

Consolidated Financial Statements
Consolidated Balance Sheets

Chugin Financial Group, Inc. and its Consolidated Subsidiaries
March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
ASSETS:			
Cash and due from banks (Notes 21 and 25)	¥ 1,418,224	¥ 1,510,394	\$ 9,366,778
Call loans	192,117	178,907	1,268,852
Other debt purchased (Notes 6 and 10)	23,797	22,329	157,169
Trading account securities (Notes 6, 13 and 21)	1,017	2,023	6,716
Money trusts (Notes 7 and 21)	32,000	24,600	211,346
Securities (Notes 6, 9, 13 and 21)	2,596,411	2,324,053	17,148,213
Loans and bills discounted (Notes 9, 10, 13 and 21)	6,231,363	5,555,795	41,155,557
Foreign exchange (Note 9)	14,078	14,742	92,979
Lease receivables and investments in leased assets	30,456	27,010	201,149
Other assets (Notes 9, 13, 18, 21 and 22)	198,940	157,594	1,313,915
Tangible fixed assets (Note 11)	35,622	35,631	235,268
Intangible fixed assets (Note 12)	2,301	1,712	15,197
Net defined benefit asset (Note 17)	9,010	—	59,507
Deferred tax assets (Note 14)	4,582	17,594	30,262
Customers' liabilities for acceptances and guarantees (Note 9)	34,450	31,110	227,527
Reserve for possible loan losses (Note 3)	(60,570)	(54,302)	(400,039)
Total assets	¥ 10,763,804	¥ 9,849,196	\$ 71,090,443
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 13 and 21)	¥ 8,309,572	¥ 8,053,522	\$ 54,881,262
Call money	145,023	179,987	957,816
Payables under repurchase agreements (Note 13)	158,022	93,913	1,043,669
Payables under securities lending transactions (Notes 13 and 21)	604,049	423,430	3,989,492
Commercial paper (Note 15)	—	46,530	—
Borrowed money (Notes 13, 15 and 21)	744,106	320,843	4,914,510
Foreign exchange	440	492	2,906
Bonds payable (Note 16)	10,000	10,000	66,045
Due to trust account	9,988	8,496	65,966
Other liabilities (Notes 15, 18, 21 and 22)	163,073	147,012	1,077,029
Accrued employees' bonuses	1,573	1,547	10,389
Accrued directors' bonuses	44	25	290
Reserve for directors' retirement benefits	54	49	356
Reserve for reimbursement of deposits	800	250	5,283
Reserve for point program	133	114	878
Net defined benefit liability (Note 17)	429	3,466	2,833
Deferred tax liabilities (Note 14)	918	449	6,063
Reserves under special laws	8	7	52
Acceptances and guarantees	34,450	31,110	227,527
Total liabilities	¥ 10,182,689	¥ 9,321,248	\$ 67,252,420
Net assets (Note 24):			
Shareholders' equity			
Common stock			
Authorized shares: 500,000,000 shares in 2024 and 2023			
Issued shares: 184,771,461 shares in 2024 and 2023	¥ 16,000	¥ 16,000	\$ 105,673
Capital surplus	7,292	7,302	48,160
Retained earnings	494,988	479,276	3,269,189
Less treasury stock, at cost			
2,809,715 shares in 2024			
1,071,607 shares in 2023	(2,812)	(1,000)	(18,572)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 8)	55,647	34,234	367,525
Net deferred gains (losses) on hedging instruments	6,024	(3,320)	39,786
Accumulated adjustments for retirement benefits (Note 17)	3,754	(4,818)	24,793
Total	65,426	26,096	432,111
Subscription rights to shares (Note 26)	220	272	1,453
Total net assets	581,115	527,948	3,838,022
Total liabilities and net assets	¥ 10,763,804	¥ 9,849,196	\$ 71,090,443

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, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
Income (Note 22):			
Interest and dividends on:			
Loans and discounts	¥ 84,185	¥ 60,294	\$ 556,006
Securities	35,845	29,653	236,741
Other	4,088	3,208	26,999
Fees and commissions	22,035	20,545	145,531
Other operating income	28,046	43,714	185,232
Bad debt recovered	37	30	244
Other income	10,470	22,501	69,149
Total income	184,709	179,949	1,219,926
Expenses:			
Interest on:			
Deposits	11,660	4,245	77,009
Borrowings	4,386	2,037	28,967
Other	45,796	21,852	302,463
Fees and commissions	3,491	3,427	23,056
Other operating expenses	17,133	52,591	113,156
General and administrative expenses	57,850	55,662	382,075
Reserve for possible loan losses	8,942	5,717	59,058
Losses on impairment of fixed assets (Note 11)	122	55	805
Provision of reserve for financial instruments transaction liabilities	0	—	0
Other expenses	4,423	4,841	29,212
Total expenses	153,809	150,430	1,015,844
Income before income taxes	30,899	29,518	204,075
Income taxes (Note 14):			
Current	13,326	9,705	88,012
Deferred	(3,816)	(673)	(25,203)
	9,510	9,031	62,809
Net income	21,389	20,486	141,265
Net income attributable to non-controlling interests	—	—	—
Net income attributable to owners of parent	¥ 21,389	¥ 20,486	\$ 141,265

	Yen		U.S. Dollars (Note 1)
	2024	2023	2024
Per share of common stock			
Basic net income	¥ 117.06	¥ 111.01	\$ 0.773
Diluted net income	116.90	110.85	0.772
Cash dividends applicable to the year (Note 24)	47.00	30.00	0.310

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, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
Net income	¥ 21,389	¥ 20,486	\$ 141,265
Other comprehensive income (Note 20):			
Net unrealized gains (losses) on available-for-sale securities	21,412	(33,373)	141,417
Net deferred gains (losses) on hedging instruments	9,344	(2,713)	61,713
Adjustments for retirement benefits	8,573	(1,356)	56,621
Total other comprehensive income	39,329	(37,443)	259,751
Comprehensive income	¥ 60,719	¥ (16,957)	\$ 401,023
Comprehensive income attributable to:			
Owners of parent	¥ 60,719	¥ (16,957)	\$ 401,023
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, 2024 and 2023

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

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen											
	2023											
	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 losses on hedging instruments	Accumulated adjustments for retirement benefits	Total				
Balance at beginning of year.....	¥ 15,149	¥ 8,153	¥ 476,938	¥ (11,623)	¥ 67,608	¥ (606)	¥ (3,461)	¥ 63,540	¥ 256	¥ 552,414		
Cumulative effects of changes in accounting policies			43							43		
Restated balance	¥ 15,149	¥ 8,153	¥ 476,982	¥ (11,623)	¥ 67,608	¥ (606)	¥ (3,461)	¥ 63,540	¥ 256	¥ 552,458		
Net income attributable to owners of parent.....			20,486							20,486		
Changes by share transfer	850	(850)								—		
Cash dividends			(5,651)							(5,651)		
Purchases of treasury stock				(1,941)						(1,941)		
Disposals of treasury stock.....		1		21						23		
Cancellation of treasury stock.....		(1)	(12,540)	12,542						—		
Net changes in items other than shareholders' equity					(33,373)	(2,713)	(1,356)	(37,443)	15	(37,428)		
Net changes during the year	850	(850)	2,294	10,622	(33,373)	(2,713)	(1,356)	(37,443)	15	(24,510)		
Balance at end of year.....	¥ 16,000	¥ 7,302	¥ 479,276	¥ (1,000)	¥ 34,234	¥ (3,320)	¥ (4,818)	¥ 26,096	¥ 272	¥ 527,948		

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)										
	2024										
	Accumulated other comprehensive income										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total	Subscription rights to shares	Total net assets	
Balance at beginning of year.....	\$ 105,673	\$ 48,226	\$3,165,418	\$ (6,604)	\$ 226,101	\$ (21,927)	\$ (31,820)	\$ 172,353	\$ 1,796	\$3,486,876	
Net income attributable to owners of parent.....			141,265							141,265	
Cash dividends.....			(37,500)							(37,500)	
Purchases of treasury stock.....				(13,209)						(13,209)	
Disposals of treasury stock.....		(66)		1,235						1,169	
Net changes in items other than shareholders' equity.....					141,417	61,713	56,621	259,751	(336)	259,414	
Net changes during the year.....	—	(66)	103,764	(11,967)	141,417	61,713	56,621	259,751	(336)	351,145	
Balance at end of year.....	\$ 105,673	\$ 48,160	\$3,269,189	\$ (18,572)	\$ 367,525	\$ 39,786	\$ 24,793	\$ 432,111	\$ 1,453	\$3,838,022	

