CHUGIN FINANCIAL GROUP, INC.

CHUGIN FINANCIAL GROUP, INC. ANNUAL REPORT 2024

ANNUAL REPORT

CHUGIN FINANCIAL GROUP, INC.

2024

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Editorial Policy

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

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

Environment
Social
Governance
Guidance for Collaborative Value Creation

Reporting Scope

Period : April 1, 2023–March 31, 2024 (includes some information from April 2024 onward)

Scope : Chugin Financial Group and Group companies

Information Disclosure and Communication

Annual Report

Financial Information

IR Information, Chugin Financial Group website
(https://www.chugin-fg.co.jp/en/ir/)

- Financial results
- Annual securities report
- Finance-related materials
- Institutional investor IR
- Individual investor IR

Non-Financial Information

Corporate Information, Chugin Financial Group website
(https://www.chugin-fg.co.jp/en/information/)
Sustainability, Chugin Financial Group website
(https://www.chugin-fg.co.jp/sustainability/) (in Japanese)

- Governance
- Regional revitalization
- Low birthrate and aging population
- DX
- Diversity
- Environment
- Financial education

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

System of Principles

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

Mission
Our societal mission
(Our raison d'être)

Group's Corporate Principles
Create with our community, customers and employees a rich future that we can all share

Vision
Our ideal vision for ourselves

Corporate Vision
A comprehensive financial services group that is "chosen" and "trusted" by regional customers

Value
The set of values shared between all officers and employees of the Group

Chugin Value
(Succeeds the previous "Chugin-no-kokoro")
To Customers We will aim for a Win-Win relationship with customers
As Individuals We will realize dreams through our work
As a Company We will provide motivating work and a place to grow

Code of Conduct
A basic set of rules regarding behavior that must be followed by all officers and employees of the Group

Corporate Code of Conduct
A basic set of rules that we must all follow as members of society when conducting corporate activities.

Behavioral Guidelines
Specific decision-making standards that each officer and employee of the Group must take into consideration in the performance of their duties

Group Slogan and Statement

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

Group Slogan

Our challenges build our future.

Group Statement

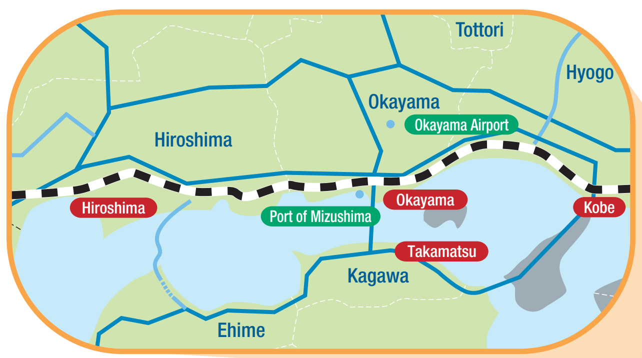
In an era of change, we will not become defensive but rather take the offensive. We will think outside the box and bring dreams to fruition.
Chugin will evolve into a comprehensive financial group that creates a rich future together with our customers.
In addition to deepening our financial services, we will listen to customer voices in creating optimal solutions to diverse and complex issues.
There may be some failures in the course of our ambitious expansion of our business area. We may struggle and flounder over questions with no right answers. However, we will face these challenges head-on.
Our challenges build our future. Challenges for individuals build our future. In that belief, each of us will proactively address each challenge that arises toward creating a region with a virtuous cycle of happiness and a future in which dreams come into full bloom.
Today too, we face the future with racing hearts.

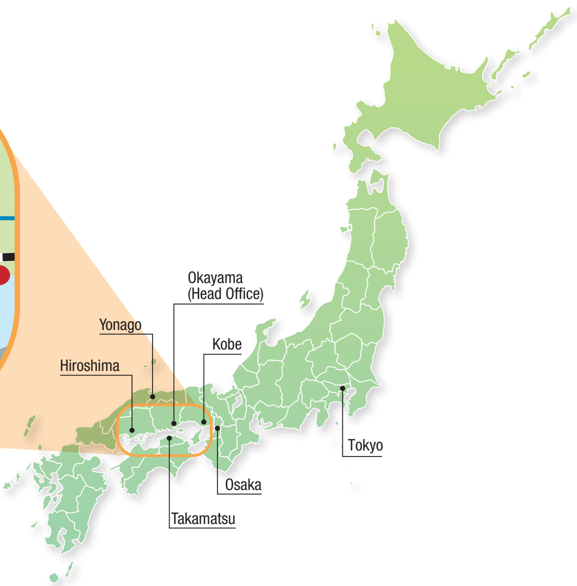
Profile

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

With a population of 1.85 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,652 billion (U.S.$50,542 million), or an impressive 1.38% of Japan's GDP. Manufacturing is the core industry in Okayama, having evolved around the Mizushima Waterfront Industrial District—the world's leading petrochemical complex—which was constructed in the 1960s. Given the prefecture's ever-improving highways, airports, and harbors, there is further growth anticipated, with the area serving as an important economic and cultural center for the Eastern Setouchi region.

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





Corporate Data

(As of March 31, 2024)

Chugin Financial Group,Inc.

Address:	1-15-20, Marunouchi, Kita-ku, Okayama, Japan
Telephone:	(81) 86-223-3110
Website:	https://www.chugin-fg.co.jp
Date of Establishment:	October 3, 2022
Stated Capital:	16,000 million yen
Number of Authorized Shares:	500,000,000
Number of Issued and Outstanding Shares of Common Stock:	184,771,461
Number of Shareholders:	17,758
Number of Employees:	2,988

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

THE CHUGOKU BANK, LTD.

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

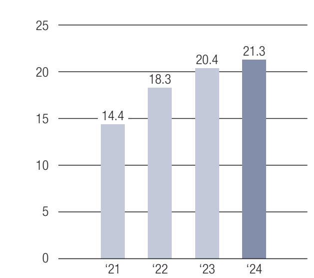
Consolidated Financial Highlights

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

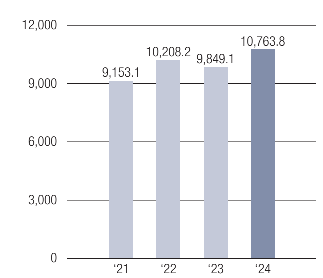
	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
For the year:			
Total income	¥ 184,709	¥ 179,949	$ 1,219,926
Total expenses	153,809	150,430	1,015,844
Net income attributable to owners of parent	21,389	20,486	141,265
Per share of common stock (yen/U.S. dollars):			
Basic net income	¥ 117.06	¥ 111.01	$ 0.773
Diluted net income	116.90	110.85	0.772
At year-end:			
Deposits	¥ 8,309,572	¥ 8,053,522	$ 54,881,262
Loans and bills discounted	6,231,363	5,555,795	41,155,557
Securities	2,596,411	2,324,053	17,148,213
Total assets	10,763,804	9,849,196	71,090,443
Net assets	581,115	527,948	3,838,022
For the year:			
Cash flows from operating activities	115,595	(403,482)	763,456
Cash flows from investing activities	(198,394)	164,298	(1,310,309)
Cash flows from financing activities	(7,930)	(7,844)	(52,374)
Cash and cash equivalents at end of year	1,415,632	1,506,361	9,349,659

Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥151.41 = US$1 in effect on March 31, 2024.
2. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).

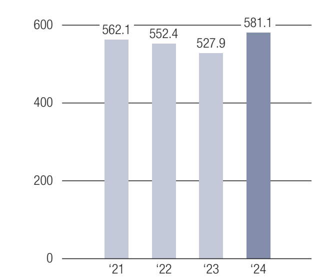
Net Income attributable to owners of parent
Billions of Yen



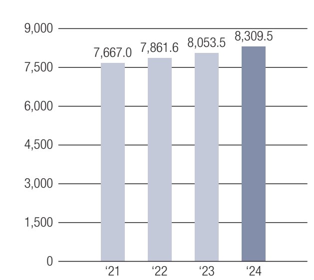
Total Assets
Billions of Yen



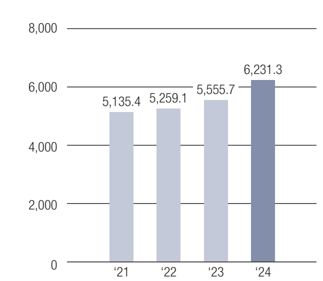
Net Assets
Billions of Yen



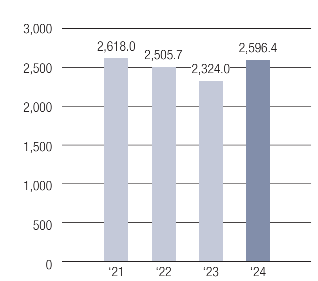
Deposits
Billions of Yen



Loans and Bills Discounted
Billions of Yen



Securities
Billions of Yen



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

We will aim to engage seriously with regional issues to become a regional financial group that creates the future together with our customers.

We are deeply grateful to all our stakeholders for their continued support. The Chugin Group is currently pursuing Stage III of our medium-term management plan "Plan for Creating the Future Together," the final stage of our long-term management plan "Vision 2027: Plan for Creating the Future Together." We will aim to maximize the results achieved through Stages I and II to realize the business model depicted in the long-term management plan, while working as a Group toward further growth.

CHUGIN FINANCIAL GROUP, INC.
President
Sadanori Kato

Deepening regional revitalization efforts through the SDGs

Factors such as COVID-19 and geopolitical risks have seen regional economies struggle in recent years. While regional issues are not new, they have now spread beyond specific regions to challenge the country as a whole.

Tackling these issues head on is, we believe, our mission as a regional financial group. We are also convinced that doing so will foster a virtuous cycle, whereby the new profit opportunities presented lead to further regional contributions.

At the same time, with the Bank of Japan ending its negative interest rate policy and raising interest rates, long-term interest rates are now climbing. The return of interest rates after so long is a reminder that simply holding on to money can damage its value. Money has meaning only when it is used, making it vital to engage in investment which is meaningful for the various entities. The Chugin Group is injecting capital with the aim of contributing to regional revitalization. By sustaining that investment, we hope to establish regional revitalization success models that may even take hold nationwide as means of resolving regional issues.

In 2019, just after I took the reins at Chugoku Bank, I declared that we would make the SDGs a management pillar. Okayama Prefecture was already an SDG leader with a high level of SDG awareness, and Okayama University and municipal authorities were working proactively on frontrunning initiatives. This led me to believe that industry, government, academia, financial institutions, and the press should collaborate on the SDGs, and Stage II of our medium-term management plan, which began in 2020, identified regional revitalization through the SDGs first among our priority measures. There was initially some opposition on the grounds that addressing the SDGs would not generate profits, but that vanished during the pandemic, as people realized that regional issues and the SDGs were essential for companies in realizing both social and economic value. Now, these are increasingly recognized as helping to expand a company's medium- to long-term sales base and boost corporate value.

In 2021, we established the Regional Revitalization & SDGs Promotion Department to accelerate our efforts, with the Chugin Group as a whole engaged in a broad range of regional revitalization themes, including startup and tourism support, SDGs and CSR promotion, and regional social and environmental issues.

Pursuant to the Group corporate principle "Create with our community, customers, and employees a rich future that we can all share," we are currently implementing Stage III of our medium-term management plan "Plan for Creating the Future Together." With communities, customers, and employees joining hands to create a rich future, I am increasingly confident that that future is steadily becoming a reality.

My study abroad experience forms the model for the Plan for Creating the Future Together

Here I'd like to talk about the origin of our Plan for Creating the Future Together.

I first became aware of regional revitalization back when I was a student. During high school, I studied in Los Angeles for a year through the AFS program. It was the first step toward my dream of living abroad, and at first everything I saw and heard seemed very novel. Eventually, living in a different culture led me to question my own identity, and I was shocked to realize how little I knew about my own country's history and culture. Study abroad taught me that crossing the ocean to become a citizen of the world is all well and good, but true citizens of the world know their own countries. Realizing the importance of knowing one's hometown helped to prompt my interest in regional revitalization.

After study at a university in Tokyo, I went job-hunting and found a place at the Chugoku Bank back home in Okayama. Initially, I couldn't decide whether to take a job that would send me overseas, or one that was vital to my hometown. Where many of my fellow students chose jobs in Tokyo, I chose Okayama. But for the first couple of years, far from serving my community, I couldn't even master the basics of being a bank employee. It actually took four or five years of struggle before, buoyed by the encouragement of my seniors, I learned to engage responsibly with customers and even won their gratitude.

Moving into my early 30s, I was instructed to get an MBA in America, and a randomly submitted application saw me accepted at the highly diverse University of Chicago.

The theme of one of the essays I had to write for my application was a future goal that I wanted to achieve through my job, and I chose regional revitalization. The recruitment officer at the University of Chicago Booth School of Business said that regional issues were a theme seldom chosen by Japanese applicants, many of whom hailed from megabanks and corporate majors. This was also immediately after the collapse of Japan's economic bubble, engendering a strong feeling that nothing more was to be learned from Japanese management, so highlighting the fact that 99.7 percent of innovation in Japanese industry came from small and medium enterprises apparently played in my favor, even though I was only a local bank employee. While studying at UChicago, I continued to think about regional revitalization.

Looking back, I think that my experiences and mindset at the time led to the Plan for Creating the Future Together in the sense of aiming to overcome population decline and dwindling profitability and build sustainable business models by strengthening both tangible and intangible elements and using the results as a springboard to new challenges. I should also mention the foundational role of my seniors who supported me in my early years at the bank and those customers taking on challenges with hope for the future.

Aiming to become a truly useful regional financial institution from a customer perspective

When I returned to Japan, I was assigned to sales, an experience which led me to believe that if financial institutions wanted to serve the community, they would need to fundamentally change the way they operated.

When I was a sales manager, meeting the numerical targets handed down from head office would mean ordering my staff to ask their closest customers to cooperate with deposits and loans. I was acutely aware that sales designed to help the bank were not helping customers. I thought that to understand the customer and engage in customer-first sales, we had to introduce data-based marketing. Around 2000, I was assigned to medium-term plan creation in my capacity as Management Planning Department assistant manager. A team of around 20 driven by young employees drew up a plan to become a bank that is “chosen” and “trusted” by customers, identifying a succession of new cornerstones along the way.

