items:								
Depreciation	3,578	1,441	23	5,043	170	5,213	55	5,268
Amortization of goodwill	—	—	—	—	61	61	—	61
Interest income.....	169,846	83	35	169,966	37,490	207,456	(37,493)	169,963
Interest expense	76,453	295	1	76,750	611	77,361	(966)	76,395

	Thousands of U.S. Dollars							
	2026							
	Reportable segments				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Securities	Total				
Ordinary income:								
External customers	\$ 1,414,004	\$ 90,161	\$ 30,960	\$ 1,535,132	\$ 22,742	\$ 1,557,880	—	\$ 1,557,880
Intersegment income	14,248	1,019	700	15,980	256,229	272,210	\$ (272,210)	—
Total.....	\$ 1,428,258	\$ 91,187	\$ 31,667	\$ 1,551,113	\$ 278,977	\$ 1,830,097	\$ (272,210)	\$ 1,557,880
Segment profit.....	328,246	3,440	8,506	340,205	239,460	579,672	(229,165)	350,500
Segment assets	70,821,497	426,150	95,471	71,343,119	3,552,076	74,895,202	(3,777,789)	71,117,413
Segment liabilities.....	67,376,901	282,061	56,060	67,715,036	294,639	68,009,682	(774,555)	67,235,120
Other items:								
Depreciation	22,379	9,013	143	31,542	1,063	32,605	344	32,949
Amortization of goodwill	—	—	—	—	381	381	—	381
Interest income.....	1,062,334	519	218	1,063,084	234,488	1,297,573	(234,507)	1,063,066
Interest expense	478,189	1,845	6	480,047	3,821	483,869	(6,042)	477,827

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 1st, LLC is newly included in “Other” as its business is related to regional energy and decarbonization. The company was established through the acquisition and merger of multiple local solar power generation companies by Chugin Energy Co., Ltd., effective July 1, 2025.

	Millions of Yen							
	2025							
	Reportable segments				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Securities	Total				
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

- 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.

Related Information:
Information about services

	Millions of Yen				
	2026				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 107,346	¥ 75,661	¥ 26,098	¥ 39,967	¥ 249,074

	Thousands of U.S. Dollars				
	2026				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	\$ 671,416	\$ 473,236	\$ 163,234	\$ 249,981	\$ 1,557,880

	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

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					
	2026					
	Reportable segments			Other	Total	
	Banking	Leasing	Securities			
Losses on impairment of fixed assets	¥ 30	¥ —	¥ —	¥ 30	¥ —	¥ 30

	Thousands of U.S. Dollars					
	2026					
	Reportable segments			Other	Total	
	Banking	Leasing	Securities			
Losses on impairment of fixed assets	\$ 187	\$ —	\$ —	\$ 187	\$ —	\$ 187

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

Information about amortization of goodwill and unamortized balance of goodwill by reportable segments

For the year ended March 31, 2026, amortization of goodwill and unamortized balance of goodwill were not allocated to reportable segments.
Amortization of goodwill and unamortized balance of goodwill as at March 31, 2026 were ¥61 million (\$381 thousand) and ¥1,137 million (\$7,111 thousand), respectively. There was no amortization of goodwill, and there was no unamortized balance of goodwill as at March 31, 2025.

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, 2026 and 2025 was as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2026

Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	(Thousands of shares)
					Remarks
Issued stock:					
Common stock	184,771	—	—	184,771	
Treasury stock:					
Common stock	5,860	1,616	471	7,005	Note

Note: The increase in treasury stock of 1,616 thousand shares was due to the public bidding of 1,611 thousand shares pursuant to the resolution made at the Board of Directors’ meeting, the acquisition without consideration of 4 thousand shares under the restricted stock incentive scheme for employee stock ownership plan, and purchases of 0 thousand shares of less than one unit.

In addition, the decrease in treasury stock of 471 thousand shares was due to the disposal of 371 thousand shares under the restricted stock incentive scheme for employee stock ownership plan, the disposal of 69 thousand shares as restricted stock compensation, and the disposal of 30 thousand shares upon the exercise of subscription rights to shares.

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.					

(b) Dividends paid to the shareholders during the 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 (\$39,723 thousand)	¥35.50 (\$0.222)	Mar. 31, 2025	Jun. 27, 2025
Nov. 14, 2025	Board of Directors	Common stock	¥6,577 million (\$41,137 thousand)	¥37.00 (\$0.231)	Sep. 30, 2025	Dec. 12, 2025

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	¥32.00	Mar. 31, 2024	Jun. 27, 2024
Nov. 8, 2024	Board of Directors	Common stock	¥4,743 million	¥26.50	Sep. 30, 2024	Dec. 9, 2024

Dividends that were applicable to the year ended March 31, 2026, 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. 25, 2026	General meeting of shareholders	Common stock	¥9,421 million (\$58,925 thousand)	¥53.00 (\$0.331)	Mar. 31, 2026	Jun. 26, 2026