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, 2024 and 2023

	Thousands of U.S. Dollars (Note 1)		
	Millions of Yen		2024
	2024	2023	
Cash flows from operating activities			
Income before income taxes.....	¥ 30,899	¥ 29,518	\$ 204,075
Depreciation.....	3,312	3,177	21,874
Losses on impairment of fixed assets.....	122	55	805
Share-based compensation expenses.....	97	39	640
Provision of reserve for possible loan losses.....	8,942	5,717	59,058
Increase (decrease) in reserve for point program.....	18	6	118
Increase (decrease) in reserve for directors' retirement benefits.....	5	2	33
Increase (decrease) in accrued employees' bonuses.....	26	67	171
Increase (decrease) in accrued directors' bonuses.....	18	0	118
Increase (decrease) in net defined benefit liability.....	288	(290)	1,902
Increase (decrease) in reserve for reimbursement of deposits.....	550	190	3,632
Interest and dividend income.....	(124,120)	(93,157)	(819,760)
Interest expense.....	61,843	28,134	408,447
Losses (gains) related to securities, net.....	(5,713)	1,745	(37,731)
Losses (gains) on money trusts, net.....	134	297	885
Foreign exchange losses (gains), net.....	(49,425)	(36,402)	(326,431)
Losses (gains) on disposals of fixed assets, net.....	7	1	46
Decrease (increase) in trading account securities, excluding foreign exchange contracts.....	1,005	811	6,637
Decrease (increase) in call loans and other debt purchased.....	(14,677)	265,676	(96,935)
Increase (decrease) in payables under repurchase agreements.....	64,108	(97,093)	423,406
Decrease (increase) in due from banks, excluding the Bank of Japan.....	1,440	(256)	9,510
Increase (decrease) in commercial paper.....	(46,530)	(8,486)	(307,311)
Decrease (increase) in foreign exchange assets.....	664	(8,459)	4,385
Decrease (increase) in loans and bills discounted.....	(678,242)	(300,191)	(4,479,505)
Decrease (increase) in lease receivables and investments in leased assets.....	(3,446)	(1,606)	(22,759)
Decrease (increase) in other assets.....	(34,707)	(14,089)	(229,225)
Increase (decrease) in deposits.....	256,049	191,848	1,691,097
Increase (decrease) in borrowed money.....	423,263	(353,291)	2,795,475
Increase (decrease) in call money.....	(34,964)	69,278	(230,922)
Increase (decrease) in foreign exchange liabilities.....	(51)	(133)	(336)
Increase (decrease) in payables under securities lending transactions.....	180,619	(164,925)	1,192,913
Increase (decrease) in due to trust account.....	1,492	1,560	9,854
Increase (decrease) in other liabilities.....	14,421	21,106	95,244
Interest and dividends received.....	120,079	91,567	793,071
Interest paid.....	(52,933)	(28,113)	(349,600)
Subtotal.....	124,599	(395,694)	822,924
Income taxes paid.....	(9,008)	(7,787)	(59,494)
Income taxes refund.....	4	—	26
Net cash provided by (used in) operating activities.....	115,595	(403,482)	763,456

Cash flows from investing activities			
Purchases of securities.....	(806,215)	(1,390,078)	(5,324,714)
Proceeds from sales of securities.....	413,801	1,273,089	2,732,983
Proceeds from redemption of securities.....	205,573	280,810	1,357,724
Purchases of money trusts.....	(7,562)	(7,323)	(49,943)
Proceeds from money trusts.....	28	10,025	184
Purchases of tangible fixed assets.....	(3,500)	(2,143)	(23,116)
Purchases of intangible fixed assets.....	(1,044)	(642)	(6,895)
Proceeds from sales of tangible fixed assets.....	524	562	3,460
Net cash provided by (used in) investing activities.....	(198,394)	164,298	(1,310,309)

Cash flows from financing activities			
Cash dividends paid.....	(5,678)	(5,651)	(37,500)
Purchases of treasury stock.....	(2,000)	(1,941)	(13,209)
Repayments on lease obligations.....	(251)	(251)	(1,657)
Proceeds from sales of treasury stock.....	0	0	0
Proceeds from exercise of employee share options.....	0	0	0
Net cash used in financing activities.....	(7,930)	(7,844)	(52,374)
Effect of exchange rate changes on cash and cash equivalents.....	—	—	—
Net decrease in cash and cash equivalents.....	(90,729)	(247,028)	(599,227)
Cash and cash equivalents at beginning of year.....	1,506,361	1,753,389	9,948,887
Cash and cash equivalents at end of year (Note 25).....	¥ 1,415,632	¥ 1,506,361	\$ 9,349,659

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 consolidated financial statements for the year ended March 31, 2023 were prepared by succeeding to the consolidated financial statements of The Chugoku Bank, Limited, which became a wholly owned subsidiary through a sole share transfer. Therefore, the consolidated financial statements for the year ended March 31, 2023 include results of The Chugoku Bank, Limited for the six months ended September 30, 2022.

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

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

The translations of the Japanese yen amounts into the U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate as at March 31, 2024, which was ¥151.41 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 twelve (eleven in 2023) significant subsidiaries after elimination of all significant intercompany transactions, balances and unrealized profits.

Following the establishment of Chugin Energy Co., Ltd., the company was included in the scope of consolidation for the year ended March 31, 2024.

Twelve (ten in 2023) 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, 2024 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.

Two (none in 2023) 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, 2024 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 twelve (ten in 2023) subsidiaries and one (one in 2023) affiliated company also were not accounted for by the equity method for the year ended March 31, 2024 because their exclusion had no significant effect on the consolidated financial statements.

One (one in 2023) 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, 2024 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 all consolidated subsidiaries is March 31, the same as that of the Company.

Goodwill

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

(b) Trading Account Securities, Securities and Money Trusts

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

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

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

(c) Derivatives and Hedge Accounting

Derivatives are stated at fair value.

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

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

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

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

(d) Tangible Fixed Assets

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

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

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

(e) Intangible Fixed Assets

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

(f) Foreign Currency Translation

The Company's 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) Recognition of Revenue and Expenses

(1) Finance leases

As lessor:

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

(2) Revenue from contracts with customers

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

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

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

(p) 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).

(q) 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.

(r) Consumption Taxes

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

(s) 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.

(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 of March 31, 2024 and 2023 was ¥60,570 million (\$400,039 thousand) and ¥54,302 million, respectively, and the details related to the accounting estimates adopted when calculating that amount 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 Company determines a borrower's ability to repay loans by considering the borrower's actual financial position, cash flow, profitability, etc., based on the basic rating using a rating model, etc., confirms the borrower's loan conditions and their fulfillment status, and determines the classification of borrowers by 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.

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 addition, the Company manages loans and bills discounted managed by the Structured Finance Center and the International Department of The Chugoku Bank, Limited, such as structured finance including marketable loans and loans to non-Japanese entities, as Headquarters Loans and bills discounted of The Chugoku Bank, Limited, and the Company bases its determination of the classification of the 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, analyzing the degree of risk, and available information such as external ratings.

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, 2024 and 2023 was 5.63 years and 5.22 years, respectively, for normal borrowers; 4.48 years and 3.93 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 of March 31, 2024, although the impact of COVID-19 was easing, there were concerns regarding the impact of the yen's depreciation and soaring resource and energy prices on corporate earnings. A reserve for possible loan losses was recorded after determining the classification of the borrowers, giving consideration to the results of examination based on information currently available to the Company, such as forecasts for the business recovery of individual borrowers that are impacted, and expected achievement of business improvement plans etc., created by the borrowers.

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

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

4. Changes in Accounting Policies

Changes in Accounting Standards for Sales and Cost of Sales for Installment Sales Transactions

With respect to the accounting standards for sales and cost of sales for installment sales transactions, a consolidated subsidiary of the Company, The Chugin Lease Company, Limited has been simultaneously recording installment receivables and deferred unrealized income on installment sales, as well as simultaneously recording sales - installment and cost of sales - installment in accordance with the "Tentative Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Leasing Industry" (JICPA Industry Audit Committee Report No. 19, November 14, 2000). A change in the leasing system as of April 1, 2023 enabled the company to reflect the economic reality on its financial statements more appropriately, allowing a changeover to the method whereby the principal equivalent amount and the interest equivalent amount are

recorded under installment receivables and net sales - installment, respectively, from the fiscal year under review.

The straight-line method had been adopted for recording the interest equivalent amount contained in sales-type installment, which was changed to the interest method, a principle method, from the fiscal year under review following the system change.

In line with the change in accounting policy, the consolidated financial statements for the previous fiscal year have been restated based on the retroactive adoption of the new accounting policy. As a result, compared with the figures before the retroactive adoption, "Other operating income" and "Other operating expenses" for the previous fiscal year have decreased by ¥3,726 million and ¥3,741 million, respectively, while "Income before income taxes" has increased by ¥15 million.

In addition, "Other assets" and "Other liabilities" for the previous fiscal year have decreased by ¥482 million and ¥560 million, respectively, while "Deferred tax liabilities" and "Retained earnings" have increased by ¥25 million and ¥53 million, respectively.

Furthermore, due to the fact that cumulative effects of the change have been reflected on net assets at the beginning of the previous fiscal year, the balance at the beginning of the year of retained earnings for the previous fiscal year has increased by ¥43 million.

Regarding per share information for the previous fiscal year, "Net assets per share" increased by ¥0.29, and both "Basic net income per share" and "Diluted net income per share" increased by ¥0.05.

5. New Accounting Standards to Be Applied

- "Accounting Standard for Current Income Taxes" (Revised ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (Revised ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (Revised ASBJ Guidance No. 28, October 28, 2022)

(a) Overview

The classification of income taxes in cases in which other comprehensive income is subject to taxation, and the tax effect treatment of sales of shares of subsidiaries in cases in which Group Taxation Regime is applied.

(b) Scheduled Date of Application

These ASBJ statements and guidance will be applied from the start of the fiscal year ending March 31, 2025.

(c) Effects of Application of the Accounting Standard

The effects of the application of the Accounting Standard for Current Income Taxes on the consolidated financial statements are currently being evaluated.