Many of these—for example, the introduction of data-driven marketing and investment in systems for this, Internet sales, automation of loan screening, branch consolidation, automation of paperwork, and creation of a paywalled portal site for customers—have now become Chugin Financial Group policies.

After a stint as general manager of sales branches, I became general manager of the Computer System Department, where I set up the TSUBASA Project, building the foundations for current systems such as core system unification. I believe that this exploration of how a financial institution should operate bore fruit in subsequent management plans.

Looking beyond FY 2026 as the final year of the current medium-term management plan, the next milestone will be 2030, by which time we plan to realize carbon neutrality and the SDGs with the aim of locking in sustainable growth. Coincidentally, 2030 will also mark the centenary of the founding of the Chugoku Bank. Back in 1930, Okayama Prefecture was in the throes of the Showa Financial Depression, and top management devoted themselves wholeheartedly to regional social and economic development, laying the social foundations that underpin society today. One central figure in that effort was the Chugoku Bank’s first president, Magosaburo Ohara.

Even in these modern times, I believe that regional revitalization is an unchanging philosophy and mission for us. So that we do not shame the efforts of our predecessors, the Chugin Group will strive to look ahead of the times and push forward on the basis of our philosophy of “create with our community, customers, and employees a rich future that we can all share.”

Enabling sales branches to think autonomously and set targets

Eighteen months have passed since we established the holding company Chugin Financial Group in October 2022. Frankly, there is still work to be done, but results are also steadily emerging—making the transition to an autonomous sales system, for example, and fostering a sense of unity as a Group.

Previously, there was no place for information exchange among top management at Group companies. Now, top management from the various companies meet regularly to engage in a lively information exchange, leading to a string of profit opportunities. In addition, moves are underway so that when information is received on Group products and services, that information is also shared with bank branches, and the introduction of incentives is boosting liaison officer motivation.

Another important point is the shift from setting sales targets primarily under the Regional Headquarter system to a voluntary target system of sales branch “challenge targets.” While some investors were concerned about the performance implications, revenue and profit are both steadily increasing as a result.

Even more critical than better performance is that frontline offices are now setting and implementing their own targets. When across-the-board instructions are issued at a distance from the issues faced in the field, it can lead to offices simply trying to reach the given targets and discourage autonomous efforts to go above and beyond. When offices set targets designed to resolve their own issues, staff feel more motivated and work to achieve results beyond the 100 percent mark. We have also introduced more flexibility into awards to emphasize the process in cases where employees set challenging goals but do not quite reach them, encouraging initiatives that emphasize autonomy in everything to boost frontline morale.

In recent years, digitalization has led to the mainstreaming of digital interactions, but to fulfill our mission as a regional bank, having face-to-face interactions with customers in line with local circumstances can also be an important factor. By realizing a good balance between face-to-face and digital interactions, we can pursue co-creation with customers. I believe that this is also something that can only be achieved by focusing on initiatives that emphasize autonomy.

Because the shift to an autonomous sales system and voluntary reporting of sales targets based on the Regional Headquarter system totally transforms traditional ways of working, bringing on board those on the sales frontlines is absolutely critical. Our officers split the task of going around the country to all our sales offices and Group companies to discuss the changes. The idea is to embed our corporate philosophy by having officers communicate the significance of our job as a bank and engage in ongoing frank dialogue with all employees, juniors included, so that we all share an understanding of the true significance of the autonomous sales system.

Creation of the Chugin Group’s own regional revitalization model

With the Chugin Group system for responding to regional challenges now in place, we are now launching initiatives that take advantage of our particular characteristics.

For example, the falling birth rate and aging population that Japan has experienced in recent years has made business succession a pressing issue. Some survey results indicate that around 60 percent of companies do not have a business succession plan locked in. Without a successor lined up, businesses cannot engage in forward-looking investment and are consequently unlikely to grow. Helping with this issue is one major role served by the Chugin Group. We consciously lend an ear to customers having problems with succession, considering whether there is anything we can do to help.

Our staffing agency service arm, Chugin Human Innovations, introduces management resources with an interest in business succession, and our investment arm, Chugin Capital Partners, also supports business succession. C Cube Consulting resolves customer and community issues and provides support for sustainable growth and regional revitalization.

I am increasingly confident that by crystallizing the strengths of these specialist companies, we can widen the reach of regional revitalization beyond financial institution boundaries.

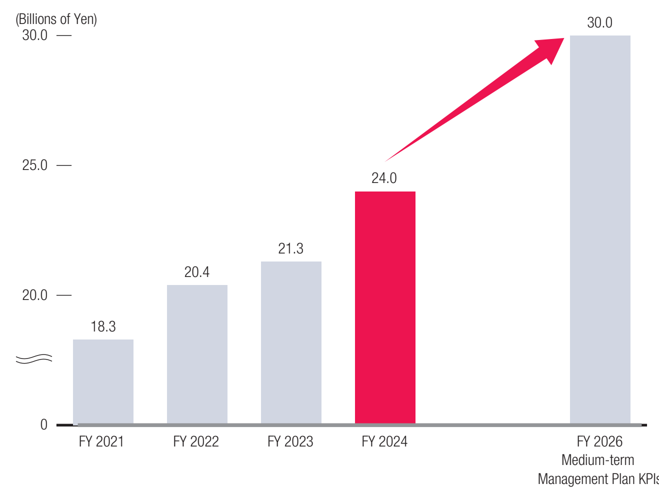
As an aside, one advisor to C Cube, which primarily provides DX and SX consulting services, is Masaki Yasui, who this year became Chief Executive Officer of PwC Consulting LLC. Mr. Yasui is from Okayama and decided to move back there because he wanted to serve the community, so he is now commuting between Tokyo and Okayama. He is currently developing a private sector-led regional co-creation model in which we will become the hub, with C Cube and other Group companies partnering with government and academia, etc., to create the Chugin Group's own regional revitalization model. We plan to expand this model beyond Okayama with the hope of energizing Japan as a whole.

Strengthening our human resource base to accelerate regional revitalization efforts

Moving ahead, we will strengthen the Chugin Group's human resource base to accelerate our regional revitalization efforts. As part of this, we are pursuing human resource exchange within the Group, using job rotation—sending junior employees out from the bank to Group companies on a temporary basis for work experience—to develop human resources with diverse skills. Through this, we will create an organizational structure that can deal with a wide spectrum of regional issues.

As part of strengthening our human resource base, we are also emphasizing diversity and inclusion (D&I). In 2016, we created an action plan pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace. Subsequently, we have held regular study meetings to support career-building for women. We also set up the Nijiiro (Rainbow) Heart Project in 2014 as a working group designed to promote women's participation in the workplace. Now in its fifth term, it boasts a record 27 members, who are making broad-ranging recommendations on issues from human resource development systems to marketing strategy. Virtually all recommendations to date have been put into practice. In 2023, the Chugin Financial Group and Chugoku Bank each appointed a female executive officer, both of whom are participants in the Nijiiro Heart Project.

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



Moreover, as I noted earlier, our officers go out to all of our sales branches and Group companies to talk with employees, junior employees included. We also create multiple opportunities for employees to speak frankly with me as the Group's president at small meetings of around 20 employees. These meetings comprise a discussion based on various questions from employees. I respond authentically to all questions and opinions, working to build relations of trust with employees and increase employee engagement.

Achieving the medium-term management plan targets and boosting corporate value

FY 2026 is the final year of Stage III of our medium-term management plan "Plan for Creating the Future Together," as well as the goal of our long-term management plan "Vision 2027: Plan for Creating the Future Together." When we first set the target of ¥30.0 billion in net income in FY 2026, it was a somewhat challenging figure, because it anticipated the creation of new and uncharted projects. Now, with only three years remaining, the effects of Group-wide efforts are steadily emerging and the target is looking increasingly feasible. In addition, we will press steadily ahead with the Chugin DX Strategy announced on May 31, 2024, implementing operational process reforms to shift personnel into sales and growth and strategic areas, with a revenue impact of ¥10.0 billion estimated for FY 2030. This was not envisaged in the original plan, and it now seems likely that the addition of the DX effect will see us exceed our target. In addition, where we set the target of executing ¥1 trillion in sustainable finance (the social and environmental sectors) for FY 2026, we have already reached ¥900.0 billion, so here too, we will continue to stack up figures beyond our target.

Finally, to touch on capital policy, as noted in the medium-term management plan, we will accelerate the reduction of our cross shareholdings while also leveraging the capital created accordingly for flexible capital policy to realize our growth strategy.

We engage in capital management with a view to balancing soundness, profitability (capital efficiency), and enhanced shareholder returns. Recently, we set out to lock in ongoing ROE improvement and enhance shareholder returns to boost corporate value. We did so by shifting from a shareholder return policy based on a total payout ratio that was the sum of the original dividend and share buybacks to one whereby returns are boosted through capital control and expansion of dividends via profit growth based on the dividend payout ratio. We will aim to achieve more strategic capital utilization and further enhance shareholder returns while ensuring soundness.

To ensure steady and flexible implementation of strategies and measures, in June this year, we strengthened Chugin Financial Group functions through transition to a business unit system and other restructuring measures. Our aim is to reinforce our top line, ensure the appropriate allocation of management resources, and use capital controls and strategic utilization to boost profitability to improve our ROE and PBR, thereby meeting investor and shareholder expectations while boosting corporate value. We humbly ask for your continued support.

Sustainable finance targets

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

Target content	¥1.5 trillion by the end of FY 2030 (including a ¥1 trillion environmental sector target)

Social sector	Medical care, nursing care, childcare, education, etc.
Environmental sector	Solar, wind, biomass, EVs, etc.

● Sustainable finance performance (FY 2023)* (Unit: Billions of Yen)

FY	2020	2021	2022	2023	Cumulative total
Sustainable finance	303.5	141.1	197.2	300.4	942.2
Social sector	237.4	101.6	87.5	96.9	523.4
Environmental sector	66.1	39.5	109.7	203.5	418.8

* The sustainable finance performance value is non-consolidated for the Bank.

Performance

This section provides an overview of the Group's earnings results for FY 2023 and outlook for FY 2024.

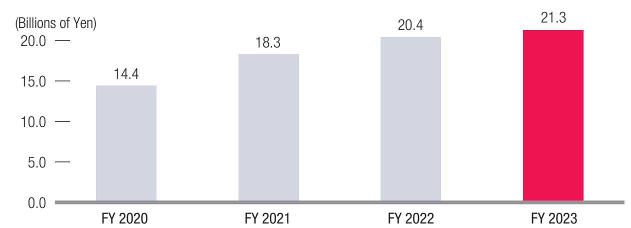
In FY 2023, we achieved a fourth consecutive period of profit growth, finishing the first year of our medium-term management plan "Plan for Creating the Future Together: Stage III (FY 2023-FY 2026)", on a strong note. In FY 2024, we will expand and accelerate our efforts toward achieving the KPIs for the final year.

Fiscal Year 2023

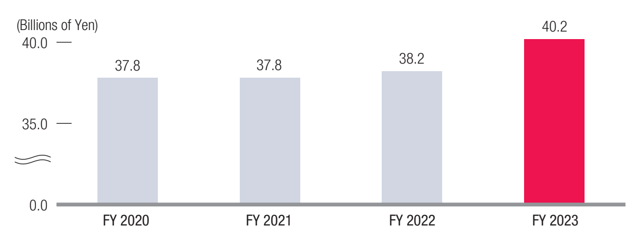
In FY 2023, consolidated ordinary profit increased by ¥1.5 billion year on year to ¥31.1 billion and net income attributable to owners of parent increased by ¥0.9 billion year on year to ¥21.3 billion. We expanded both the asset business, in which we earn interest mainly from loans and investments by solving various local challenges, and the fee business, in which we earn fees mainly by providing consulting services.

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

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



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



Asset business

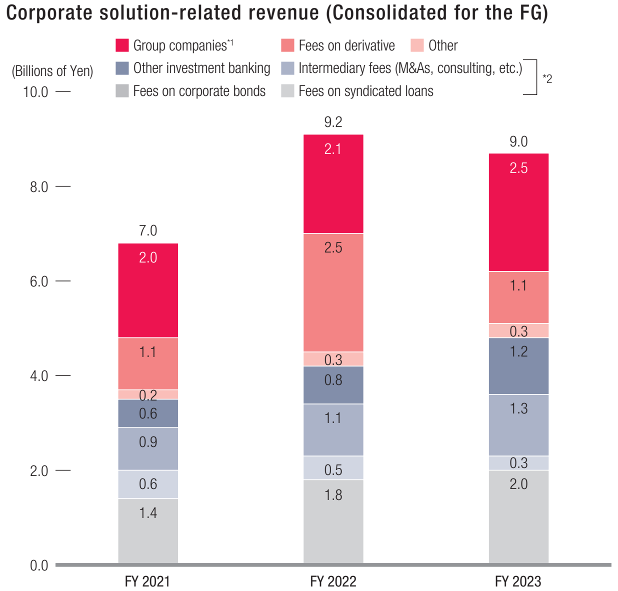
We have accumulated assets, primarily regional business loans and personal loans, across the Company by capturing funding needs through consulting sales. In particular, we began to strategically accumulate assets by utilizing our risk-taking capacity in the fiscal second half. This has led to an increase in yen loan interest.

Fee business

We can now propose a wide range of solutions thanks to our holding company structure. With respect to corporate solution-related revenue, derivative fee revenue had a reactionary decline after increasing significantly in FY 2022 due to foreign-exchange fluctuations. However, there was an increase in intermediary fees for business matching and other services and fees on syndicated loans. Revenues related to assets in custody increased steadily thanks to a favorable market environment.

As for earnings as a group, we saw an increase in both corporate solution-related revenue and revenues related to assets in custody. The effects of the holding company structure, which has been in place for one and a half years, are gradually surfacing.