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
	2026	2025	2026
Cash and due from banks.....	¥975,274	¥1,203,294	\$6,100,037
Due from banks, excluding the Bank of Japan	(1,942)	(1,575)	(12,146)
Cash and cash equivalents	¥973,331	¥1,201,718	\$6,087,884

Significant components of assets and liabilities of a company that became a consolidated subsidiary through the acquisition of its shares

For the year ended March 31, 2026
The components of the assets and liabilities at the initial consolidation of Chugin Energy 1st, LLC, which became a consolidated subsidiary through the acquisition of its shares, and the reconciliation between the acquisition cost of the shares of Chugin Energy 1st, LLC and the net cash paid for the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Assets	¥ 1,951	\$ 12,202
Liabilities	(1,412)	(8,831)
Goodwill	1,198	7,493
Acquisition cost	1,736	10,858
Accounts payable - other	(217)	(1,357)
Cash and cash equivalents	—	—
Net cash paid for acquisition	¥ 1,519	\$ 9,500

For the year ended March 31, 2025
There were no companies that became consolidated subsidiaries through the acquisition of shares.

26. Stock Options
Stock options outstanding as of March 31, 2026 were as follows:

Stock Options	Persons granted	Number of options granted (Note 3)	Date of grant	Exercise period
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)	6,600	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)	8,300	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)	23,600	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)	25,000	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)	28,100	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)	26,500	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, 2026. Number of stock options is converted to number of shares.

Number of 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	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
Non-vested:								
April 1, 2025 – Outstanding	2,800	2,900	2,600	4,200	9,800	12,300	28,900	30,600
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	3,200	4,000	5,300	5,600
March 31, 2026 – Outstanding	2,800	2,900	2,600	4,200	6,600	8,300	23,600	25,000
Vested:								
April 1, 2025 – Outstanding	—	—	—	—	—	—	—	—
Vested	—	—	—	—	3,200	4,000	5,300	5,600
Exercised	—	—	—	—	3,200	4,000	5,300	5,600
Forfeited	—	—	—	—	—	—	—	—
March 31, 2026 – Outstanding	—	—	—	—	—	—	—	—

Number of shares		
	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Non-vested:		
April 1, 2025 – Outstanding	34,400	32,500
Granted	—	—
Forfeited	—	—
Vested	6,300	6,000
March 31, 2026 – Outstanding	28,100	26,500
Vested:		
April 1, 2025 – Outstanding	—	—
Vested	6,300	6,000
Exercised	6,300	6,000
Forfeited	—	—
March 31, 2026 – Outstanding	—	—

Price information for 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th and 14th subscription rights to shares was as follows:

Yen								
	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	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
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	—	—	—	—	1,623.8	1,623.8	1,623.8	1,623.8
Fair appraisal price at date of grant	1,281	1,483	1,815	1,022	1,508	1,099	753	800

Yen		
	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Exercise price	¥ 1	¥ 1
Average share price at time of exercise	1,623.8	1,623.8
Fair appraisal price at date of grant	728	777

U.S. Dollars								
	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	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
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	—	—	—	—	10.15	10.15	10.15	10.15
Fair appraisal price at date of grant	8.01	9.27	11.35	6.39	9.43	6.87	4.70	5.00

U.S. Dollars		
	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Exercise price	\$ 0.00	\$ 0.00
Average share price at time of exercise	10.15	10.15
Fair appraisal price at date of grant	4.55	4.85

(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.

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, 2026 and 2025, 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, 2026 and 2025, 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 of public interest entities 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 borrowers in the core fields of the Chugoku Bank, a consolidated subsidiary	◎	Applicable	Applicable
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 ¥2,119,889 million, representing 31% of the total loans and bills discounted at March 31, 2026. 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, 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, for the current fiscal year 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 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 in the core fields of the Chugoku Bank, a consolidated subsidiary	
The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of Chugin Financial Group, Inc. and its consolidated subsidiaries (hereinafter, the “Group”), loans and bills discounted of ¥6,797,024 million were recognized, representing a significant proportion (approximately 60%) of the total assets of ¥11,370,252 million. For receivables including those loans and bills discounted, reserve for possible loan losses of ¥75,075 million was recognized. This was mainly recognized for The Chugoku Bank, Limited (hereinafter, the “Chugoku Bank”), a consolidated subsidiary engaged in banking businesses. 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. 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 a large number of loans for local business with a primary focus on loans for small and medium-size enterprises. As a result, the balance of those	The primary procedures we performed to assess the appropriateness of the classification of borrowers in the core fields of the Chugoku Bank included the following: (1) Internal control testing We tested the design and operating effectiveness of relevant internal controls over the classification of borrowers in the self-assessment of loan quality. In this assessment, we focused our testing on the following: ● controls to validate whether the design and operation of the internal self-assessment rules complied with accounting standards; ● application controls provided by IT systems over the classification of borrowers on a quantitative basis; and ● controls to ensure the effectiveness of the secondary assessment department’s verification in the classification of borrowers. (2) Assessment of the appropriateness of the classification of borrowers In order to assess the appropriateness of the classification of borrowers in the core fields, we: ● 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; ● inquired of relevant personnel in the secondary

loans in the core fields amounted to ¥4,675,656 million, representing 69% of the total loans and bills discounted.