6. Securities

Securities include investments in interests and equity securities of unconsolidated subsidiaries and affiliates in the amounts of ¥6,142 million (\$40,565 thousand) and ¥182 million (\$1,202 thousand) as at March 31, 2024, and ¥4,021 million and ¥108 million as at March 31, 2023, 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, 2024, and were held in the amounts of ¥3,328 million as at March 31, 2023 without such disposal.

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.

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 ¥92,821 million (\$613,044 thousand) and ¥96,884 million as at March 31, 2024 and 2023, respectively.

(1) Trading account securities

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Amount of net unrealized gains (losses) included in the consolidated statements of income.....	¥ (3)	¥ (21)	\$ (19)

(2) The following tables summarize acquisition costs and carrying amounts (fair value) of available-for-sale securities with available fair values as of March 31, 2024 and 2023:

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

Available-for-sale securities whose fair value does not exceed acquisition cost:						
Equity securities.....	¥	7,150	¥	7,832	¥	(681)
Bonds		1,399,736		1,433,326		(33,589)
Japanese government bonds		484,470		497,223		(12,753)
Japanese municipal bonds		663,252		679,722		(16,470)
Japanese corporate bonds		252,014		256,380		(4,366)
Other		411,454		435,698		(24,243)
Foreign bonds		356,562		375,500		(18,937)
Other		54,892		60,198		(5,306)
Subtotal		1,818,342		1,876,857		(58,515)
Total.....	¥	2,514,851	¥	2,434,505	¥	80,346

Type	Thousands of U.S. Dollars		
	2024		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	\$ 1,026,008	\$ 502,285	\$ 523,723
Bonds	1,894,438	1,872,690	21,748
Japanese government bonds	1,167,696	1,150,769	16,920
Japanese municipal bonds	242,137	240,657	1,479
Japanese corporate bonds	484,598	481,256	3,335
Other	1,679,697	1,308,050	371,639
Foreign bonds	736,061	720,249	15,804
Other	943,629	587,794	355,835
Subtotal	\$ 4,600,151	\$ 3,683,026	\$ 917,119

Available-for-sale securities whose fair value does not exceed acquisition cost:				
Equity securities.....	\$	47,222	\$ 51,727	\$ (4,497)
Bonds		9,244,673	9,466,521	(221,841)
Japanese government bonds		3,199,722	3,283,950	(84,228)
Japanese municipal bonds		4,380,503	4,489,280	(108,777)
Japanese corporate bonds		1,664,447	1,693,283	(28,835)
Other		2,717,482	2,877,603	(160,114)
Foreign bonds		2,354,943	2,480,021	(125,070)
Other		362,538	397,582	(35,043)
Subtotal		12,009,391	12,395,858	(386,467)
Total.....	\$	16,609,543	\$ 16,078,891	\$ 530,651

Type	Millions of Yen					
	2023					
	Carrying amount		Acquisition cost		Difference	
Available-for-sale securities whose fair value exceeds acquisition cost:						
Equity securities.....	¥	92,347	¥	47,898	¥	44,449
Bonds		726,150		717,231		8,919
Japanese government bonds		383,905		376,867		7,038
Japanese municipal bonds		203,626		202,689		937
Japanese corporate bonds		138,618		137,674		943
Other		209,209		175,015		34,193
Foreign bonds		116,979		115,281		1,698
Other		92,229		59,734		32,495
Subtotal	¥	1,027,707	¥	940,144	¥	87,562

Available-for-sale securities whose fair value does not exceed acquisition cost:						
Equity securities.....	¥	21,132	¥	23,196	¥	(2,064)
Bonds		916,562		932,094		(15,532)
Japanese government bonds		169,607		171,694		(2,086)
Japanese municipal bonds		561,457		572,353		(10,896)
Japanese corporate bonds		185,498		188,047		(2,549)
Other		325,402		345,863		(20,460)
Foreign bonds		253,379		267,321		(13,942)
Other		72,023		78,542		(6,518)
Subtotal		1,263,098		1,301,155		(38,056)
Total.....	¥	2,290,805	¥	2,241,299	¥	49,505

(3) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as of March 31, 2024 and 2023:

Held-to-maturity debt securities

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

Type	Thousands of U.S. Dollars					
	2024					
	Carrying amount	Fair value	Difference			
Held-to-maturity debt securities whose fair value exceeds carrying amount:						
Japanese government bonds	\$	81,084	\$	81,269	\$	178
Japanese municipal bonds		48,206		48,391		184
Japanese corporate bonds.....		20,421		20,494		72
Subtotal	\$	149,719	\$	150,161	\$	442
Held-to-maturity debt securities whose fair value does not exceed carrying amount:						
Japanese government bonds		—		—		—
Japanese municipal bonds	\$	58,113	\$	57,882	\$	(224)
Japanese corporate bonds.....		173,376		172,590		(785)
Subtotal	\$	231,490	\$	230,473	\$	(1,017)
Total.....	\$	381,216	\$	380,641	\$	(574)

Type	Millions of Yen					
	2023			Difference		
	Carrying amount	Fair value				
Held-to-maturity debt securities whose fair value exceeds carrying amount:						
Japanese government bonds	¥	11,398	¥	11,485	¥	86
Japanese municipal bonds		1,900		1,919		19
Subtotal	¥	13,298	¥	13,404	¥	105
Total.....	¥	13,298	¥	13,404	¥	105

(4) The Company recognized impairment loss on Japanese corporate bonds in the amount of ¥2 million (\$13 thousand) in the year ended March 31, 2024, and impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥532 million and ¥12 million, respectively, in the year ended March 31, 2023.

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, 2024 and 2023 were as follows:

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

Type	Thousands of U.S. Dollars			
	2024			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	\$ 481,929	\$ 46,998	\$	9,636
Bonds	1,453,972	35,526		28,729
Japanese government bonds	1,383,019	35,526		27,032
Japanese municipal bonds	65,094	—		1,604
Japanese corporate bonds	5,851	—		79
Other	573,779	8,354		14,899
Foreign bonds	477,603	4,794		14,094
Other	96,175	3,553		805
Total.....	\$ 2,509,688	\$ 90,879	\$	53,272

Type	Millions of Yen			
	2023			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	¥ 59,752	¥ 15,373	¥	1,001
Bonds	812,384	21,189		19,158
Japanese government bonds	753,490	21,095		18,366
Japanese municipal bonds	53,937	92		755
Japanese corporate bonds	4,956	0		36
Other	305,371	7,558		25,253
Foreign bonds	266,349	582		24,953
Other	39,022	6,975		300
Total.....	¥ 1,177,508	¥ 44,121	¥	45,413

7. Money Trusts

(1) Money trusts as a type of trading account securities as at March 31, 2024 and 2023 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2024	2023		2024
Carrying amount (fair value).....	¥ 20,000	¥ 20,000		\$ 132,091
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, 2024 and 2023 were as follows:

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

	Thousands of U.S. Dollars				
	2024				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	\$ 79,255	\$ 79,255	\$ —	\$ —	\$ —

	Millions of Yen				
	2023				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 4,600	¥ 4,600	¥ —	¥ —	¥ —

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

Net unrealized gains on available-for-sale securities as at March 31, 2024 and 2023 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2024	2023		2024
Net unrealized gains on available-for-sale securities.....	¥ 79,856	¥ 49,010		\$ 527,415
Deferred tax liabilities	(24,209)	(14,775)		(159,890)
Net unrealized gains on available-for-sale securities before adjustment for non-controlling interests, net of taxes	55,647	34,234		367,525
Non-controlling interests	—	—		—
Net unrealized gains on available-for-sale securities, net of taxes	¥ 55,647	¥ 34,234		\$ 367,525

9. Loans and Bills Discounted, Other Assets

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

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

	Millions of Yen			Thousands of U.S. Dollars
	2024	2023		2024
Loans in Bankruptcy/rehabilitation or similar proceedings.....	¥ 17,804	¥ 20,019		\$ 117,588
Loans at risk.....	66,346	62,106		438,187
Loans past due three months or more but less than six months ...	1,386	724		9,153
Restructured loans	29,942	26,295		197,754
Total.....	¥ 115,479	¥ 109,146		\$ 762,690

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, 2024 and 2023 was ¥14,737 million (\$97,331 thousand) and ¥14,800 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 Treatment and Representation of Loan Participation” (JICPA Accounting System Committee Report No. 3, November 28, 2014), was ¥8,227 million (\$54,335 thousand) and ¥1,363 million as at March 31, 2024 and 2023, respectively.

10. Commitment Lines

Commitment line agreements are loan agreements that oblige the Company and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Company and its consolidated subsidiaries make loans upon the request of an obligor to draw down funds as long as there is no breach in the various terms and conditions stipulated in the relevant agreement. The total unused commitment line balance related to these agreements as at March 31, 2024 and 2023 amounted to ¥1,588,941 million (\$10,494,293 thousand) and ¥1,564,786 million, respectively. Of these amounts, ¥1,275,286 million (\$8,422,732 thousand) and ¥1,450,085 million as at March 31, 2024 and 2023, respectively, were related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

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

11. Tangible Fixed Assets

Tangible fixed assets as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Land	¥ 19,030	¥ 18,827	\$ 125,685
Buildings	9,391	10,043	62,023
Lease assets	1,344	1,595	8,876
Other tangible fixed assets	5,679	5,101	37,507
Construction in progress.....	177	62	1,169
Total.....	¥ 35,622	¥ 35,631	\$ 235,268

Accumulated depreciation as at March 31, 2024 and 2023 was ¥82,037 million (\$541,820 thousand) and ¥82,030 million, respectively. The amounts that were directly offset against acquisition costs as at March 31, 2024 and 2023 were ¥4,877 million (\$32,210 thousand) and ¥4,909 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as “Losses on impairment of fixed assets” for the years ended March 31, 2024 and 2023 as follows:

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

(Thousands of U.S. Dollars)		2024		
	Purpose of Use	Type	Losses on impairment of fixed assets	
Okayama Prefecture	Branches	3 branches	Land and buildings	\$270
Prefectures other than Okayama	Branches	5 branches	Land and buildings	\$534

(Millions of Yen)		2023		
	Purpose of Use	Type	Losses on impairment of fixed assets	
Okayama Prefecture	Branches	4 branches	Land and buildings	¥54
	Idle assets	1 item		
Prefectures other than Okayama	Idle assets	2 items	Land	¥0

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 other assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually.