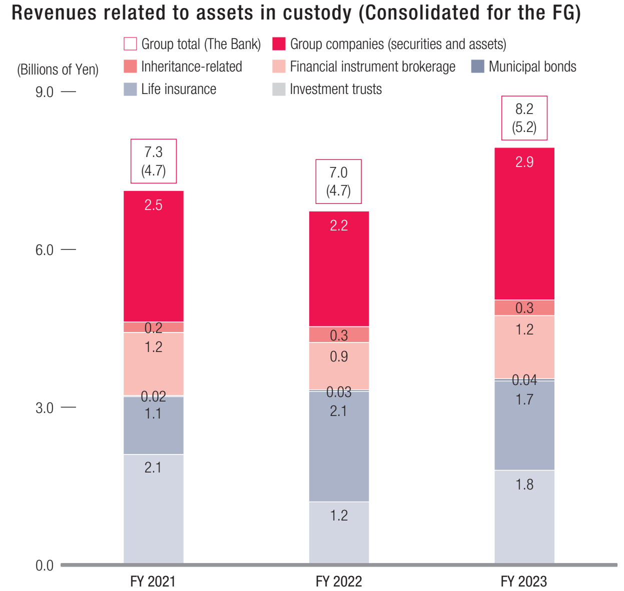
Corporate solution-related revenue (Consolidated for the FG)



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

*2 Investment banking business included in net fee income

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



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

Securities

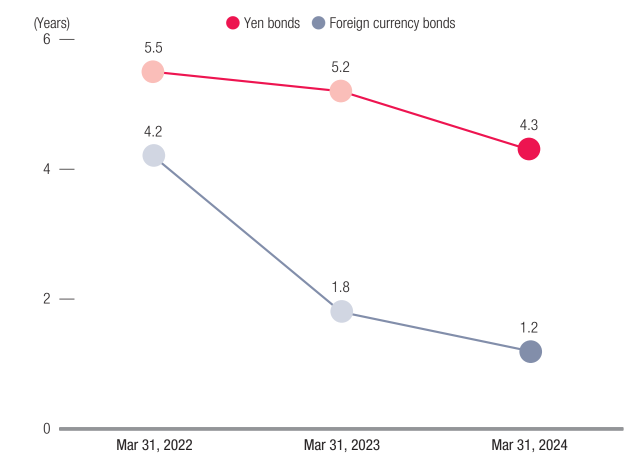
Rising interest rates both in Japan and elsewhere have impacted our securities management and resulted in an increase in unrealized losses on bonds. However, we offset these losses by creating enough unrealized gains on other assets through asset swaps and through equity securities and investment trusts. Because we made changes to our portfolio at the beginning of the rapid rise in interest rates, we have also recently been able to make major improvements to the durations of our yen bonds and foreign currency bonds in anticipation of a further rise in interest rates.

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

(Unit: Billions of Yen)

	Mar 31, 2023	Mar 31, 2024	Term-end comparison
Total	42.4	85.5	43.1
Securities	46.2	74.5	28.3
Held to maturity	0.1	△0.0	△0.1
Other securities	46.1	74.6	28.5
Equity	39.2	73.2	34.0
Investment trusts	259	48.4	22.5
Foreign currency bonds	△11.7	△17.2	△5.5
Yen bonds	△6.6	△30.2	△23.6
Asset swap	△3.8	11.0	14.8
Foreign currency interest swap	△1.2	6.3	7.5
Yen interest swap	△2.6	4.6	7.2

Duration of bonds (non-consolidated for the Chugoku Bank)



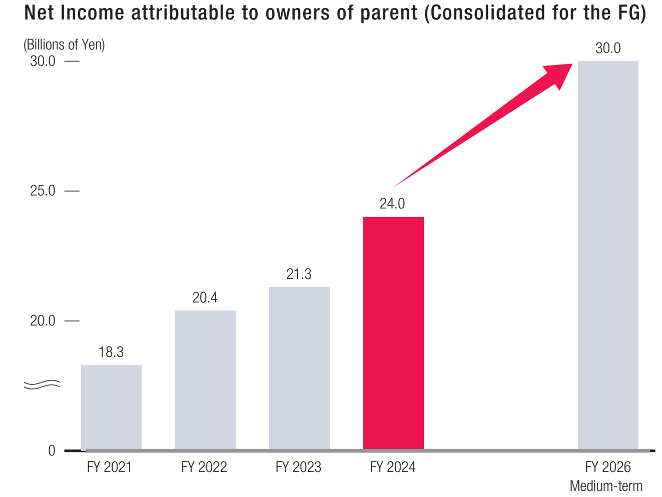
Outlook for FY 2024

For FY 2024, we expect net income attributable to owners of parent to reach ¥24.0 billion, a year-on-year increase of ¥2.7 billion. This would mark the fifth consecutive year-on-year increase in net income.

We will continue to expand our asset business and fee business, through which we solve various local challenges. We will also accelerate strategic investments for the future, such as human capital investments and innovation-related investments.

FY 2024 is a period in which the effects of our past initiatives will begin to materialize steadily. The strategic asset accumulation that began in the second half of FY 2023 will start contributing to earnings, mainly net interest income, while innovation-related investments will lead to the formulation and implementation of the Chugin DX Strategy to be introduced later. We will leverage the effects of such initiatives as we seek to achieve the KPIs for the current medium-term management plan.

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



Consolidated financial results for the Chugin Financial Group

(Unit: Billions of Yen)

	FY 2023 results	FY 2024 forecast	Change
Consolidated ordinary profit	31.1	34.5	3.4
Net Income attributable to owners of parent	21.3	24.0	2.7

<Reference: Non-consolidated for the Chugoku Bank>

Core business gross profit	84.3	93.1	8.8
Expenses (△)	52.8	56.0	3.2
Core business net profit	31.4	37.0	5.6
Of which, credit cost (△)	8.5	9.6	1.1
Of which, profits and losses related to securities	4.8	4.2	△0.6
Ordinary profit	26.6	31.4	4.8
Net Income	18.4	22.2	3.8

Toward Enhancement of Corporate Value

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

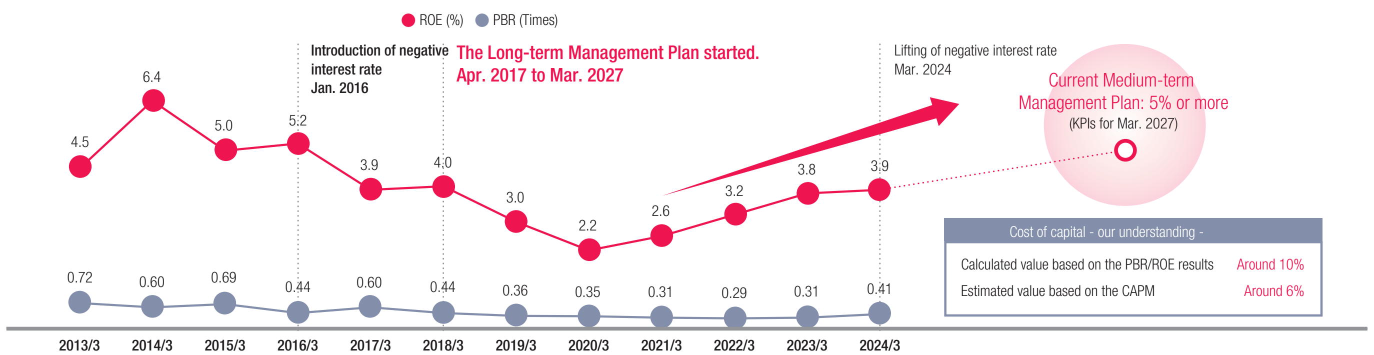
Director and Managing Executive Officer, Soichi Yamamoto

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

● Current Status of Corporate Value

While our PBR has been improving recently, it remains somewhat low at around 0.4 times (as of the end of March 2024). Our ROE likewise is improving but remains far from a satisfactory level. The KPI for ROE in our current medium-term management plan (April 2023–March 2027) is 5% or higher, but we should be aiming beyond this. We recognize that, given the calculated value based on the PBR/ROE results and the estimated value based on the CAPM, our cost of capital is around the 6–10% level. In light of that level too, our Group ROE is low, and we believe that improving ROE will be particularly important in enhancing our PBR.

Trends for ROE/PBR (Consolidated for the FG)



* ROE (based on the TSE) Including valuation difference on available-for-sale securities

● Enhancing Corporate Value through the Medium-Term Management Plan

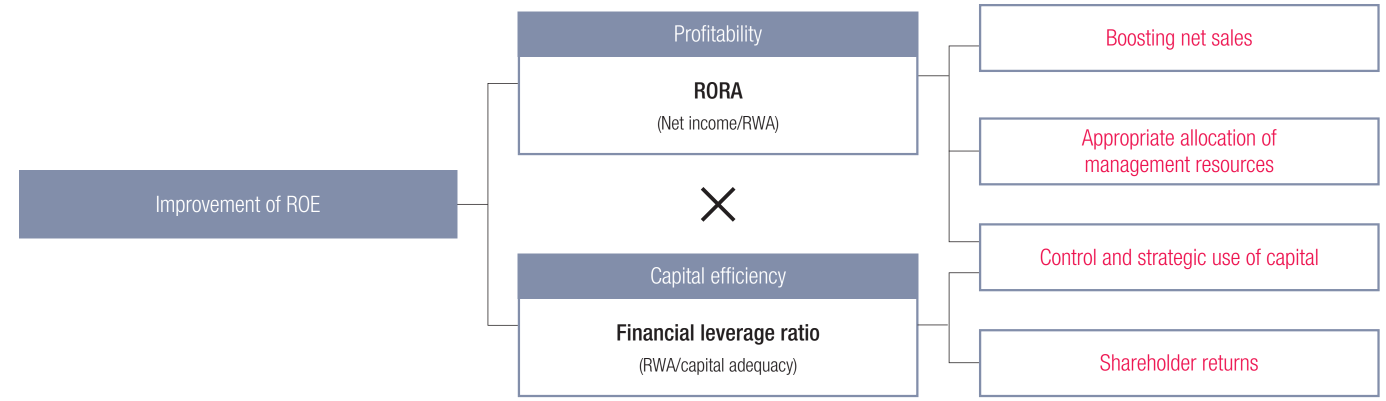
In FY 2017, we launched the 10-year long-term management plan "Vision 2027: Plan for Creating the Future Together." In Stage I (April 2017–March 2020), we engaged in structural reforms, including overhauling sales personnel and business hours, while in Stage II (April 2020–March 2023), we instituted action reforms, such as transitioning to a holding company system. In the Stage III medium-term management plan, which is the final stage, we will further improve and enhance ROE and improve PER through three growth strategies— "deepening" the revitalization of regional economies and SDGs, creating innovation, and strengthening our Group management foundation—so as to boost PBR. Initiatives toward ROE improvement which are explained on the next page.

Stage I 2017.4～2020.3	Structural reforms (Strengthening of hardware aspects)	● BPR investments (A shift from administrative affairs to sales activities)
Stage II 2020.4～2023.3	Action reforms (Strengthening of software aspects)	● Autonomous sales system and personnel system ● Acceleration of the development of new businesses ● Transition to a holding company system

Stage III 2023.4～2027.3	Through the three growth strategies toward the improvement of PBR: **Further improvement and enhancement of ROE** Accumulation of high-quality assets, expansion of business pillars, etc. **Improvement of PER (reducing cost of capital)** Sustainable growth of profits through regional revitalization SDGs, and others

Initiatives toward Improvement of ROE

To improve ROE, we are addressing the four elements of boosting net sales, appropriate allocation of management resources, control and strategic use of capital, and shareholder returns from a profitability (RORA) and capital efficiency (financial leverage) perspectives.



* RORA = Return On Risk weighted Asset
* RWA = Risk Weighted Asset

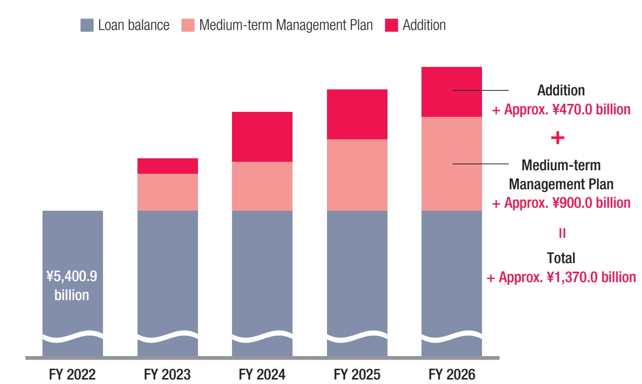
● Boosting Net Sales

— An Increase in Net Interest Income through Accumulation of High-Quality Assets —

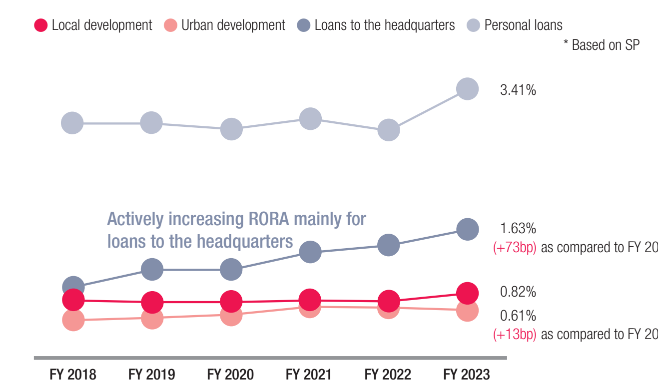
The net interest income generated by high-quality assets that we have built up through long relationships with our business partners is our Group's greatest strength, and we will continue to amplify that strength still further. Based on factors such as our expected capital adequacy ratio given changes in the internal and external environment, we determined that we have sufficient risk-taking capacity, and since the second half of FY 2023, we have been engaged in strategic asset accumulation. We have accumulated assets across the company with top priority given to financing for regional business partners, increasing the balance by approx. ¥470.0 billion compared to the current medium-term management plan.

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

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



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



— Expansion of Consulting Revenues of the Entire Group —

We will leverage the strengths of our holding company system to make wide-ranging solution proposals that respond to business partners' increasingly diverse and sophisticated needs.

Group partnership is also deepening, with the number of toss-ups from the Chugoku Bank to Group companies increasing 1.8 times year-on-year in FY 2023 and the Chugoku Bank referring regional business partners to an investment fund developed by Chugin Asset Management that includes regional listed companies.