For a number of companies that support the development of the regional society, the Group, as an entire group including the Chugoku Bank, not only provides loans but also engages in consulting activities tailored to various business environments and stages of business development. Through these activities, the Chugoku Bank is able to identify borrowers’ management challenges and technical and sales capabilities.

On the other hand, in classifying borrowers facing financial difficulties 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 in selling prices in a timely manner. In addition, there are borrowers for whom the impact of rising interest rates should be carefully assessed. The profit plans prepared by these borrowers involve highly uncertain assumptions related to the projected 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 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.

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 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 future projections based on the current business conditions and progress of their action plans, as well as their cash flow conditions, including financial support from financial institutions; and

- for 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 those 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 144 million yen and 15 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 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 16, 2026

Non-consolidated Financial Statements
Non-consolidated Balance Sheets

Chugin Financial Group, Inc.
March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
ASSETS:			
Cash and deposits	¥ 30,607	¥ 8,108	\$ 191,437
Accrued revenue.....	122	103	763
Other	18	10	112
Tangible fixed assets	6	7	37
Intangible fixed assets.....	40	0	250
Investments and other assets	517,257	497,197	3,235,282
Total assets	¥ 548,052	¥ 505,428	\$ 3,427,895
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable - other.....	¥ 49	¥ 18	\$ 306
Accrued expenses.....	236	187	1,476
Income taxes payable.....	203	128	1,269
Accrued consumption taxes.....	138	60	863
Accrued employees' bonuses	105	77	656
Other	84	55	525
Bonds payable	40,000	20,000	250,187
Total liabilities.....	¥ 40,817	¥ 20,527	\$ 255,297
Net assets			
Shareholders' equity			
Common stock	¥ 16,000	¥ 16,000	\$ 100,075
Capital surplus.....	457,846	457,708	2,863,685
Retained earnings.....	43,291	18,688	270,771
Less treasury stock, at cost.....	(10,017)	(7,637)	(62,653)
Subscription rights to shares.....	114	141	713
Total net assets.....	507,235	484,900	3,172,598
Total liabilities and net assets.....	¥ 548,052	¥ 505,428	\$ 3,427,895

Non-consolidated Statements of Income

Chugin Financial Group, Inc.
For the Years Ended March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Income:			
Operating revenue:			
Dividends from subsidiaries and associates	¥ 36,712	¥ 18,704	\$ 229,622
Commissions from subsidiaries and associates.....	3,683	2,593	23,036
Other income:			
Interest income.....	637	107	3,984
Dividend income	250	—	1,563
Miscellaneous income.....	11	19	68
Total income.....	41,294	21,424	258,281
Expenses:			
Operating expenses:			
Selling, general and administrative expenses	2,768	2,255	17,312
Other expenses:			
Bond issuance costs	134	137	838
Interest expenses on bonds	610	103	3,815
Other	1	2	6
Total expenses.....	3,515	2,499	21,985
Income before income taxes	37,779	18,925	236,295
Income taxes:			
Current	307	126	1,920
Deferred.....	(59)	(16)	(369)
	247	109	1,544
Net income.....	¥ 37,532	¥ 18,815	\$ 234,751

Non-consolidated Statements of Changes in Net Assets

Chugin Financial Group, Inc.
For the Years Ended March 31, 2026 and 2025

	Millions of Yen					
	2026					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets
Balance at beginning of year	¥ 16,000	¥ 457,708	¥ 18,688	¥ (7,637)	¥ 141	¥ 484,900
Net income.....			37,532			37,532
Cash dividends			(12,928)			(12,928)
Purchases of treasury stock.....				(3,001)		(3,001)
Disposals of treasury stock.....		138		621		759
Net changes in items other than shareholders' equity					(26)	(26)
Net changes during the year	—	138	24,603	(2,380)	(26)	22,334
Balance at end of year.....	¥ 16,000	¥ 457,846	¥ 43,291	¥ (10,017)	¥ 114	¥ 507,235

	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

	Thousands of U.S. Dollars (Note 1)					
	2026					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets
Balance at beginning of year	\$ 100,075	\$ 2,862,822	\$ 116,887	\$ (47,767)	\$ 881	\$ 3,032,899
Net income.....			234,751			234,751
Cash dividends			(80,860)			(80,860)
Purchases of treasury stock.....				(18,770)		(18,770)
Disposals of treasury stock.....		863		3,884		4,747
Net changes in items other than shareholders' equity					(162)	(162)
Net changes during the year	—	863	153,884	(14,886)	(162)	139,692
Balance at end of year.....	\$ 100,075	\$ 2,863,685	\$ 270,771	\$ (62,653)	\$ 713	\$ 3,172,598

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.