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

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

disposed of to the recoverable amount (the net realizable value for all assets) and recognized a corresponding loss of ¥122 million (\$805 thousand) and ¥55 million as “Losses on impairment of fixed assets” for the years ended March 31, 2024 and 2023, respectively.

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

12. Intangible Fixed Assets

Intangible fixed assets as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Software.....	¥ 1,994	¥ 1,251	\$ 13,169
Software in progress	213	367	1,406
Other intangible fixed assets.....	93	93	614
Total.....	¥ 2,301	¥ 1,712	\$ 15,197

13. Pledged Assets

Pledged assets as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Securities	¥ 1,363,478	¥ 802,802	\$ 9,005,204
Loans and bills discounted	498,136	479,785	3,289,980
Other assets	73	73	482
Total.....	¥ 1,861,687	¥ 1,282,662	\$12,295,667

Liabilities secured by pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Borrowed money.....	¥ 730,482	¥ 305,599	\$ 4,824,529
Payables under securities lending transactions	604,049	423,430	3,989,492
Payables under repurchase agreements.....	158,022	93,913	1,043,669
Deposits.....	21,750	24,071	143,649
Total.....	¥ 1,514,305	¥ 847,014	\$10,001,353

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, 2024 and 2023:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Securities	¥ 58,687	¥ 57,981	\$ 387,603
Trading account securities	97	98	640
Other assets	25	25	165

Other assets included the following items as at March 31, 2024 and 2023:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Cash collateral paid for financial instruments	¥ 72,601	¥ 46,309	\$ 479,499
Initial margins for central counterparty.....	50,000	52,569	330,229
Initial margins for futures markets	2,338	1,902	15,441
Guarantee deposits	797	808	5,263

14. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Reserve for possible loan losses ...	¥ 17,667	¥ 15,830	\$ 116,683
Unrealized losses on available-for-sale securities	17,832	11,592	117,772
Net defined benefit liability	5,460	8,497	36,061
Depreciation	4,063	3,896	26,834
Deferred losses on hedging instruments.....	1,748	2,207	11,544
Losses on impairment of fixed assets.....	1,246	1,246	8,229
Accrued employees’ bonuses	560	534	3,698
Write-down of securities.....	621	532	4,101
Software	251	463	1,657
Other	2,770	1,596	18,294
Subtotal	52,222	46,397	344,904
Valuation allowance	(1,828)	(1,908)	(12,073)
Total deferred tax assets	50,393	44,488	332,824

Deferred tax liabilities:

Unrealized gains on available-for-sale securities	(42,040)	(26,357)	(277,656)
Deferred gains on hedging instruments	(4,391)	(750)	(29,000)
Reserve for advanced depreciation of tangible fixed assets.....	(235)	(235)	(1,552)
Other	(61)	(0)	(402)
Total deferred tax liabilities	(46,729)	(27,343)	(308,625)
Net deferred tax assets (liabilities) ...	¥ 3,664	¥ 17,144	\$ 24,199

Figures for reconciliation between the statutory tax rate and the effective tax rate of the Company for the years ended March 31, 2024 and 2023 have been omitted as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

15. Borrowed Money, Commercial Paper and Other Liabilities

Borrowed money, commercial paper and other liabilities as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Borrowed money.....	¥ 744,106	¥ 320,843	\$ 4,914,510
Commercial paper.....	—	46,530	—
Lease liabilities (due within one year).....	218	220	1,439
Lease liabilities (due after one year).....	934	1,153	6,168

The weighted average interest rates on the outstanding balances as at March 31, 2024 and 2023 were as follows:

	2024	2023
Borrowed money.....	0.580%	1.146%
Commercial paper.....	—	4.978%
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, 2024 and 2023 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Less than one year.....	¥ 185,538	¥ 310,338	\$ 1,225,401
From one to two years.....	3,557	3,735	23,492
From two to three years.....	146,419	2,886	967,036
From three to four years.....	406,420	1,628	2,684,234
From four to five years	623	730	4,114
Over five years.....	1,547	1,524	10,217
Total borrowed money.....	¥ 744,106	¥ 320,843	\$ 4,914,510

Commercial paper classified by maturity as at March 31, 2024 and 2023 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Less than one year.....	¥ —	¥ 46,530	\$ —
Total commercial paper	¥ —	¥ 46,530	\$ —

Lease liabilities classified by maturity as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Less than one year.....	¥ 218	¥ 220	\$ 1,439
From one to two years.....	217	218	1,433
From two to three years.....	215	217	1,419
From three to four years.....	215	215	1,419
From four to five years	214	215	1,413
Over five years.....	71	286	468
Total lease liabilities	¥ 1,153	¥ 1,374	\$ 7,615

16. Bonds Payable

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Subordinated bond.....	¥ 10,000	¥ 10,000	\$ 66,045

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 has 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, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Beginning balance of projected benefit obligation	¥ 61,745	¥ 61,490	\$ 407,800
Service cost	1,709	1,757	11,287
Interest cost	122	122	805
Actuarial differences	(7,506)	65	(49,574)
Retirement benefits paid	(1,871)	(1,690)	(12,357)
Prior service cost.....	—	—	—
Other	—	—	—
Ending balance of projected benefit obligation	¥ 54,199	¥ 61,745	\$ 357,961

(b) Changes in plan assets for the years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Beginning balance of plan assets....	¥ 58,279	¥ 59,685	\$ 384,908
Expected return on plan assets....	1,313	1,376	8,671
Actuarial differences	3,321	(2,875)	21,933
Contribution from the employer ...	1,264	1,449	8,348
Retirement benefits paid	(1,398)	(1,358)	(9,233)
Other	—	—	—
Ending balance of plan assets.....	¥ 62,780	¥ 58,279	\$ 414,635

(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
	2024	2023	2024
Funded defined benefit obligation ...	¥ 53,833	¥ 61,342	\$ 355,544
Plan assets.....	(62,780)	(58,279)	(414,635)
	(8,947)	3,063	(59,091)
Unfunded defined benefit obligation ...	366	402	2,417
Net liability (asset) recorded in the consolidated balance sheet	¥ (8,581)	¥ 3,466	\$ (56,673)

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Net defined benefit liability	¥ 429	¥ 3,466	\$ 2,833
Net defined benefit asset.....	(9,010)	—	(59,507)
Net liability (asset) recorded in the consolidated balance sheet	¥ (8,581)	¥ 3,466	\$ (56,673)

(d) The components of retirement benefit expenses for the years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥ 1,709	¥ 1,757	\$ 11,287
Interest cost	122	122	805
Expected return on plan assets	(1,313)	(1,376)	(8,671)
Amortization of actuarial differences ..	1,925	1,406	12,713
Amortization of prior service cost ..	(418)	(418)	(2,760)
Other	(13)	(7)	(85)
Retirement benefit expenses on defined benefit plans.....	¥ 2,012	¥ 1,483	\$ 13,288

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 tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Prior service cost	¥ (418)	¥ (418)	\$ (2,760)
Actuarial differences	12,753	(1,534)	84,228
Total.....	¥ 12,335	¥ (1,952)	\$ 81,467

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized prior service cost	¥ 3,276	¥ 3,694	\$ 21,636
Unrecognized actuarial differences....	2,126	(10,627)	14,041
Other	—	—	—
Total.....	¥ 5,402	¥ (6,932)	\$ 35,677

(g) Plan assets

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

	2024	2023
Investment trusts	33.8%	23.5%
Equity securities.....	15.0%	18.2%
Cash and deposits	13.7%	20.7%
Bonds	12.1%	10.0%
General account.....	7.1%	7.7%
Other	18.3%	19.9%
Total.....	100%	100%

Note: Total plan assets as at March 31, 2024 and 2023 included an employees’ retirement benefit trust established for corporate welfare pension plans that represented 42.3% and 42.0% 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, 2024 and 2023 were as follows:

	2024	2023
Discount rate	1.100%	0.200%
Long-term expected rate of return	2.000% - 2.640%	2.100% - 2.622%

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, 2024 and 2023 was ¥208 million (\$1,373 thousand) and ¥200 million, respectively.