● Appropriate allocation of management resources

The Group has developed an operational process using a committee to engage in integrated management of our business and human resource portfolios and pursue selection and concentration toward realizing optimal portfolios. Directors and other members of the Management Resource Committee examine and discuss the relative benefits and disadvantages of business and resource allocation toward realizing portfolios based on management policy while also ensuring a balance between management and business divisions.

Toward Enhancement of Corporate Value

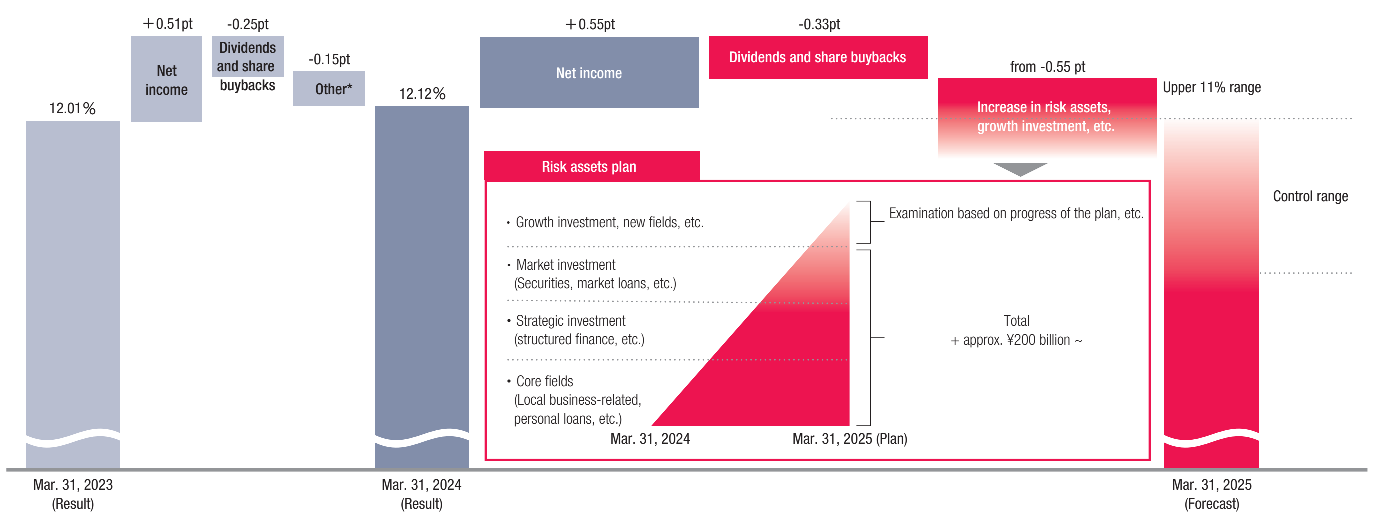
● Control and strategic use of capital

This year we changed our capital control indicator from a consolidated capital adequacy ratio of 11–13% to a common equity Tier 1 ratio (FG consolidated; excluding valuation difference on available-for-sale securities, etc.) of 11–12% toward more effective capital utilization that will enhance ROE.

We decided that using the ratio of common equity Tier 1 (FG consolidated; excluding valuation difference on available-for-sale securities, etc.) as our capital control indicator would enable us to further accelerate an asset strategy that is not affected by market fluctuations. In FY 2024, we plan to accumulate approx. ¥200.0 billion in risk assets. While placing top priority on the regional business loans and personal loans which we regard as our core business, we will also engage in proactive risk-taking in other areas, paying attention to product characteristics and the market environment. According to progress with the plan, etc., we will also consider further growth investment and the allocation of assets to new areas.

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

Capital allocation [Consolidated for the FG] Ratio of common equity Tier 1 (excluding the valuation difference on available-for-sale securities, etc.)

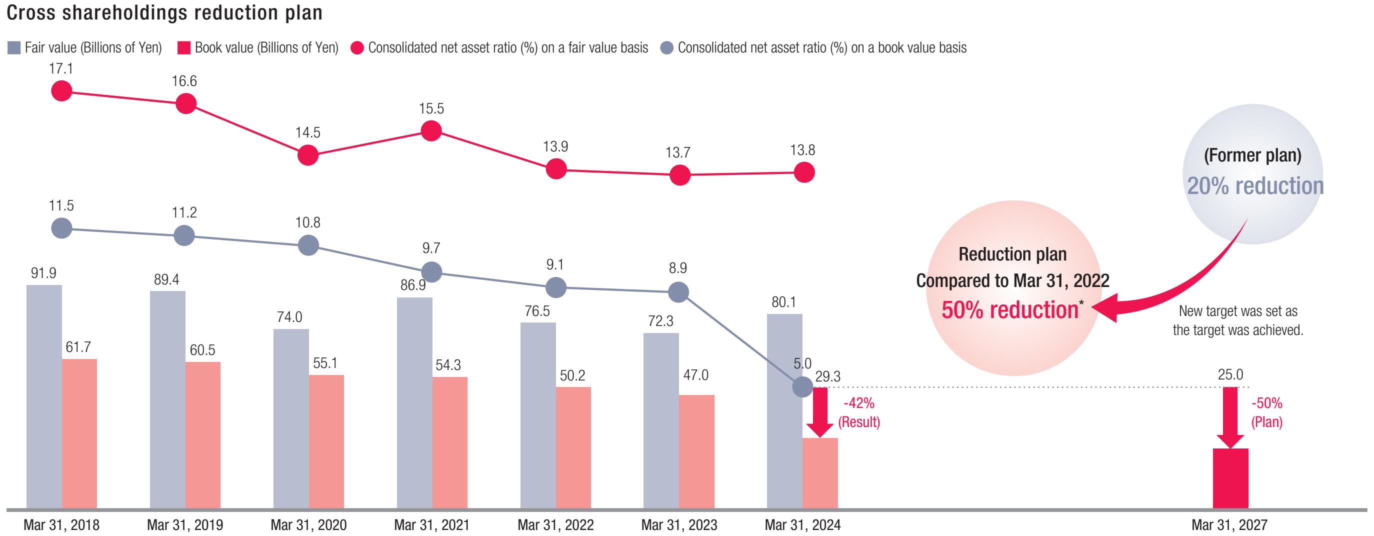


* Including the impact of Basel III

Our basic approach is for cross shareholdings to be held only when deemed necessary for achieving sustainable growth of the holding party and the Group or for increasing corporate value. Looking at it from the perspective of capital efficiency and managing shareholding risk, we intend to promote a reduction of cross shareholdings upon dialogue with the holding parties. (We will perform regular and stringent evaluations of all stocks from the perspectives of "profitability in light of capital costs," "relationship with the regional economy," and "management strategy viewpoints.").

We achieved the targets of our original reduction plan in FY 2023, and we have created a new plan. We will continue to reduce our cross shareholdings pursuant to our basic approach and work to improve our capital efficiency.

Cross shareholdings reduction plan



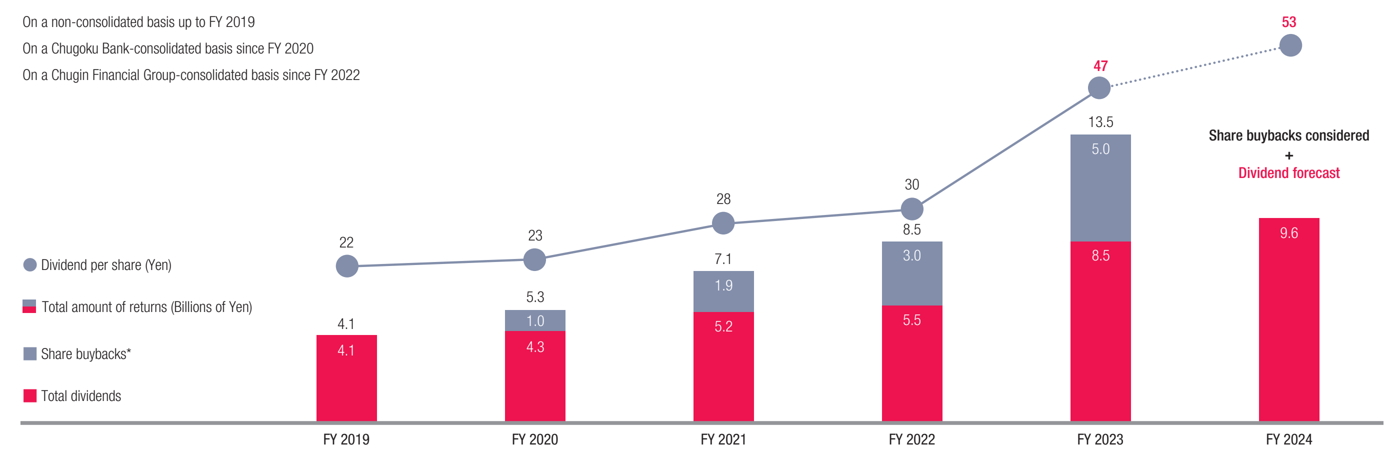
* Book value. Including listed shares, unlisted shares, and deemed holding shares.

● Shareholder Returns

We changed the goal of our shareholder return policy from raising our total payout ratio to 40% or higher through dividends and share buybacks to a dividend payout ratio of approximately 40%. We will increase dividends through profit growth.

We will carry out share buybacks flexibly through capital control (In FY 2023, we purchased ¥5.0 billion of treasury shares).

Total payout ratio	38.2%	36.9%	38.9%	41.6%	63.4%	Not yet determined
Dividend payout ratio	38.2%	29.8%	28.4%	26.9%	40.0%	約40%

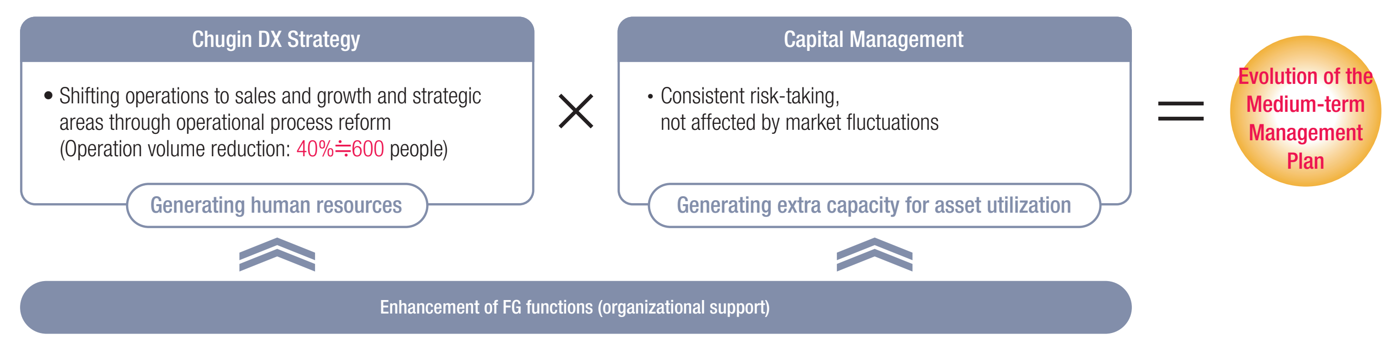


*Share buybacks are those carried out within a year of the general meeting of shareholders.

Conclusion

In addition to the initiatives noted above, we will be undertaking two new initiatives from FY 2024. The first pertains to the Chugin DX Strategy, and entails shifting operations from administrative work to sales and growth areas through operational process reform. We will reduce operation volume and reallocate human resources. The second comprises enhancing the functions of the holding company (FG). We will set in place a structure for the steady pursuit of the Chugin DX strategy and of consistent risk-taking that is not affected by market fluctuations, providing organizational support.

By advancing our current medium-term management plan through these measures, we believe that we can achieve more growth than originally planned. With regard to the ROE target of 5% or more in the current medium-term management plan, we will aim for 7% or more, and in the medium to long term, a PBR over 1.0x.



		FY ended Mar. 2024 results	At the time of formulation of the Medium-term Management Plan for FY ending Mar. 2027	Evolution of the Medium-term Management Plan for FY ending Mar. 2027	Medium to long term
PBR	ROE	Approx. 3.9%	At least 5%	ROE To 7% or more	PBR To more than 1 time
	RORA	Approx. 0.5%	At least 0.6%		
	Financial leverage ratio	Approx. 7.1 times	At least 8 times		
	PER	Approx. 11 times	Continuous improvement		

The long-term management plan, “Vision 2027: Plan for Creating the Future Together”

In March 2017, we formulated and released a 10-year long-term management plan, in what was then considered an extremely rare action for a regional bank. Titled “Vision 2027: Plan for Creating the Future Together,” the plan maps out our goal to build a sustainable business model for tackling social challenges such as population decline and creating a rich future—not just for the Chugin Group, but one that we can share with our community, customers, and employees.

We defined the Group’s Corporate Principles of “Create with our community, customers and employees a rich future that we can all share” as our long-term vision. We also established and have been implementing a framework for achieving that vision through two approaches: actions for creating a rich future, and actions for building a management foundation. The current medium-term management plan (four years) represents Stage III of the long-term management plan.

Stage I

FY 2017 to FY 2019

Structural Reforms

(Strengthen tangible aspects)

- Secure personnel and time for sales activities through thorough structural reforms (BPR Promotion Project)
- Launched Okayama Innovation Project and Okayama Tech Planter
- Concluded Okayama Co-creation Partnership
- Transitioned to TSUBASA mission-critical system and jointly developed TSUBASA Fin Tech common infrastructure
- Introduced flat meetings (invigorating internal communication)
- Introduced head office recruitment system

Stage II

FY 2020 to FY 2022

Behavioral Change

(Strengthening intangible aspects)

Strengthening our efforts in revitalization of regional economies and SDGs
- Establishing a dedicated department and sustainability committee
- Promoting revitalization of regional economies together with regions and customers

“Deepening” the sales with customers first spirit
- Introducing Regional Headquarter System and self-imposed targets
- Deepening consulting sales business and acceleration of new businesses
- Established Group companies (regional trading companies, investment specialists, staffing agencies, consulting)

Revitalization of organization
- “Major overhaul” to human resource system for the first time in 17-years
- Promoting diversity

Strengthening the digital strategies
- Accelerating digitalization of sales, administrative, and headquarters operations
- Launched Chugin App and Chugin Business Portal

Establishing a sustainable growth model
- Controlling expenses, reorganizing branches, reallocating staff, etc.

October 2022 - Transitioned to a holding company structure

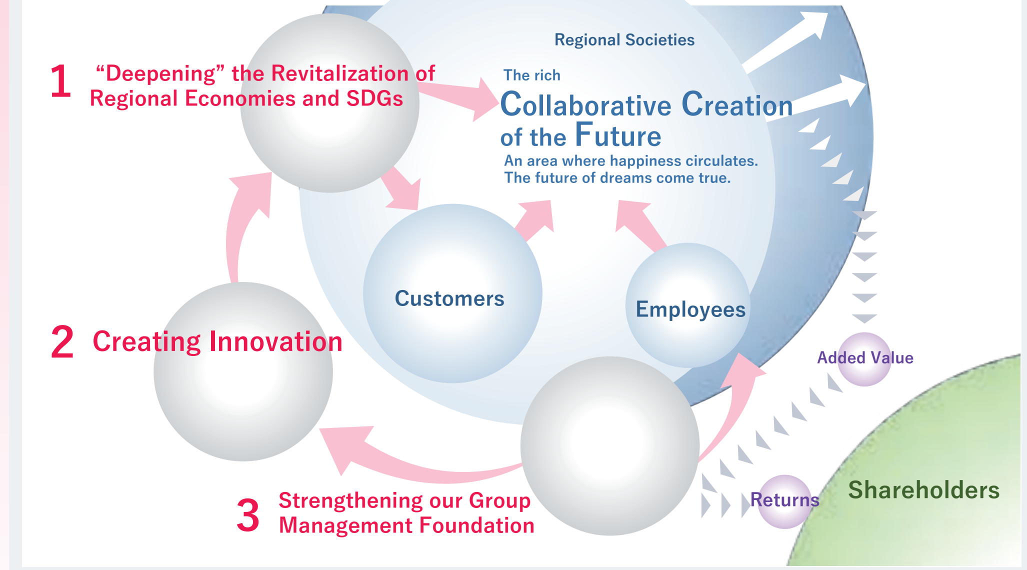
Stage III

FY 2023 to FY 2026

Demonstrating the Results and Taking on New Challenges

Plan framework

The three growth strategies of this plan are ““Deepening” the revitalization of regional economies and SDGs,” “Creating innovation,” and “Strengthening our Group management foundation.” The plan will create a virtuous cycle, thereby enabling us to realize a sustainable business model that will develop together with regional societies and customers alike.



Actions Taken in Stages I & II

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

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

Stage III KPI

Materiality-related KPIs (sustainability KPIs) have been defined for Stage III in addition to financial KPIs. Under the three growth strategies that form the plan framework (see following page), we will strive to achieve the financial KPIs through the actions taken on materialities. Of the financial KPIs, the FY 2026 targets of ¥30.0 billion in net income attributable to owners of parent and ROE of 5% or higher are also included among the long-term management plan’s KPIs.

Financial KPI	Results in FY 2023	Targets for FY 2026
Net income attributable to owners of parent	¥21.3 billion	¥30.0 billion
ROE	3.85%	5% or higher
Ratio of common equity Tier 1 (excluding valuation difference on available-for-sale securities, etc.)	12.12%	11% to 12%

Materiality	Growth strategy	Sustainability KPI	Results in FY 2023	Targets for FY 2026
Environmental management promotion	“Deepening” the revitalization of regional economies and SDGs	CO2 emissions reduction	△46%	△72%
Revitalization of regional economy and society		Cumulative execution amount of sustainable financing*2	¥942.2 billion	¥1 trillion
		Number of entrusted contracts for consultations*3	356	460
Response to low birthrate and aging society		Number of owners of 5 products in custody and housing loans	214,000	260,000
		Number of inheritance-related projects*4	553	800
DX promotion	Creating innovation	Business model transformation (operations, channels, and organizations)	—	(Qualitative assessment)
Promotion of diverse human resources	Strengthening our Group management foundation	Percentage of management/supervisory personnel that are women (bank only)	17.7%	25%
		Amount of human capital investment*5	¥0.41 billion	¥0.5 billion

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

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

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

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

*5 Amount of money invested in employees, such as training and education expenses, academic scholarship expenses, Chugin Open Lab activity expenses, and personnel expenses for taking training and secondment

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

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

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

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

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

Corresponding materialities

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

The Chugin Group is striving to co-create a rich future of mutual growth with communities and customers through its business activities.

We will contribute to the sustainable growth of communities by seeking to draw out their allure and potential through: co-creation of appealing communities by solving local challenges; co-creation of sustainable and vibrant business environments; and co-creation of stress-free, prosperous lifestyles.

We will also work to raise the level of the SDG actions of our Group’s officers and employees to further implant the SDGs in our organization.

Growth Strategy 2 Creating Innovation

Creating “New value” in order to achieve further growth

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

Corresponding materialities

- DX promotion
- Promotion of diverse human resources

Our plan also calls for us to steadily “deepen” the revitalization of regional economies and SDGs while striving to produce innovation for overcoming environmental changes that add uncertainty, solving community challenges, and continuously meeting the increasingly diverse needs of customers.

We will proactively utilize digital technologies and alliances to co-create new value, driving our innovation with the fostering of an organizational culture that inspires us to constantly challenge ourselves and with the development of an organization that leverages the diverse values and sensibilities of its people.

Growth Strategy 3 Strengthening our Group Management Foundation

Building a “Solid foundation” for implementing our growth strategies

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

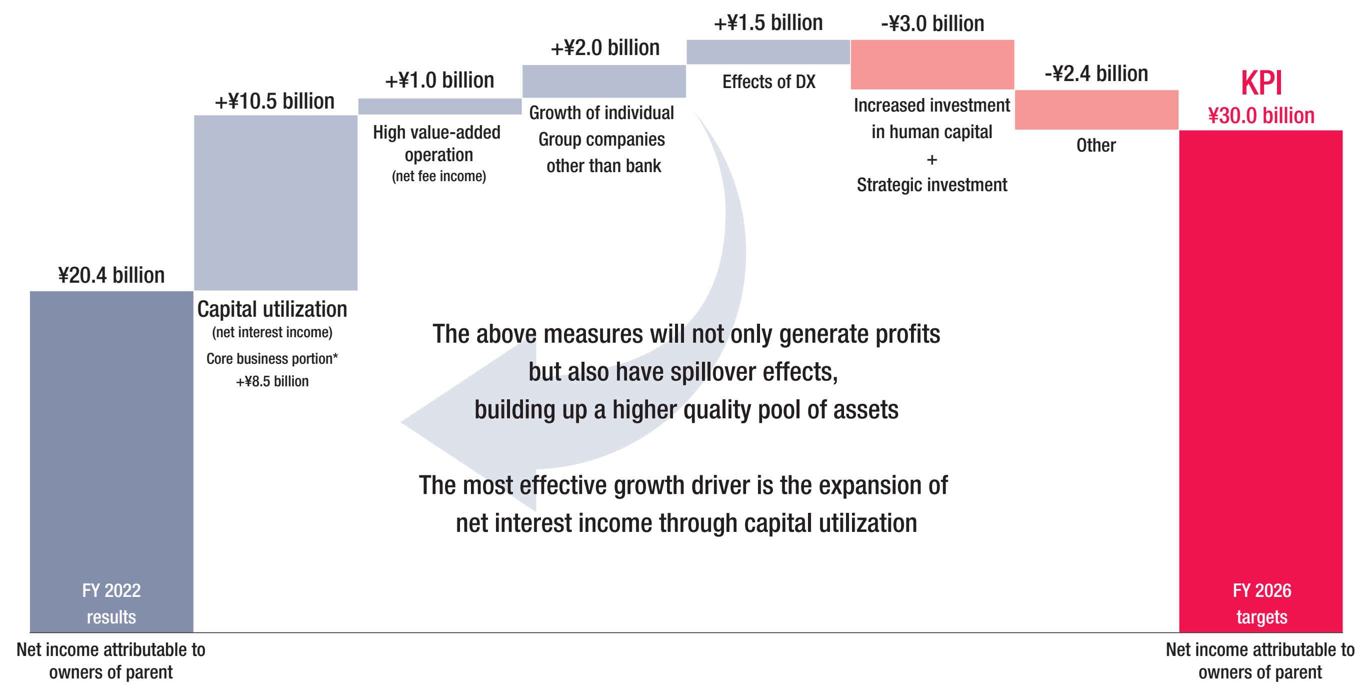
Corresponding materialities

- Promotion of diverse human resources
- Refining of governance
- DX promotion

In order to successfully “deepen” the revitalization of regional economies and SDGs and create innovation, we must establish a solid Group management foundation.

Under the plan, we will strengthen our Group management foundation so that we can flexibly adapt to the ever-changing business environment. To this end, we will appropriately allocate management resources, evolve group governance, and increase the value of our human capital, among other actions.

Conceptual Image of Profit Growth



* **Core business**: Regional business loans, personal loans, etc.

We plan to build up high quality assets by taking a wide-ranging and comprehensive approach to initiatives throughout the Group, starting with upstream business, to address the issues faced by regional societies and customers.

Growth of individual Group companies +¥2.0 billion

Enhance ability to provide customers with composite proposals by utilizing co-operation with the bank, which is their strengths

Leverage various insights and knowledge to lead efforts to solve the issues faced by communities, going beyond the bounds of finance alone

High value-added operation +¥1.0 billion

Advanced consulting to address customer issues

(Corporate) Integrated solutions that apply to everything from upstream to downstream

(Personal) Coordinate to take optimal approach based on customer life events and needs

Effects of DX +¥1.5 billion

Grow top line and gain access to more resources through reforms of business process and next-generation channel

Capital utilization +¥10.5 billion

Overall asset strategy (increase asset balance by ¥1 trillion, focusing on loans)

- Core fields: Increase in regional loans through sustainable financing, revitalization of regional economies, and share expansion
- Strategic operation fields: Reinforce strategic fields such as renewable energy, community equity, overseas branch utilization, and new businesses, including leasing
- Marketable operation fields: Pursue high risk/return (RORA, etc.) through integrated operation of loans and securities

3 Strengthening our Group management foundation

2 Creating Innovation

1 “Deepening” the Revitalization of Regional Economies and SDGs

Message from Outside Directors

Under the “Plan for Creating the Future Together: Stage III,” the medium-term management plan we launched in FY 2023, we are working to demonstrate the results and take on new challenges.

In order for us to achieve sustainable growth, we must build a business model that enables us to flexibly adapt to changes in our environment, and we must strengthen the governance that underpins that model.

Our outside directors use their external perspectives to provide diverse advice supporting the management of our Group. We spoke with three of them—Kenichi Fukuhara, Yukiyo Kiyono and Yasuhiro Hitomi—to hear their insights.

What issue do you think should be the top priority for the Chugin Financial Group? Also, tell us how you want to use your experience and insights to help us tackle that challenge.

Director Kenichi Fukuhara

I think the Group should proactively implement efforts to revitalize regional economies and carry out local support activities, as called for by the medium-term management plan’s growth strategies. The firm foundation that the Group has built in and around Okayama Prefecture is a source of strength. However, there are signs that the region’s economy is stumbling. If this situation is left unaddressed, it could be a drag on the Group’s growth. There are some promising opportunities sprouting, but not to an extent that we can say is drawing out the region’s allure and potential. As someone who was born and raised in the Omotecho shopping district*—once a central business community of the region—I will leverage my personal connections and love for my hometown to help drive creation in this region. As I do so, I will also tap into the experiences and networks I gained through Benesse Holdings development projects on Naoshima, Toyoshima and Inujima, as well as the insights I acquired while working for Nomura Securities. In addition, I will capitalize on the D&I-related experiences I gained from Benesse Holdings, a leading company in the advancement of D&I initiatives.

* Located in Kita Ward in Okayama City, Omotecho is the city’s largest shopping district, spanning around 1.4 km north and south.

What’s your opinion of the Group’s efforts to strengthen governance?

I think the Group is to be commended for formulating a Group-wide internal auditing plan in conjunction with the transition to a holding company, identifying senior management’s auditing needs, and then carrying out many audits related to themes selected from those needs or themes tied to the key actions of the medium-term management plan. The Group’s culture of honesty can be used to increase the sophistication of auditing and the three lines model of risk management. I also see promise in the Group’s serious response to recommendations from PwC on how to take internal auditing to a higher level.

I would say that the Group has a high degree of transparency. For example, outside directors have access to the handouts and minutes of major internal meetings, and the management openly responds to our questions. We also can attend onsite audits by members of the Outside Audit and Supervisory Committee, and can interview not only managers but also female employees. This is a very useful system for getting a handle on the company’s situation. Compared with the boards of other companies I’ve served on, the Group has outstanding transparency. I believe that transparency is the foundation of governance, and I will continue striving to make meaningful contributions in this regard.

Please share a message for our stakeholders.

Historically, the Chugoku Bank has been an indispensable financial institution for the Okayama area. The shrinking birthrate, population aging, and the hollowing out of rural areas are structural issues that will become more acute going forward. Against this backdrop, the Chugin Financial Group will remain an indispensable presence for the region that can offer regional growth strategies that draw out the region’s potential and allure and serve as a model for Japan as a whole. I want to play a part in that endeavor.

Tell us about the challenges that the Chugin Financial Group should take on and how you can apply your experiences and insights to them.

Director (Audit and Supervisory Committee Member)

Yukiyo Kiyono

One of the challenges where I can bring to bear my experiences and insights as a lawyer is compliance. The advice I give is grounded in the belief that compliance is not just about obeying laws and internal rules; it also should involve taking action with a high level of awareness and ethics as a leading company of the region, and developing a supportive, harassment-free workplace where everyone can find satisfaction in their job and have their human rights respected.

Another key challenge is diversity, which is a theme of the medium-term management plan and involves employing diverse talent, particularly a commitment to women’s empowerment. Since becoming an outside director, I have drawn upon my experiences of serving on a local government’s gender equality committee and delivering lectures on gender equality to emphasize the fact that proactive employment of women and incorporation of diverse opinions in management can help drive the growth of the company and the community.