18. Derivative Transactions

Derivative transactions as at March 31, 2024 and 2023 were as follows:

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

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

Interest Rate Derivatives:

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

	Thousands of U.S. Dollars			
	2024			
Type	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	\$ 443,121	\$ 399,174	\$ 6,749	\$ 6,749
Pay floating/ receive fixed.....	417,039	382,332	(3,652)	(3,652)
Total.....	\$ 3,090	\$ 3,090		

Type	Millions of Yen			
	2023			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating	¥ 62,723	¥ 59,377	¥ 1,263	¥ 1,263
Pay floating/ receive fixed	59,165	56,419	(805)	(805)
Total			¥ 457	¥ 457

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

Type	Thousands of U.S. Dollars			
	2024			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps	\$6,945,043	\$6,144,917	\$ 350	\$ 350
Forward foreign exchange				
Sold	682,682	518,545	(65,477)	(65,477)
Bought	619,714	510,752	72,571	72,571
Currency options				
Sold	15,943	7,271	(151)	310
Bought	15,943	7,271	151	(237)
Total			\$ 7,443	\$ 7,516

Type	Millions of Yen			
	2023			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps	¥1,014,530	¥ 967,776	¥ (7)	¥ (7)
Forward foreign exchange				
Sold	90,391	70,931	(1,691)	(1,691)
Bought	86,927	68,246	3,238	3,238
Currency options				
Sold	4,600	2,014	(82)	73
Bought	4,600	2,014	82	(50)
Total			¥ 1,539	¥ 1,562

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

Type	Thousands of U.S. Dollars			
	2024			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold	\$ 4,808	\$ —	\$ 0	\$ 0
Total			\$ 0	\$ 0

Type	Millions of Yen			
	2023			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold	¥ 1,600	¥ —	¥ (29)	¥ (29)
Total			¥ (29)	¥ (29)

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, the fair value, the method used to calculate fair value by type of transaction and the hedge accounting method as of 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		
		2024		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills			
Interest rate swaps	discounted and available-for-sale			
Pay fixed/receive floating	securities (bonds)	¥ 693,387	¥ 645,872	¥10,468
Total				¥10,468

Type	Hedged items	Thousands of U.S. Dollars		
		2024		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills			
Interest rate swaps	discounted and available-for-sale			
Pay fixed/receive floating	securities (bonds)	\$4,579,532	\$4,265,715	\$69,136
Total				\$69,136

Type	Hedged items	Millions of Yen		
		2023		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills			
Interest rate swaps	discounted and available-for-sale			
Pay fixed/receive floating	securities (bonds)	¥ 431,106	¥ 421,130	¥ (4,573)
Total				¥ (4,573)

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:

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

Type	Hedged items	Thousands of U.S. Dollars		
		2024		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	\$ 406,677	\$ —	\$ 39
Currency swaps	Loans	3,943,927	2,570,444	(11,934)
Total				\$ (11,894)

Type	Hedged items	Millions of Yen		
		2023		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	¥ 22,566	¥ —	¥ 106
Currency swaps	Loans	405,763	256,432	(309)
Total				¥ (203)

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, 2024 and 2023 was as follows:

As lessee:

Obligations under operating leases that were not cancellable as at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2024	2023	2024	2024
Due within one year	¥ 118	¥ 112	\$ 779	
Due after one year	355	465	2,344	
Total	¥ 474	¥ 578	\$ 3,130	

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Net unrealized gains (losses) on available-for-sale securities:			
Increase (decrease) during the year	¥ 32,540	¥ (64,206)	\$ 214,913
Reclassification adjustments	(1,694)	16,128	(11,188)
Subtotal, before tax	30,846	(48,078)	203,724
Tax benefit or (expense)	(9,433)	14,704	(62,301)
Subtotal, net of tax	21,412	(33,373)	141,417
Net deferred gains (losses) on hedging instruments:			
Decrease during the year	(11,981)	(3,006)	(79,129)
Reclassification adjustments	25,426	(897)	167,928
Subtotal, before tax	13,444	(3,904)	88,792
Tax benefit or (expense)	(4,100)	1,190	(27,078)
Subtotal, net of tax	9,344	(2,713)	61,713
Adjustments for retirement benefits:			
Increase (decrease) during the year	10,828	(2,940)	71,514
Reclassification adjustments	1,507	988	9,953
Subtotal, before tax	12,335	(1,952)	81,467
Tax benefit or (expense)	(3,762)	595	(24,846)
Subtotal, net of tax	8,573	(1,356)	56,621
Total other comprehensive income	¥ 39,329	¥ (37,443)	\$ 259,751

21. Financial Instruments

(1) Information about Status of Financial Instruments

(a) Policies for using financial instruments

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

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

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

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

Among other financial assets, the Group holds securities, trading account securities and other debt purchased, which mainly comprise Japanese stocks and bonds and foreign bonds and trust certificates. The purposes of these instruments include holding to maturity, investment and business development. As financial assets, they are subject to various types of risk. These include the credit risk of the issuer, interest rate risk, which is the risk that the value of the

assets may decline due to changes in the prices of securities or other assets (“price fluctuation risk”) and the risk of loss incurred if exchange rates differ from original expectations (“exchange rate risk”). Moreover, the Group's financial assets are subject to the risk that the Group might not be able to make trades due to turmoil, etc., in the marketplace or be unable to avoid making trades at prices that are more notably disadvantageous than usual (“liquidity risk”). Note that interest rate, price fluctuation and exchange rate risks are collectively known as “market risk.”

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

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

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

(c) Policies and processes for managing risk

1) Credit Risk Management

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

The Group's objective of credit risk management is to maintain and improve its financial soundness by appropriately managing credit operations in order to contribute to the sound development of society and the economy, and through this, the development of the Group itself. In addition, the basic credit risk management policy is to appropriately manage the

credit risks of the diverse transactions of each of its divisions and business sections in a comprehensive and integrated manner, using credit risk assessment and management methods that suit the special characteristics of each transaction.

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

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

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

2) Market Risk Management

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

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

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

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

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

Quantitative Information about Market Risk

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

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

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

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

Market risk volume as of March 31, 2024 and 2023 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Market risk volume	¥ 183,835	¥ 144,120	\$ 1,214,153
Banking business.....	183,566	144,104	1,212,376
[Price fluctuation risk]	[124,166]	[94,720]	[820,064]
[Interest rate risk]	[79,386]	[60,904]	[524,311]
[Considering correlation]	[(19,986)]	[(11,520)]	[(131,999)]
Trading activities	269	16	1,776

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

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

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

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

3) Liquidity Risk Management

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

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

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

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

(2) Fair Values of Financial Instruments

The following are the consolidated balance sheet amounts and fair values and any differences between them as of March 31, 2024 and 2023. 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			
	2024			
	Book value	Fair value	Difference	
Assets				
(1) Trading account securities	¥ 1,017	¥ 1,017		—
(2) Money trusts.....	32,000	32,000		—
(3) Securities				
Held-to-maturity debt securities	57,720	57,633	¥	(87)
Available-for-sale securities (*1)	2,510,720	2,510,720		—
(4) Loans and bills discounted.....	6,231,363			
Reserve for possible loan losses (*2).....	(59,226)			
	6,172,137	6,185,645		13,508
Total assets.....	¥ 8,773,595	¥ 8,787,017	¥	13,421
Liabilities				
(1) Deposits	¥ 8,211,551	¥ 8,210,336	¥	(1,215)
(2) Negotiable certificates of deposit.....	98,020	98,023		3
(3) Borrowed money.....	744,106	744,080		(25)
Total liabilities.....	¥ 9,053,678	¥ 9,052,440	¥	(1,237)
Derivative transactions (*3)				
Derivative transactions to which hedge accounting is not applied	¥ (73,205)	¥ (73,205)		—
Derivative transactions to which hedge accounting is applied (*4).....	8,667	8,667		—
Total derivative transactions.....	¥ (64,537)	¥ (64,537)	¥	—

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

(d) Supplementary information on fair values

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

	Thousands of U.S. Dollars			
	2024			
	Book value	Fair value	Difference	
Assets				
(1) Trading account securities	\$ 6,716	\$ 6,716		—
(2) Money trusts.....	211,346	211,346		—
(3) Securities				
Held-to-maturity debt securities	381,216	380,641	\$	(574)
Available-for-sale securities (*1)	16,582,260	16,582,260		—
(4) Loans and bills discounted.....	41,155,557			
Reserve for possible loan losses (*2).....	(391,163)			
	40,764,394	40,853,609		89,214
Total assets.....	\$ 57,945,941	\$ 58,034,588	\$	88,640
Liabilities				
(1) Deposits	\$ 54,233,874	54,225,850	\$	(8,024)
(2) Negotiable certificates of deposit.....	647,381	647,401		19
(3) Borrowed money.....	4,914,510	4,914,338		(165)
Total liabilities.....	\$ 59,795,773	\$ 59,787,596	\$	(8,169)
Derivative transactions (*3)				
Derivative transactions to which hedge accounting is not applied	\$ (483,488)	\$ (483,488)		—
Derivative transactions to which hedge accounting is applied (*4).....	57,241	57,241		—
Total derivative transactions.....	\$ (426,240)	\$ (426,240)	\$	—

	Millions of Yen			
	2023			
	Book value	Fair value	Difference	
Assets				
(1) Trading account securities	¥ 2,023	¥ 2,023		—
(2) Money trusts.....	24,600	24,600		—
(3) Securities				
Held-to-maturity debt securities	13,298	13,404	¥	105
Available-for-sale securities(*1)	2,286,318	2,286,318		—
(4) Loans and bills discounted.....	5,555,795			
Reserve for possible loan losses (*2).....	(52,963)			
	5,502,832	5,538,125		35,293
Total assets.....	¥ 7,829,072	¥ 7,864,470	¥	35,398
Liabilities				
(1) Deposits	¥ 7,898,033	¥ 7,897,592	¥	(440)
(2) Negotiable certificates of deposit.....	155,489	155,493		4
(3) Borrowed money.....	320,843	320,865		21
Total liabilities.....	¥ 8,374,365	¥ 8,373,951	¥	(414)
Derivative transactions (*3)				
Derivative transactions to which hedge accounting is not applied	¥ (45,905)	¥ (45,905)		—
Derivative transactions to which hedge accounting is applied (*4).....	(4,777)	(4,777)		—
Total derivative transactions.....	¥ (50,682)	¥ (50,682)	¥	—