How would you rate the Group’s actions for strengthening governance?

The Group appears to be taking this seriously. Management is showing a commitment to compliance as a top priority, and a Group compliance program has been rolled out to set basic goals shared across the Group and company-specific goals that reflect the characteristics of each company’s operations. However, a closer look needs to be taken to confirm that sufficient efforts are being made in light of each company’s organization, scale, operations, etc.

Turning to the employment of women, female representation on the Board of Directors stands at 20%, and women are also serving as executive officers as well as members of the boards of Group companies. Last year, many women were employed as managers for bank operations. However, more work needs to be done. Going forward, I will continue to provide advice for helping the Group to boldly advance efforts to further develop an environment that empowers women by supporting their work-life balance needs.

Please share a message for our stakeholders.

I would like to encourage the Nominating and Compensation Committee and the Board of Directors to more actively discuss the employment of diverse talent and succession planning as steps for supporting the Group’s growth. I will also work hard to help improve employee engagement and support the mutual growth of the company and its employees.

Tell us how you use your experiences and insights to contribute to the Chugin Financial Group’s management.

Director (Audit and Supervisory Committee Member)

Yasuhiro Hitomi

I used to work for SHIMANO INC., spending my entire time there in fishing tackle development and design. As a member of the developmental manufacturing industry, I did my best to develop products that met customers’ expectations, appealing ones that they would buy and find pleasure in using. In June 2022, I joined the Audit and Supervisory Committee of the Chugoku Bank, Limited, even though I didn’t know the first thing about the finance industry. I was surprised by the many cultural differences that separate it from the manufacturing sector, but I think that communicating those differences is part of my role in Board of Directors meetings and other discussions.

What’s your personal assessment of the Group?

The birth of the Chugin Financial Group is driving the gradual formation of an organization that is more convenient and more helpful to customers. There is still a ways to go, but all employees are working with the same mind to transform the company so that it will remain a trusted presence that makes a difference in people’s lives in this region. The agendas and reports of Board of Directors meetings and pre-briefings are explained in detail, creating an open environment for frank discussions. However, the decisions and policies made at the meetings are poorly communicated to the internal and external members who were absent, meaning that they do not acquire a sufficient understanding or awareness of those matters. Also, I feel that reliable corporate management is a powerful weapon, but there is a lack of urgency to how the leadership addresses the challenges raised.

Please share a message for our stakeholders.

In this era where the ability of corporate management to execute measures is being questioned, all Group companies need to challenge themselves and engage in sound risk-taking while remaining compliant and maintaining corporate governance. I will strive as an Audit and Supervisory Committee member to help the company fully leverage the advantages of transitioning to a holding company, increase the efficiency and quality of management, continue maximizing profits, and further raise its corporate value.

Message from the Chief Human Resources Officer

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

Director and Senior Managing Executive Officer **Ikuhide Harada**

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

When our Group transitioned to a holding company structure in October 2022, we adopted the group slogan "Our challenges build our future." New concepts such as DX and SX are arising, and we are living in an age of tremendous change. In order to create new added value in line with our changing times and to supply that value to our customers, I believe we must constantly take on the "challenge" of evolving ourselves.

The direction of our human capital investment

Monetary investment and time investment

"Vision 2027: Plan for Creating the Future Together" is our long-term management plan that sets forth our 10-year long-term strategy, and in FY 2023 we began the medium-term management plan "Plan for Creating the Future Together: Stage III," the final stage of the management plan. In order to maximize the power of our Group's wonderful human capital, the plan defines human capital investment as "monetary and time investments in employees toward the raising of our corporate value" and calls on us to make those investments based on two perspectives: "enriching the contents of human resources development itself (monetary investment)" and "expanding the scope of the target, the time and the duration of the human resources development (time investment)."

Specifically, our investments will be directed at building up a lineup of opportunities that motivate employees and equip them with stronger professional expertise. This includes opportunities to earn MBAs in Japan or abroad as a means of acquiring business management insights and broadening their horizons, to be assigned on loan to external companies where they can deepen their professional knowledge, and acquire diverse certifications using a larger pool of study grants.

Promoting diversity & inclusion

We are using a top-down approach to promote diversity & inclusion, guided by the belief that diverse ideas unconstrained by conventional values will revitalize our organization and thus enable us to stay abreast of our changing times.

Diverse ideas come from having a diverse workforce. Accordingly, we strive to recruit talent who have already built up a wide range of career experiences. In FY 2023, our Group hired 36 such mid-career professionals.

In order to achieve our goal to "expand our business axis while creating new value," our Group has various companies that operate businesses such as personnel placement, consulting, and renewable energy. This diverse portfolio of businesses employs talent with special expertise that normally is not cultivated in the traditional banking segment.

We are also working to rehire "alumni" (former employees), a practice that has been gaining attention in recent years. A growing number of people who retired from our Group for various reasons are coming back to our team, with three rejoining us as full-time employees in FY 2023.

In addition, we are striving to diversify our leadership, including through women's empowerment initiatives. We are able to inspire diverse talent to take on the challenge of becoming leaders by assessing each individual's traits and management skills in a way that eliminates gender or career biases. Also, we have introduced a mentorship program and taken other steps to create an environment supportive of those struggling with the challenges of being a manager.

I believe that initiatives such as these fuse together the career experiences and ideas of employees from diverse backgrounds and thus contribute to the promotion of the diversity & inclusion of our organization.

Our aim is to receive the ultimate in gratitude from our customers

According to past ES questionnaire surveys conducted by our Group, many of our employees find being thanked by customers to be rewarding and motivating, and work each day to earn the gratitude of customers. As I mentioned earlier, we are using all kinds of techniques to motivate and reward our employees to further heighten their engagement.

Needless to say, employees are at the heart of our human capital investments. When the efforts and ambitions of each and every employee combine, they provide our organization with tremendous power.

I hope that all of our employees see our changing times as opportunities, striving to earn the ultimate gratitude from our customers and constantly taking on new challenges.

Review of Operations

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

Overview of Results, etc.

Results

Regarding the results for the fiscal year ended March 31, 2024, consolidated ordinary income increased by ¥4,801 million (2.6%) year on year to ¥184,661 million due to an increase in interest income, despite a decrease in gain on sales of securities. On the other hand, consolidated ordinary expenses increased by ¥3,218 million (2.1%) year on year to ¥153,469 million, largely affected by an increase in foreign currency procurement costs, despite a decrease in loss on sales of securities. As a result, consolidated ordinary profit increased by ¥1,583 million (5.3%) year on year to ¥31,191 million, and net income attributable to owners of parent increased by ¥903 million (4.4%) year on year to ¥21,389 million.

The results by business segment are as follows.

Banking business

Ordinary income increased by ¥535 million (0.3%) year on year to ¥168,081 million due to an increase in interest income.

Ordinary profit decreased by ¥1,611 million (5.3%) year on year to ¥28,749 million, largely affected by an increase in foreign currency procurement costs.

Leasing business

Ordinary income decreased by ¥1,655 million (12.0%) year on year to ¥12,080 million and ordinary profit decreased by ¥2,834 million (77.5%) year on year to ¥821 million due to the absence of gain on sales of shares within the Group resulting from reorganization that were recorded in the previous fiscal year.

Securities business

Ordinary income increased by ¥1,002 million (33.7%) year on year to ¥3,975 million and ordinary profit increased by ¥570 million (238.4%) year on year to ¥809 million due to steady sales of equity securities, investment trusts and other assets.

Other business

Ordinary income decreased by ¥3,192 million (21.6%) year on year to ¥11,577 million and ordinary profit decreased by ¥4,221 million (35.2%) year on year to ¥7,749 million due to the absence of gain on sales of shares within the Group resulting from reorganization that were recorded in the previous fiscal year.

Cash Flows

The status of cash flows is as follows.

Cash flows from operating activities

Net cash provided by operating activities increased by ¥518.9 billion year on year to ¥115.5 billion due primarily to an increase in borrowed money.

Cash flows from investing activities

Net cash used in investing activities decreased by ¥362.5 billion year on year to ¥198.3 billion due to a decrease in sales of securities.

Cash flows from financing activities

Net cash used in financing activities decreased by ¥0.1 billion year on year to ¥7.9 billion due to increases in cash dividends paid and purchases of treasury stock.

As a result of the above, cash and cash equivalents as of the end of the fiscal year ended March 31, 2024 were ¥1,415.6 billion, down ¥90.7 billion year on year.

Dividend Policy

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

Recently, we set out to lock in ongoing ROE improvement and enhance shareholder returns so as to boost corporate value. We did so by shifting from a shareholder return policy based on a total payout ratio that was the sum of the original dividend and share buybacks to one whereby returns are boosted through share buybacks based on capital control and expansion of dividends via profit growth based on the dividend payout ratio. Specifically, we will increase dividends through profit growth, aiming for a dividend payout ratio of around 40%, while carrying out share buybacks flexibly through capital control.

Dividends

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

Share buybacks

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

For the fiscal year ended March 31, 2024, the Company have increased ordinary dividend by ¥17 from the initially planned year-end dividend of ¥15 (¥30 for the year) announced on May 12, 2023, to ¥32 (¥47 for the year), in light of the above change in shareholder return policy. With respect to the dividend policy for the fiscal year ending March 31, 2025, we aim to achieve a dividend payout ratio of around 40%, and we forecast an annual dividend of ¥53 (interim ¥26.50).

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

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

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

The balance of consolidated risk-managed loans increased by ¥6.4 billion from the end of the previous fiscal year to ¥115.5 billion.

Status of impaired loans (Millions of Yen)

	End of March, 2024
Loans in Bankruptcy/rehabilitation or similar proceedings	¥ 17,804
Loans at risk	66,346
Loans past due three months or more but less than six months	1,386
Restructured loans	29,942
Total	¥ 115,479

Ratings

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

Social Contribution through Business

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

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

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

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

Contributing to Regional Creation and Revitalization of Regional Economies

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

Actively Offering Information to the Regional Society and Our Customers

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

Compliance System Overview

Compliance

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

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

Specifically, we are involved in the following compliance activities.

(1) We have established a Group Compliance Committee under the Board of Directors and the Group Management Meeting as an organization to deliberate compliance-related matters across the Group, and we are working to improve and strengthen the Group-wide compliance framework by identifying the compliance status of Group companies and implementing the necessary measures.

(2) The Group Compliance Committee regularly verifies the progress status of Group Compliance Program plans, identifying problems and resolving challenges.

(3) We have enacted a Group Corporate Code of Conduct as the basis for conduct that conforms to social norms in the course of management and operations; the Group Behavioral Guidelines to be followed by officers and employees in the course of their duties and private lives; and a Compliance Manual that serves as a compliance handbook. Our Group Behavioral Guidelines are designed to prevent corrupt practices such as entertainment, gift-giving, and bribery that deviate from social norms. In FY 2023, no disciplinary action was taken in relation to corruption, and no fine or settlement costs were incurred.

(4) Through the implementation of various compliance-related training sessions and seminars, we are working to instill compliance practices that meets society's expectations in all officers and employees.

(5) We operate a Management Helpline as an internal reporting system that enables direct reporting to top management so as to facilitate the early detection and prevention of unethical activities by officers and employees such as legal breaches, violation of internal rules, harassment, and corruption (entertainment, gift-giving, and bribery that deviate from social norms). To encourage use of the reporting system, we accept anonymous reports, provide and enforce clear rules on maintaining report confidentiality, and prohibit identification or disadvantaging of whistleblowers. We also facilitate access to internal reporting desks by noting contact details and means of reporting on Compliance Cards that officers and employees can carry around.

(6) We take a firm stance against anti-social forces that threaten social order and safety and prevent the development of a sound economy and society. We deal with inappropriate demands by such anti-social forces as an organization and we collaborate with external specialized organizations, such as the police.

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

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

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

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

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

1. Management Policy

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

2. Organizational Structure and Officer

The Group shall define AML/CFT as one of its critical management agenda and shall clarify the internal roles and responsibilities for that purpose.

The Group shall appoint the officer in charge of the Corporate Administration Department of the Chugin Financial Group as the supervisory manager for AML/CFT. A dedicated division shall be newly established within the Corporate Administration Department of the Chugin Financial Group to provide the centralized function of ensuring the execution of measures for AML/CFT.

3. Measures for AML/CFT under Laws and Regulations

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

4. Administration of Customer Information and Policy for Handling Customers

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

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

5. Transaction Monitoring and Screening

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

6. Management of Correspondent Banks

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

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

7. Development Training of Directors and Employees

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

8. Verification of Status of Compliance

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

Corporate Governance

Corporate Governance of the Company

1. Basic principles

Our basic principles on corporate governance are as follows.

(1) The Company is committed to strengthening and enhancing the corporate governance based on our corporate principles and management vision, in order to achieve a sound and sustainable growth and a medium- to long-term improvement of the corporate value, while considering profits of all stakeholders related to the Company including the shareholders, customers, regional society, and employees.

(2) The Company strives to establish an appropriate corporate governance framework while the Board of Directors, the Audit and Supervisory Committee, and Directors recognize the fiduciary responsibility to the shareholders. The Company strives to ensure the appropriateness of the business executions and the effectiveness of audits and supervision by measures such as determining management policies and execution of important duties through adequate discussion in the Board of Directors and accurate execution of duties by Directors involved in the execution of business, alongside audits by the Board of Directors, audits by the Audit and Supervisory Committee, and appropriate maintenance and operation of the internal control system based on laws and regulations such as the Companies Act.

(3) The Company is committed to establishing the environment where the rights of shareholders are respected and properly executed, constructive dialogue is made with shareholders, and active disclosure is made for corporate information including non-financial statements, etc., as well as ensuring the real equality of shareholders.