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

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

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

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

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unlisted equity securities (*1) (*2)..	¥ 4,196	¥ 4,116	\$ 27,712
Investments in partnerships (*3)....	23,772	20,319	157,004
Foreign stocks in foreign currency (*1) ..	0	0	0
(*1) Unlisted equity securities are exempted from fair value disclosures in accordance with Paragraph 5 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).			
(*2) Impairment losses on unlisted equity securities were not recognized.			
(*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					
	2024					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 1,373,936	—	—	—	—	—
Securities	155,158	¥ 363,164	¥ 413,980	¥ 155,040	¥ 160,020	¥ 991,617
Held-to-maturity debt securities.....	5,400	2,899	22,667	8,769	17,984	—
Japanese government bonds.....	5,400	899	2,992	—	2,986	—
Japanese municipal bonds.....	—	—	5,300	—	10,798	—
Japanese corporate bonds	—	2,000	14,375	8,769	4,200	—
Available-for-sale securities with maturities	149,758	360,265	391,312	146,271	142,036	991,617
Japanese government bonds	20,254	94,616	101,215	70,885	45,592	328,708
Japanese municipal bonds.....	13,572	29,233	105,802	53,690	71,826	425,787
Japanese corporate bonds	42,636	108,611	72,941	6,375	21,367	73,454
Other	73,294	127,803	111,352	15,319	3,249	163,666
Loans and bills discounted (*2)	1,543,179	1,192,472	861,620	588,017	669,226	1,261,886
Total.....	¥ 3,072,274	¥ 1,555,637	¥ 1,275,600	¥ 743,058	¥ 829,247	¥ 2,253,504

	Thousands of U.S. Dollars					
	2024					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	\$ 9,074,275	—	—	—	—	—
Securities	1,024,753	\$ 2,398,546	\$ 2,734,165	\$ 1,023,974	\$ 1,056,865	\$ 6,549,217
Held-to-maturity debt securities.....	35,664	19,146	149,706	57,915	118,776	—
Japanese government bonds.....	35,664	5,937	19,760	—	19,721	—
Japanese municipal bonds.....	—	—	35,004	—	71,316	—
Japanese corporate bonds	—	13,209	94,940	57,915	27,739	—
Available-for-sale securities with maturities	989,089	2,379,400	2,584,452	966,059	938,088	6,549,217
Japanese government bonds.....	133,769	624,899	668,482	468,165	301,116	2,170,979
Japanese municipal bonds.....	89,637	193,071	698,778	354,600	474,380	2,812,145
Japanese corporate bonds	281,593	717,330	481,744	42,104	141,120	485,133
Other	484,076	844,085	735,433	101,175	21,458	1,080,945
Loans and bills discounted (*2)	10,192,054	7,875,780	5,690,641	3,883,607	4,419,959	8,334,231
Total.....	\$ 20,291,090	\$ 10,274,334	\$ 8,424,806	\$ 4,907,588	\$ 5,476,831	\$ 14,883,455

	Millions of Yen					
	2023					
	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).....	¥ 1,458,299	—	—	—	—	—
Securities	157,611	¥ 272,627	¥ 353,254	¥ 166,209	¥ 218,791	¥ 881,413
Held-to-maturity debt securities.....	5,099	6,299	200	—	1,700	—
Japanese government bonds.....	5,099	6,299	—	—	—	—
Japanese municipal bonds.....	—	—	200	—	1,700	—
Available-for-sale securities with maturities	152,512	266,328	353,054	166,209	217,091	881,413
Japanese government bonds.....	51,260	36,447	93,204	56,670	90,028	225,902
Japanese municipal bonds.....	21,063	14,038	73,425	85,708	103,591	467,256
Japanese corporate bonds	37,091	97,813	91,745	10,405	16,912	70,148
Other	43,096	118,029	94,678	13,425	6,560	118,105
Loans and bills discounted (*2)	1,448,814	1,094,208	782,294	509,090	524,754	1,085,678
Total.....	¥ 3,064,725	¥ 1,366,836	¥ 1,135,548	¥ 675,299	¥ 743,546	¥ 1,967,091

(*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 ¥84,121 million (\$555,584 thousand) and ¥82,042 million and loans without contract due dates in the amount of ¥30,838 million (\$203,672 thousand) and ¥28,911 million are not included in the above tables as at March 31, 2024 and 2023, 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					
	2024					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	¥ 7,976,264	¥ 184,092	¥ 44,677	¥ 377	¥ 6,140	—
Negotiable certificates of deposit.....	97,294	726	—	—	—	—
Payables under securities lending transactions	604,049	—	—	—	—	—
Borrowed money.....	185,538	149,977	407,043	503	530	¥ 513
Total.....	¥ 8,863,146	¥ 334,795	¥ 451,721	¥ 881	¥ 6,670	¥ 513

	Thousands of U.S. Dollars					
	2024					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	\$ 52,679,902	\$ 1,215,851	\$ 295,072	\$ 2,489	\$ 40,552	—
Negotiable certificates of deposit.....	642,586	4,794	—	—	—	—
Payables under securities lending transactions	3,989,492	—	—	—	—	—
Borrowed money.....	1,225,401	990,535	2,688,349	3,322	3,500	\$ 3,388
Total.....	\$ 58,537,388	\$ 2,211,181	\$ 2,983,429	\$ 5,818	\$ 44,052	\$ 3,388

	Millions of Yen					
	2023					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	¥ 7,674,200	¥ 179,727	¥ 42,919	¥ 308	¥ 877	—
Negotiable certificates of deposit.....	154,339	1,150	—	—	—	—
Payables under securities lending transactions	423,430	—	—	—	—	—
Borrowed money.....	310,338	6,621	2,358	559	471	¥ 492
Total.....	¥ 8,562,308	¥ 187,498	¥ 45,278	¥ 868	¥ 1,349	¥ 492

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

Derivative transactions (*2)

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

	Thousands of U.S. Dollars					
	2024					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money trusts	—	\$ 132,091	—	\$		132,091
Trading account securities and securities						
Trading securities						
Japanese government bonds and Japanese municipal bonds, etc.....	\$ 1,208	5,501	—			6,716
Available-for-sale securities (*1)						
Equity securities	1,073,238	—	—			1,073,238
Japanese government bonds.....	4,367,419	—	—			4,367,419
Japanese municipal bonds.....	—	4,622,640	—			4,622,640
Japanese corporate bonds	—	1,511,980	\$ 637,064			2,149,045
Other	1,586,136	2,723,677	32,686			4,342,507
Total assets	\$ 7,028,016	\$ 8,995,905	\$ 669,757	\$		16,693,679

Derivative transactions (*2)

Interest rate-related derivatives.....	—	\$ 72,234	—	\$		72,234
Currency-related derivatives	—	(498,480)	—			(498,480)
Bond-related derivatives.....	\$ 0	—	—			0
Total derivative transactions.....	\$ 0	\$ (426,240)	\$ —	\$		(426,240)

	Millions of Yen					
	2023					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money trusts	—	¥ 20,000	—	¥		20,000
Trading account securities and securities						
Trading securities						
Japanese government bonds and Japanese municipal bonds, etc.....	¥ 256	1,766	—			2,023
Available-for-sale securities (*1)						
Equity securities	113,479	—	—			113,479
Japanese government bonds	552,442	1,071	—			553,513
Japanese municipal bonds.....	—	765,083	—			765,083
Japanese corporate bonds	—	224,601	¥ 99,515			324,116
Other	177,606	344,484	6,911			529,002
Total assets	¥ 843,785	¥ 1,357,006	¥ 106,426	¥		2,307,218

Derivative transactions (*2)

Interest rate-related derivatives.....	—	¥ (4,116)	—	¥		(4,116)
Currency-related derivatives	—	(46,537)	—			(46,537)
Bond-related derivatives.....	¥ (29)	—	—			(29)
Total derivative transactions.....	¥ (29)	¥ (50,653)	¥ —	¥		(50,682)

(*1) Available-for-sale securities do not include investment trusts to which the treatment in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied, where the standard price is deemed to be the fair value. The carrying amount of the investment trusts to which the treatment in Paragraph 24-9 is applied as at March 31, 2024 and 2023 was ¥4,147 million (\$27,389 thousand) and ¥1,122 million, respectively.

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

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

Thousands of U.S. Dollars							
2024							
Beginning balance	Profit (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Amount where the net asset value of investment trusts is deemed to be the fair value	Amount where the net asset value of investment trusts is not deemed to be the fair value	Ending balance	Recognized gains (losses) on investment trusts held at the fiscal year-end included in profit (loss) for the fiscal year
	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)					
\$ 7,410	—	\$ 191	\$ 19,780	—	—	\$ 27,389	—

Millions of Yen							
2023							
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)					
¥ 877	—	¥ 57	¥ 186	—	—	¥ 1,122	—

(*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				
	2024				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts	—	—	¥ 12,000	¥	12,000
Securities					
Held-to-maturity debt securities					
Japanese government bonds.....	¥ 12,305	—	—		12,305
Japanese municipal bonds	—	¥ 16,092	—		16,092
Japanese corporate bonds	—	29,236	—		29,236
Loans and bills discounted	—	—	6,185,645		6,185,645
Total assets	¥ 12,305	¥ 45,328	¥ 6,197,645	¥	6,255,279
Deposits	—	¥ 8,210,336	—	¥	8,210,336
Negotiable certificates of deposit.....	—	98,023	—		98,023
Borrowed money.....	—	730,511	¥ 13,569		744,080
Total liabilities	¥ —	¥ 9,038,871	¥ 13,569	¥	9,052,440

	Thousands of U.S. Dollars				
	2024				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts	—	—	\$ 79,255	\$	79,255
Securities					
Held-to-maturity debt securities					
Japanese government bonds.....	\$ 81,269	—	—		81,269
Japanese municipal bonds	—	\$ 106,280	—		106,280
Japanese corporate bonds	—	193,091	—		193,091
Loans and bills discounted	—	—	40,853,609		40,853,609
Total assets	\$ 81,269	\$ 299,372	\$ 40,932,864	\$	41,313,512
Deposits	—	\$ 54,225,850	—	\$	54,225,850
Negotiable certificates of deposit.....	—	647,401	—		647,401
Borrowed money	—	4,824,720	\$ 89,617		4,914,338
Total liabilities	\$ —	\$ 59,697,978	\$ 89,617	\$	59,787,596

	Millions of Yen				
	2023				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts	—	—	¥ 4,600	¥	4,600
Securities					
Held-to-maturity debt securities					
Japanese government bonds	¥ 11,485	—	—		11,485
Japanese municipal bonds	—	¥ 1,919	—		1,919
Loans and bills discounted	—	—	5,538,125		5,538,125
Total assets	¥ 11,485	¥ 1,919	¥ 5,542,725	¥	5,556,129
Deposits	—	¥ 7,897,592	—	¥	7,897,592
Negotiable certificates of deposit.....	—	155,493	—		155,493
Borrowed money.....	—	305,599	¥ 15,266		320,865
Total liabilities	¥ —	¥ 8,358,685	¥ 15,266	¥	8,373,951

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

Assets

Money trusts

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

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

Trading account securities and securities

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

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

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

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

Loans and bills discounted

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

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

In addition, as to claims against bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers, since the estimated amount of bad debt is calculated based on estimated amounts that could be collected from collateral and guarantees, the fair value approximates the consolidated balance sheet amount as of 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, 2024 and 2023. 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.

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

1) Quantitative information on significant unobservable inputs

2024				
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Japanese corporate bonds				
Private placement bonds	Present value method	Credit risk spread	0.047%-5.453%	0.254%
2023				
	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	0.028%-4.688%	0.220%

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

Thousands of U.S. Dollars								
2024								
	Profit (loss) or other comprehensive income in the fiscal year							Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other compre-hensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	\$ 657,255	\$ (13)	\$ (2,146)	\$ (18,017)	—	—	\$ 637,064	—
Other	45,644	—	1,644	(14,602)	—	—	32,686	—

Millions of Yen								
2023								
	Profit (loss) or other comprehensive income in the fiscal year							Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other compre-hensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	¥ 103,581	¥ (12)	¥ 131	¥ (4,186)	—	—	¥ 99,515	—
Other	9,267	—	30	(2,387)	—	—	6,911	—

(*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, 2024 and 2023 was as follows:

Millions of Yen				Thousands of U.S. Dollars
	2024	2023		2024
Ordinary income (Note 1) (Note 2)	¥ 184,661	¥ 179,860		\$1,219,609
Of which, fee and commissions (Note 3)	22,034	20,545		145,525
Deposit-taking and lending business	9,284	7,887		61,316
Domestic or Foreign exchange business	4,767	4,803		31,484
Security-related business	2,235	1,850		14,761
Agency business	2,340	2,731		15,454
Custody and safe deposit business	144	147		951
Guarantee business	431	439		2,846
Other business	2,830	2,685		18,690
Of which, trust fees	0	0		0
Ordinary income from contracts with customers	¥ 22,021	¥ 20,097		\$ 145,439
Ordinary income other than the above (Note 1) (Note 2)	162,639	159,762		1,074,162
Total ordinary income (Note 1) (Note 2)	¥ 184,661	¥ 179,860		\$1,219,609

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. As stated in "Changes in Accounting Policies," accounting standards for net sales and cost of sales in installment sales transactions in the "Leasing business" were changed in the year ended March 31, 2024. In line with this change, the figures for the previous fiscal year have been restated based on the retroactive adoption of the new accounting policy.
3. 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 of March 31, 2024 and 2023 were as follows:

Millions of Yen			Thousands of U.S. Dollars
	2024	2023	2024
Receivables from contracts with customers included in other assets	¥ 1,126	¥ 911	\$ 7,436
Contract liabilities included in other liabilities	53	9	350

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

	Thousands of U.S. Dollars							
	2024							
	Reportable segments							Consolidated financial statements
	Banking	Leasing	Securities	Total	Other	Total	Adjustments	
Ordinary income:								
External customers	\$ 1,097,780	\$ 78,713	\$ 25,724	\$ 1,202,225	\$ 17,376	\$ 1,219,609	—	\$ 1,219,609
Intersegment income	12,317	1,069	528	13,915	59,078	73,000	\$ (73,000)	—
Total.....	\$ 1,110,105	\$ 79,783	\$ 26,253	\$ 1,216,148	\$ 76,461	\$ 1,292,609	\$ (73,000)	\$ 1,219,609
Segment profit.....	189,875	5,422	5,343	200,647	51,178	251,826	(45,815)	206,003
Segment assets	70,751,581	347,381	128,637	71,227,600	3,264,625	74,492,233	(3,401,783)	71,090,443
Segment liabilities.....	67,194,478	197,358	93,309	67,485,159	36,516	67,521,676	(269,255)	67,252,420
Other items:								
Depreciation	16,993	4,114	85	21,200	66	21,266	601	21,874
Interest income.....	819,582	409	6	820,011	46,608	866,627	(46,866)	819,760
Interest expense	408,282	785	6	409,081	0	409,087	(634)	408,447

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 and investment management and advisory services in accordance with the Financial Instruments and Exchange Act, etc.

3. Adjustments mainly comprise elimination of intersegment transactions.

4. Chugin Energy Co., Ltd. (newly established on April 3, 2023) is included in “Other” as its business is related to regional energy and decarbonization.

	Millions of Yen							
	2023							
	Reportable segments							Consolidated financial statements
	Banking	Leasing	Securities	Total	Other	Total	Adjustments	
Ordinary income:								
External customers	¥ 164,419	¥ 10,293	¥ 2,903	¥ 177,617	¥ 2,242	¥ 179,860	—	¥ 179,860
Intersegment income	3,126	3,441	69	6,637	12,526	19,164	¥ (19,164)	—
Total.....	¥ 167,546	¥ 13,735	¥ 2,973	¥ 184,255	¥ 14,769	¥ 199,024	¥ (19,164)	¥ 179,860
Segment profit.....	30,360	3,655	239	34,256	11,970	46,226	(16,618)	29,608
Segment assets	9,802,088	45,147	9,581	9,856,817	493,865	10,350,682	(501,485)	9,849,196
Segment liabilities.....	9,314,344	24,026	4,821	9,343,192	5,515	9,348,707	(27,459)	9,321,248
Other items:								
Depreciation	2,588	496	7	3,092	5	3,098	78	3,177
Interest income.....	93,465	148	1	93,616	9,149	102,765	(9,608)	93,157
Interest expense	28,103	102	1	28,206	0	28,207	(73)	28,134

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 and investment management and advisory services in accordance with the Financial Instruments and Exchange Act, etc.

3. Adjustments mainly comprise elimination of intersegment transactions.

4. Chugin Capital Partners Co., Ltd. (newly established on April 1, 2022), Chugin Human Innovations Co., Ltd. (newly established on May 30, 2022), C Cube Consulting Co., Ltd. (newly established on September 1, 2022), and Chugin Financial Group, Inc. (newly established on October 3, 2022) are included in “Other” as their business is the operation of funds, personnel placement business, consulting services, and management, respectively.

5. As stated in “Changes in Accounting Policies,” accounting standards for net sales and cost of sales in installment sales transactions in the “Leasing business” were changed in the year ended March 31, 2024. In line with this change, the figures for the previous fiscal year have been restated based on the retroactive adoption of the new accounting policy.

Related Information:

Information about services

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

Thousands of U.S. Dollars					
2024					
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	\$ 556,257	\$ 327,858	\$ 145,531	\$ 189,947	\$ 1,219,609

Millions of Yen					
2023					
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 60,325	¥ 73,858	¥ 20,545	¥ 25,129	¥ 179,860

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

Thousands of U.S. Dollars									
2024									
Reportable segments									
	Banking	Leasing	Securities	Total	Other	Total			
Losses on impairment of fixed assets	\$ 805	\$ —	\$ —	\$ 805	\$ —	\$ 805			
Millions of Yen									
2023									
Reportable segments									
	Banking	Leasing	Securities	Total	Other	Total			
Losses on impairment of fixed assets	¥ 55	¥ —	¥ —	¥ 55	¥ —	¥ 55			

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, 2024 and 2023 was as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2024

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

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

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

(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	195,272	—	10,500	184,771	Note 1
Treasury stock:					
Common stock	9,520	2,071	10,521	1,071	Note 2

Notes: 1. The decrease in issued stock of 10,500 thousand shares was due to the cancellation pursuant to the resolution made at the Board of Directors' meeting.