2. Corporate governance framework

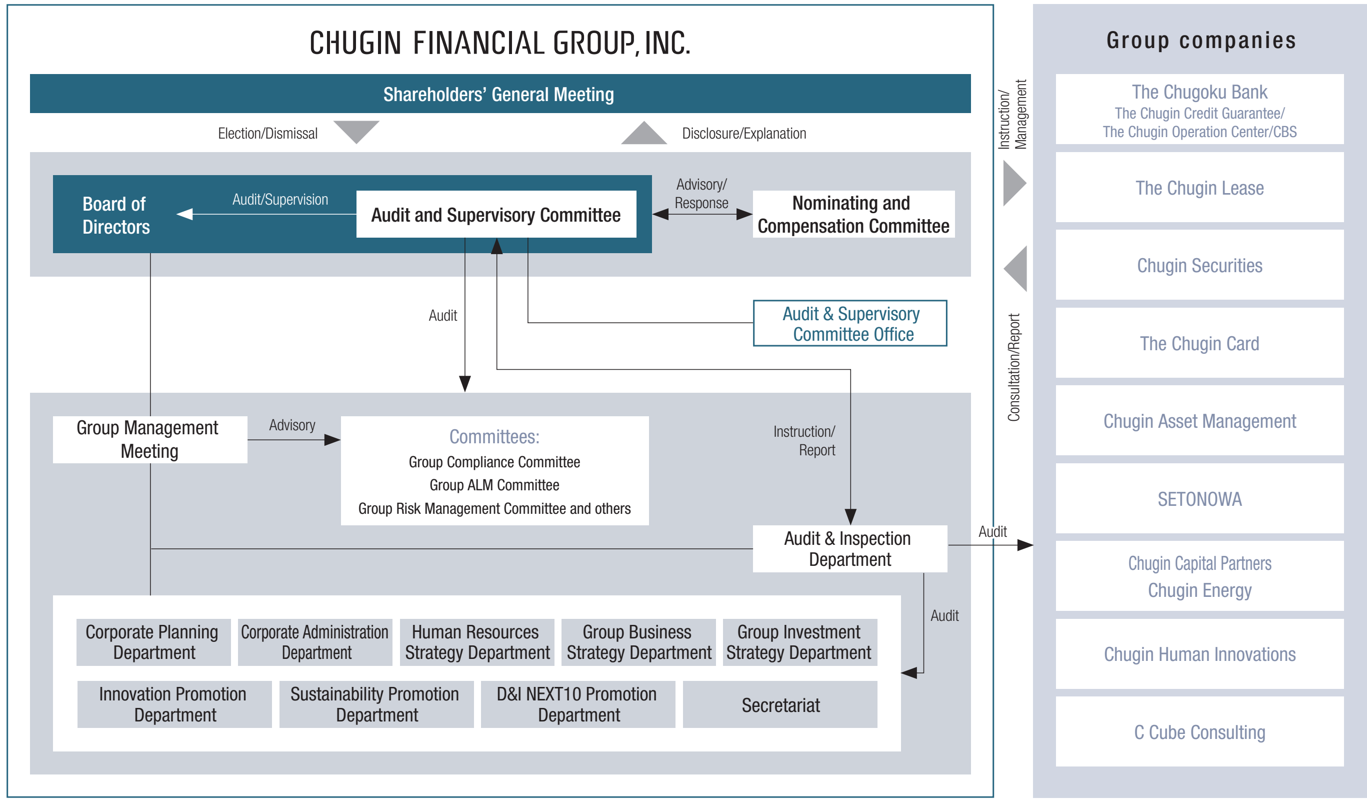
The Company has adopted the form of a company with an Audit and Supervisory Committee as its organizational design pursuant to the Companies Act. As of the end of June 2024, the Company had a total of six Directors not serving as Audit and Supervisory Committee Members (including two Outside Director) and four Directors serving as Audit and Supervisory Committee Members (including three Outside Directors).

Since voting rights at the Board of Directors are granted to Directors serving as Audit and Supervisory Committee Members at a company with an Audit and Supervisory Committee, highly effective audit and supervisory system over the Board of Directors and Directors has been secured.

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

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

Corporate governance framework



Board of Directors and Audit & Supervisory Board Members (As of June 30, 2024)

Directors


President
(Representative Director)
Sadanori Kato


Director and Senior Managing Executive Officer
(Representative Director)
Ikuhide Harada


Director and Managing Executive Officer
Soichi Yamamoto


Director and Managing Executive Officer
Shinichi Taniguchi


Outside Director
Kenichi Fukuhara

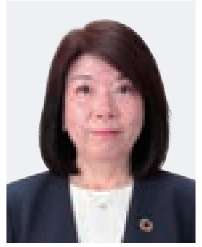

Outside Director
Yoichiro Yatsurugi

Directors (Audit and Supervisory Committee Members)


Director
(Audit and Supervisory Committee Member)
Hiroyuki Ohara


Outside Director
(Audit and Supervisory Committee Member)
Yukiyo Kiyono


Outside Director
(Audit and Supervisory Committee Member)
Yasuhiro Hitomi


Outside Director
(Audit and Supervisory Committee Member)
Emiko Ikigoshi

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

Comprehensive Risk Management System

Comprehensive Risk Management

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

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

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

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

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

▶ ALM

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

▶ Three lines of defense

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

Credit Risk Management

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

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

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

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

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

Market Risk Management

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

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

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

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

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

▶ VaR (Value at Risk)

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

Liquidity Risk Management

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

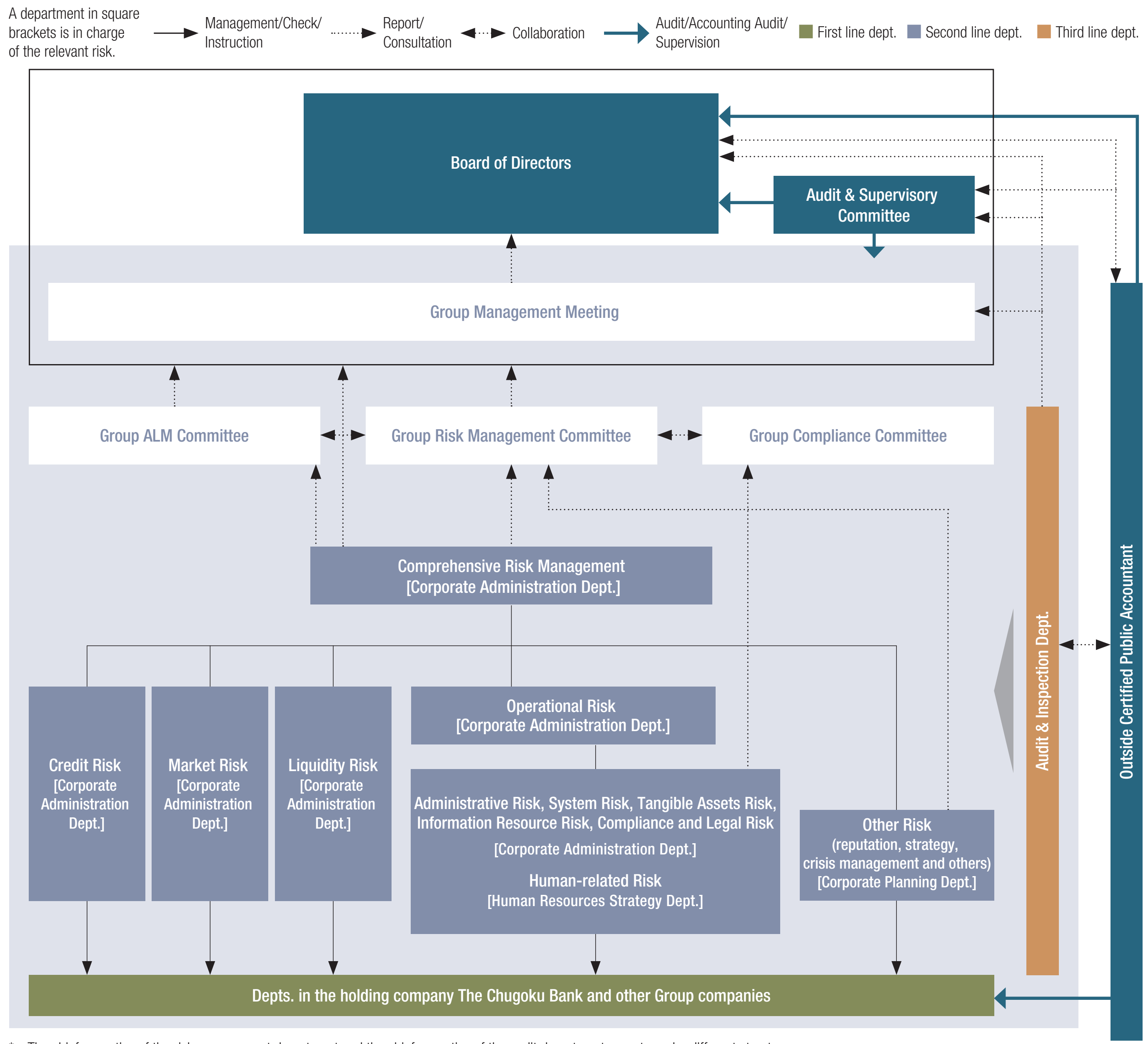
The Group recognizes the importance of fund procurement management and its basic fund procurement risks policy is to ensure a stable supply of funds. Our basic policy for managing market liquidity risks is to take into consideration the special features of markets for individual products, such as market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

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

In terms of the method of managing liquidity risks, we pay attention to the daily status of fund procurement by monitoring early warning indicators and work to limit the fund procurement risks. In addition, we manage liquidity risks by establishing management policies for fund procurement risks, such as policies for holding highly liquid assets and setting limits on the gap between funds under management and funds procured over a certain period of time.

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

Group Risk Management System



* The chief executive of the risk management department and the chief executive of the audit department operate under different structures.

* A director who has previously served as the head or officer in charge of the risk management department, and who does not concurrently hold an executive position, serves as a member of the Board of Directors (one person).

(As of June 30,2024)

Fundamental Policy for Establishment of Internal Control System (Excerpt)

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

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

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

(2) The Board of Directors shall establish systems to cut off and resolutely eliminate any and all relationships with anti-social forces.

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

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

3. Regulations and other systems concerning managing exposure to loss

(1) The Company recognizes (a) credit risks, (b) market risks, (c) liquidity risks, (d) operational risks and (e) other risks which could have a serious impact to the business as key risks involved in the execution of the Group's operations. Specific risks shall be identified and managed, and a comprehensive risk management system established. A detailed definition of each risk shall be provided in the Group's basic risk management rules.

(2) The Company shall establish an equity capital management system and an asset evaluation management system to ensure the soundness and appropriateness of the Group's operations through sufficient capital adequacy proportionate to the risks.

(3) Each type of risk shall be managed in accordance with the Group's basic risk management policy set forth in the Group's basic risk management rules and other regulations pertaining to risk management. The Corporate Administration Department shall be responsible for the comprehensive management of the Group's risks, a responsible department shall be assigned to each type of risk and such committees as the Risk Management Committee shall be established to ensure appropriate risk management.

(4) A risk management plan shall be created when formulating strategic objectives, such as business plans or the Medium-Term Management Plan. The management status of each type of risk shall be reported to the Board of Directors on a regular basis.

(5) The Company shall establish necessary systems, including the Emergency Countermeasures Headquarters in the event of unforeseen circumstances, and respond appropriately to prevent the spread of damage in accordance with the Risk Management Manual.

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

(1) Matters that impact the Group's operations, deemed to be significant matters requiring the resolution of the Board of Directors, shall be discussed and deliberated on in advance in the presence of the Audit & Supervisory Committee Members by the Group Management Committee, which is comprised of the chairman, vice chairman, president, vice president, senior managing director and managing directors.

(2) Business execution pursuant to a resolution of the Board of Directors shall be in accordance with the decision-making authority and procedures stipulated in the Rules Defining the Extent of Job Authority and various other rules.

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

(1) The Company shall establish the Group's Corporate Code of Conduct, the Guidelines for the Conduct of Group's Clerks, the Rules on Compliance with Laws and Regulations etc., and the Compliance Manual in order to ensure a compliance framework. The contents of employment regulations and other rules, as well as guidelines for the handling of business affairs and other guidelines, shall be in compliance with all pertinent laws and the Articles of Incorporation.

(2) The Group Compliance Committee chaired by the president shall be established to foster a corporate culture that emphasizes compliance, enhancing compliance systems and monitoring the status of legal compliance. The Corporate Administration Department shall be responsible for overall compliance management and shall examine various measures related to the compliance.

(3) Various measures shall be taken in a systematic manner in order to establish a compliance framework, such as the formulation and review of the annual Compliance Program, which serves as the Group's basic compliance policy and implementation plan, as well as periodic compliance-related checks and compliance training.

(4) The Audit & Inspection Department shall be established as an internal audit department independent from the business execution departments, and shall perform audits to ensure that employee duties are in compliance with laws, regulations, the Articles of Incorporation and other obligations.

(5) Should legal violations or other compliance-related facts be detected, an appropriate response shall be taken in accordance with employee regulations via the Management Help Line and other means as an internal reporting system.

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

(1) Chugin Financial Group Management Regulations shall be formulated in order to ensure appropriateness of business operations and effective business management with respect to each company of the Chugin Financial Group. Each Group company shall formulate its own rules in accordance with the Company's rules and establish systems befitting its business content and organizational structure to ensure the appropriateness of its business operations.

(2) The Company shall formulate standards related to deliberation and reporting for each company in the Chugin Financial Group and shall manage the business of the Group companies based on a system for making final decisions and receiving reports in accordance with said standards. Of the final decisions and reporting matters to the Company, those of importance shall be reported to the Company's Audit & Supervisory Committee Members. The Company shall conclude an audit agreement with each Group company and conduct internal audits.

(3) Each group company shall formulate the Group's basic risk management rules to assess and manage each type of risk as well as to establish the system of a comprehensive risk management while they deliberate and report the predetermined matters in accordance with the Chugin Financial Group Management Regulations. The Company shall respond appropriately to prevent the spread of damage in accordance with the Risk Management Manual in the event of unforeseen circumstances.

(4) Business execution pursuant to a resolution of the Board of Directors in each Chugin Financial Group company shall be in accordance with the decision-making authority and procedures stipulated in the Rules Defining the Extent of Job Authority and various other rules.