2. The increase in treasury stock of 2,071 thousand shares was due to the public bidding of 2,071 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 10,521 thousand shares was due to the cancellation of 10,500 thousand shares pursuant to the resolution made at the Board of Directors' meeting, the exercise of subscription rights to shares of 20 thousand shares, and due to the sale of 0 thousand shares of less than one unit.

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

For the year ended March 31, 2024

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 23, 2023	General meeting of shareholders	Common stock	¥2,939 million (\$19,410 thousand)	¥16.00 (\$0.105)	Mar. 31, 2023	Jun. 26, 2023
Nov. 10, 2023	Board of Directors	Common stock	¥2,739 million (\$18,089 thousand)	¥15.00 (\$0.099)	Sep. 30, 2023	Dec. 6, 2023

For the year ended March 31, 2023

The Company is a holding company established on October 3, 2022, through a sole share transfer. Accordingly, dividends paid represent the amounts of the wholly owned subsidiary pursuant to a resolution of the general meeting of shareholders or the Board of Directors' meeting.

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 24, 2022	General meeting of shareholders	Common stock of The Chugoku Bank, Limited	¥3,064 million	¥16.50	Mar. 31, 2022	Jun. 27, 2022
Nov. 11, 2022	Board of Directors	Common stock of The Chugoku Bank, Limited	¥2,586 million	¥14.00	Sep. 30, 2022	Dec. 6, 2022

Dividends that were applicable to the year ended March 31, 2024, but were not recorded in the accompanying consolidated financial statements since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 26, 2024	General meeting of shareholders	Common stock	¥5,822 million (\$38,451 thousand)	¥32.00 (\$0.211)	Mar. 31, 2024	Jun. 27, 2024

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
	2024	2023	2024
Cash and due from banks.....	¥1,418,224	¥1,510,394	\$9,366,778
Due from banks, excluding the Bank of Japan	(2,592)	(4,033)	(17,119)
Cash and cash equivalents	¥1,415,632	¥1,506,361	\$9,349,659

26. Stock Options

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
General and administrative expenses.....	¥ 9	¥ 39	\$ 59

(2) Stock options outstanding as of March 31, 2024 were as follows:

Stock Options	Persons granted	Number of options granted (Note 3)	Date of grant	Exercise period
Chugin Financial Group, Inc. 1st Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	3,800	Jul. 31, 2009 (Note 4)	From Oct. 3, 2022 to Jul. 31, 2039
Chugin Financial Group, Inc. 2nd Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	4,700	Aug. 2, 2010 (Note 4)	From Oct. 3, 2022 to Aug. 2, 2040
Chugin Financial Group, Inc. 3rd Subscription Rights to Shares (Note 1)	14 directors of The Chugoku Bank, Limited (Note 2)	7,600	Aug. 1, 2011 (Note 4)	From Oct. 3, 2022 to Aug. 1, 2041
Chugin Financial Group, Inc. 4th Subscription Rights to Shares (Note 1)	14 directors of The Chugoku Bank, Limited (Note 2)	7,400	Aug. 3, 2012 (Note 4)	From Oct. 3, 2022 to Aug. 3, 2042
Chugin Financial Group, Inc. 5th Subscription Rights to Shares (Note 1)	15 directors of The Chugoku Bank, Limited (Note 2)	7,500	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)	7,700	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)	6,100	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)	10,000	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)	14,200	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)	17,800	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)	34,300	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)	36,400	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)	40,900	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)	38,600	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, 2024. Number of stock options is converted to number of shares.

Number of shares								
	Chugin Financial Group, Inc. 1st Subscription Rights to Shares	Chugin Financial Group, Inc. 2nd Subscription Rights to Shares	Chugin Financial Group, Inc. 3rd Subscription Rights to Shares	Chugin Financial Group, Inc. 4th Subscription Rights to Shares	Chugin Financial Group, Inc. 5th Subscription Rights to Shares	Chugin Financial Group, Inc. 6th Subscription Rights to Shares	Chugin Financial Group, Inc. 7th Subscription Rights to Shares	Chugin Financial Group, Inc. 8th Subscription Rights to Shares
Non-vested:								
April 1, 2023 – Outstanding	3,800	4,700	7,600	7,400	10,300	10,600	8,200	13,500
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	2,800	2,900	2,100	3,500
March 31, 2024 – Outstanding	3,800	4,700	7,600	7,400	7,500	7,700	6,100	10,000
Vested:								
April 1, 2023 – Outstanding	—	—	—	—	—	—	—	—
Vested	—	—	—	—	2,800	2,900	2,100	3,500
Exercised	—	—	—	—	2,800	2,900	2,100	3,500
Forfeited	—	—	—	—	—	—	—	—
March 31, 2024 – Outstanding	—	—	—	—	—	—	—	—

Number of shares						
	Chugin Financial Group, Inc. 9th Subscription Rights to Shares	Chugin Financial Group, Inc. 10th Subscription Rights to Shares	Chugin Financial Group, Inc. 11th Subscription Rights to Shares	Chugin Financial Group, Inc. 12th Subscription Rights to Shares	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Non-vested:						
April 1, 2023 – Outstanding	17,400	21,800	45,300	48,000	54,000	50,900
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	3,200	4,000	11,000	11,600	13,100	12,300
March 31, 2024 – Outstanding	14,200	17,800	34,300	36,400	40,900	38,600
Vested:						
April 1, 2023 – Outstanding	—	—	—	—	—	—
Vested	3,200	4,000	11,000	11,600	13,100	12,300
Exercised	3,200	4,000	11,000	11,600	13,100	12,300
Forfeited	—	—	—	—	—	—
March 31, 2024 – Outstanding	—	—	—	—	—	—

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

Yen								
	Chugin Financial Group, Inc. 1st Subscription Rights to Shares	Chugin Financial Group, Inc. 2nd Subscription Rights to Shares	Chugin Financial Group, Inc. 3rd Subscription Rights to Shares	Chugin Financial Group, Inc. 4th Subscription Rights to Shares	Chugin Financial Group, Inc. 5th Subscription Rights to Shares	Chugin Financial Group, Inc. 6th Subscription Rights to Shares	Chugin Financial Group, Inc. 7th Subscription Rights to Shares	Chugin Financial Group, Inc. 8th Subscription Rights to Shares
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	—	—	—	—	886	886	886	886
Fair appraisal price at date of grant	1,197	935	917	926	1,281	1,483	1,815	1,022

Yen						
	Chugin Financial Group, Inc. 9th Subscription Rights to Shares	Chugin Financial Group, Inc. 10th Subscription Rights to Shares	Chugin Financial Group, Inc. 11th Subscription Rights to Shares	Chugin Financial Group, Inc. 12th Subscription Rights to Shares	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	886	886	886	886	886	886
Fair appraisal price at date of grant	1,508	1,099	753	800	728	777

	U.S. Dollars							
	Chugin Financial Group, Inc. 1st Subscription Rights to Shares	Chugin Financial Group, Inc. 2nd Subscription Rights to Shares	Chugin Financial Group, Inc. 3rd Subscription Rights to Shares	Chugin Financial Group, Inc. 4th Subscription Rights to Shares	Chugin Financial Group, Inc. 5th Subscription Rights to Shares	Chugin Financial Group, Inc. 6th Subscription Rights to Shares	Chugin Financial Group, Inc. 7th Subscription Rights to Shares	Chugin Financial Group, Inc. 8th Subscription Rights to Shares
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise	—	—	—	—	5.85	5.85	5.85	5.85
Fair appraisal price at date of grant	7.90	6.17	6.05	6.11	8.46	9.79	11.98	6.74

	U.S. Dollars					
	Chugin Financial Group, Inc. 9th Subscription Rights to Shares	Chugin Financial Group, Inc. 10th Subscription Rights to Shares	Chugin Financial Group, Inc. 11th Subscription Rights to Shares	Chugin Financial Group, Inc. 12th Subscription Rights to Shares	Chugin Financial Group, Inc. 13th Subscription Rights to Shares	Chugin Financial Group, Inc. 14th Subscription Rights to Shares
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise	5.85	5.85	5.85	5.85	5.85	5.85
Fair appraisal price at date of grant	9.95	7.25	4.97	5.28	4.80	5.13

(3) Method for estimating the number of stock options

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

27. Asset Retirement Obligations

The consolidated subsidiary that engages in the banking business has future obligations pertaining to the restitution of the facilities at the data center in Haga. However, the period of use of the lease assets related to the obligations cannot be determined because no termination, transfer, etc., has been planned. Therefore, the consolidated subsidiary that engages in the banking business cannot reasonably estimate the asset retirement obligations and no asset retirement obligation has been recorded.

28. Subsequent Events

Purchases of treasury stock

On May 10, 2024, the Board of Directors of the Company passed a resolution to purchase up to 4,000 thousand shares of the Company's common stock from the market at a price not exceeding ¥5,000 million (\$33,022 thousand). The purpose of this purchase was to enhance its corporate value and return profit to shareholders through improvement in its capital efficiency from the perspective of capital control. In accordance with the resolution, the Company acquired 537,900 shares by May 31, 2024.