(5) The Company shall establish the Group's Corporate Code of Conduct, the Guidelines for the Conduct of Group's Clerks and the Compliance Manual to ensure a compliance framework. The contents of employment regulations and other rules shall be in compliance with laws, regulations and the Articles of Incorporation.

(6) The Chugin Financial Group shall formulate regulations concerning the Management Help Line, an internal reporting system whereby employees can report any wrongdoing directly to top management in order to maintain the sound operation thereof.

(7) Each Group company shall report any legal violations in business management or content of management guidance by the Company as well as any other compliance-related issues to the Company's Audit & Supervisory Committee Members.

(8) The Chugin Financial Group shall comply with all laws, standards and other obligations concerning accounting practices and establish an internal control system to ensure the appropriateness of the Group's financial reporting.

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

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

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

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

(1) In accordance with the Standards of Reporting to Audit & Supervisory Committee Members, directors and employees shall report to the Audit & Supervisory Committee Members matters that may have a significant impact on the Company's business and other matters essential to report in a timely manner. Notwithstanding the foregoing, the Audit & Supervisory Committee Members may also request reports from directors and employees as required.

(2) In accordance with the Chugin Financial Group Management Regulations, those who are reported from directors, Audit & Supervisory Board Members and the others in the subsidiaries shall report to the Audit & Supervisory Committee Members important matters which may have impact on the Company's business and other matters essential to report, to the Audit & Supervisory Committee Members in a timely manner.

(3) The Company and the subsidiaries shall not give any disadvantageous treatment such as dismissal to directors and employees who reported the matter due to the report.

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

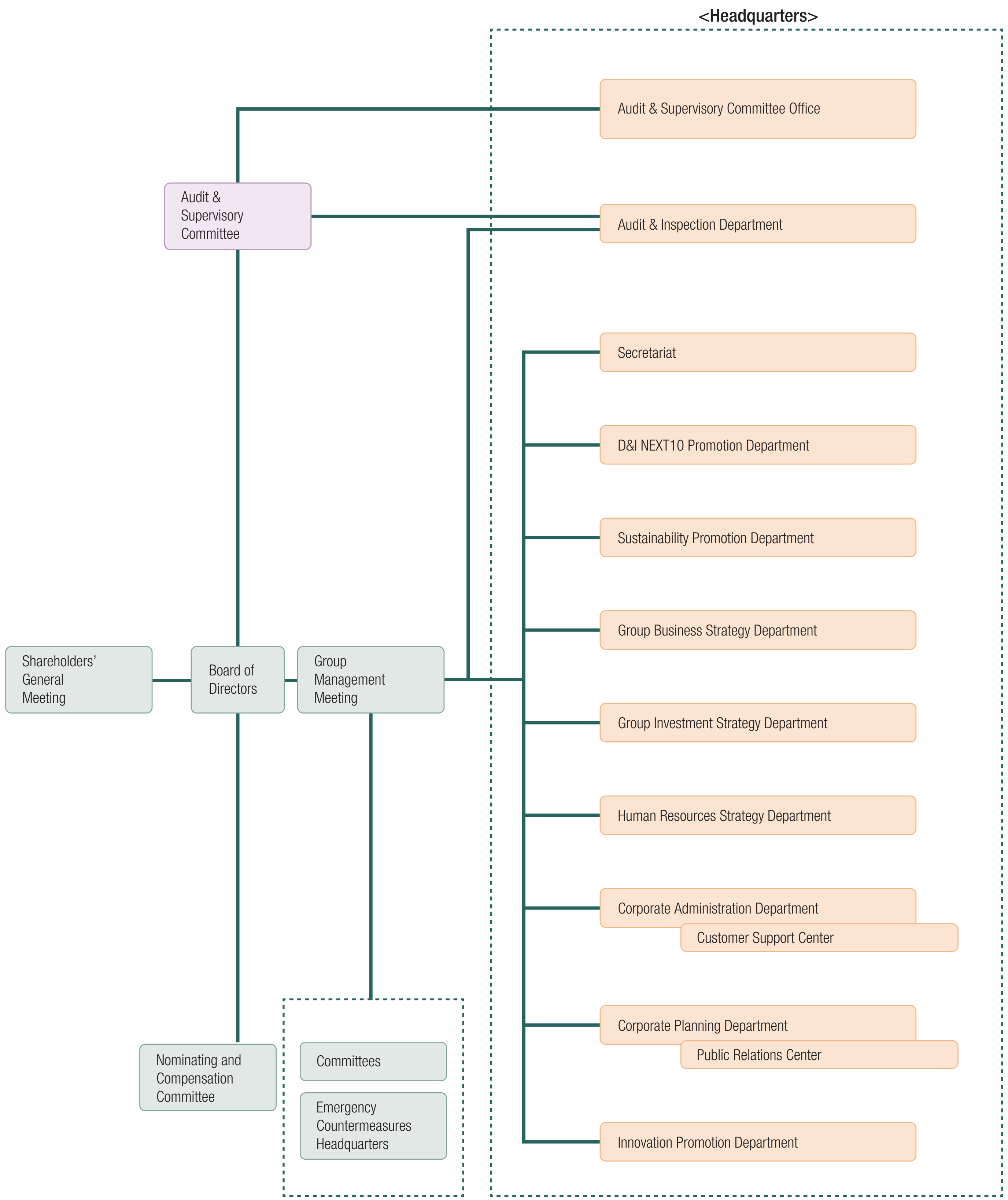
In accordance with the Auditing Standards for Audit & Supervisory Committee, the Company shall include a budget in advance for the expenses acknowledged by the Audit & Supervisory Committee to be necessary for the execution of duties. Expenses expended urgently or temporary may be claimed to the Company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

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

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

Organization Chart

(As of June 30, 2024)



Principal Operations of the Chugin Financial Group

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

Consolidated subsidiaries	Business segment
Organizational Chart for the Chugin Financial Group	
The Chugoku Bank, Limited	Banking business
Domestic offices: Head office, 126 branch offices, 5 sub-branch offices, 26 branch-in-branch offices, 2 branch-in-branch sub-branch offices, 3 special sub-branch office, 1 representative office, 1 internet branch	
Locations with ATM installed Outside branches: 199 locations (225 ATMs)	
Overseas offices: 2 branch and 3 representative offices	
CBS Company, Limited	Consigned administrative operations for banks
The Chugin Operation Center Co., Limited	Deposits, loans, exchanges, direct debits, public money services, Business processing and document management of investment trusts
The Chugin Credit Guarantee Co., Limited	Credit guarantee business
The Chugin Lease Company, Limited	Leasing businesses
The Chugin Card Company, Limited	Credit card business
Chugin Asset Management Company, Limited	Asset management business
Chugin Securities Co., Ltd.	Securities business
SETONOWA Co., Ltd.	Regional trading business
Chugin Capital Partners Co., Ltd.	Fund operation and management business
Chugin Energy Co., Ltd.	Regional energy and decarbonization business
Chugin Human Innovations Co., Ltd.	Fee-charging employment placement business
C Cube Consulting Co., Ltd.	Consulting business

(As of March 31, 2024)

Shareholder Information

(As of March 31, 2024)

Breakdown of Types of Shareholders

Category	Number of shareholders	Number of shares (Hundreds of shares)	Percentage
Government and local authorities	2	91	0.00
Financial institutions	37	500,229	27.10
Securities firms	31	45,405	2.46
Other corporations	536	509,564	27.60
Foreign investors			
Non-Individuals	207	252,565	13.68
Individuals	4	13	0.00
Individuals	14,068	538,198	29.16
Total	14,885	1,846,065	100.00
Number of shares held in less than trading units	—	164,961	—

Major Shareholders

Unit: 1,000 shares

Name of Shareholders	Number of holding shares	Percentage of outstanding shares
The Master Trust Bank of Japan, Ltd.	23,321	12.81
Custody Bank of Japan, Ltd.	8,950	4.91
Okayama Tochisouko Co., Ltd.	5,358	2.94
Nippon Life Insurance Company	4,756	2.61
KURABO INDUSTRIES LTD.	4,559	2.50
CP CHEMICAL INCORPORATED.	4,478	2.46
Chugin Financial Group Employee Stock Ownership Plan	4,282	2.35
Meiji Yasuda Life Insurance Company	3,804	2.09
Shizuka Forestry Co., Ltd.	2,370	1.30
SUMITOMO LIFE INSURANCE COMPANY	2,320	1.27
Total	64,201	35.28

Service Networks

(As of June 30, 2024)

INTERNATIONAL DIVISION:

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

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

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

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

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

Funds and Securities Department
Telephone: (81) 3-3243-0459
Facsimile: (81) 3-5255-7750

OVERSEAS OFFICES:

Hong Kong Branch
Room 1402 on the
14th Floor, York House
The Landmark,
15 Queen's Road Central,
Hong Kong,
People's Republic of China
Telephone: (852) 2523-0312
Facsimile: (852) 2521-8730

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

(As of June 30, 2024)

Location	Number of Offices
Okayama Pref.	111
Hiroshima Pref.	26
Tottori Pref.	1
Kagawa Pref.	16
Ehime Pref.	1
Hyogo Pref.	6
Osaka Pref.	1
Tokyo	1
Liaison Offices	1
Overseas Offices	5
Internet Branch	1

Shanghai Representative Office
Room 2007, Shanghai
International Trade Center,
2201 Yan-an Road (West),
Shanghai, People's Republic of China
Telephone: (86) 21-6275-1988
Facsimile: (86) 21-6275-1989

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

Bangkok Representative Office
689, Bhiraj Tower at EmQuartier,
Room No. 1901, 19th Floor,
Sukhumvit Road, Klongton-nue, Wattana,
Bangkok, Thailand
Telephone: (66) 2-261-2676
Facsimile: (66) 2-261-2677

FOREIGN TRADE OFFICES:

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

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

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

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

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

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

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

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

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

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

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

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

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

Tsuyama Branch
30-7, Sange, Tsuyama, Okayama

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

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

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

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

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

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

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

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

Takamatsu Branch
3-6, Marugamemachi, Takamatsu, Kagawa

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

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

Marugame Branch
207-6, Futaimachi, Marugame, Kagawa

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

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

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

Himeji Branch
108, Shirogane-cho, Himeji, Hyogo

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

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

Foreign Remittance Offices

96 Offices

Financial Section

Consolidated Financial Statements
Consolidated Balance Sheets

Chugin Financial Group, Inc. and its Consolidated Subsidiaries
March 31, 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					
	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	**¥ 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					
	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	Subscription rights to shares	Total net assets
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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	**2024**
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.

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:

	Millions of Yen		
	2024		
Type	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

	Thousands of U.S. Dollars		
	2024		
Type	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

	Millions of Yen		
	2023		
Type	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

	Millions of Yen		
	2024		
Type	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)

	Thousands of U.S. Dollars		
	2024		
Type	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 Carrying amount	Fair value	Difference
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 2024	2023	Thousands of U.S. Dollars 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 2024	2023	Thousands of U.S. Dollars 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 2024	2023	Thousands of U.S. Dollars 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	Contract amount (Millions of Yen, 2023)	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	Contract amount (Millions of Yen, 2024)	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	Contract amount (Thousands of U.S. Dollars, 2024)	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	Contract amount (Millions of Yen, 2023)	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	Contract amount (Millions of Yen, 2024)	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold	**¥ 728**	**¥ —**	**¥ 0**	**¥ 0**
Total			**¥ 0**	**¥ 0**

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

Type	Contract amount (Millions of Yen, 2023)	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	Contract amount (Millions of Yen, 2024)	Over 1 year	Fair value
The deferral method of hedge accounting				
Interest rate swaps				
Pay fixed/receive floating	Loans and bills discounted and available-for-sale securities (bonds)	**¥ 693,387**	**¥ 645,872**	**¥10,468**
Total				**¥10,468**

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

Type	Hedged items	Contract amount (Millions of Yen, 2023)	Over 1 year	Fair value
The deferral method of hedge accounting				
Interest rate swaps				
Pay fixed/receive floating	Loans and bills discounted and available-for-sale 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	Contract amount (Millions of Yen, 2024)	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	Contract amount (Thousands of U.S. Dollars, 2024)	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	Contract amount (Millions of Yen, 2023)	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 2024	Millions of Yen 2023	Thousands of U.S. Dollars 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.

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

(d) Supplementary information on fair values

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

(2) Fair Values of Financial Instruments

The following are the consolidated balance sheet amounts and fair values and any differences between them as 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)**	**¥ —**

	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							
	Profit (loss) or other comprehensive income in the fiscal year						
Beginning balance	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)	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
¥ 1,122	**—**	**¥ 29**	**¥ 2,995**	**—**	**—**	**¥ 4,147**	**—**

Thousands of U.S. Dollars							
2024							
	Profit (loss) or other comprehensive income in the fiscal year						
Beginning balance	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)	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
$ 7,410	**—**	**$ 191**	**$ 19,780**	**—**	**—**	**$ 27,389**	**—**

Millions of Yen							
2023							
	Profit (loss) or other comprehensive income in the fiscal year						
Beginning balance	Recorded in profit (loss)	Recorded in other compre-hensive income (*a)	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
¥ 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						
	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	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	**¥ 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						
	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	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	**$ 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						
	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	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	¥ 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.

For the year ended March 31, 2023

(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.

KPMG

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Chugin Financial Group, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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

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

	borrowers who are small and medium-size enterprises at Chugoku Bank, a consolidated subsidiary			
B	Appropriateness of the classification of borrowers who are managed by the headquarters operation (*4) at Chugoku Bank, a consolidated subsidiary	○	Applicable	—
C	Risk of management override of controls	◎	—	—
D	Changes in the accounting policies for sales and cost of sales for installment sales transactions of The Chugin Lease Co., Ltd., a consolidated subsidiary	○	—	—

*1 Areas where a significant risk (◎) or a risk of misstatement (○) was assessed to be high
*2 Areas of consolidated financial statements with a significant management judgment
*3 The key audit matters (KAM) for the previous fiscal year
*4 Management of loans and bills discounted, such as structured finance including marketable loans and loans to non-Japanese entities, by headquarters operation of the bank

The loans and bills discounted to borrowers who are managed by the headquarters operation (hereinafter, "Headquarters Loans") in "B. Appropriateness of the classification of borrowers who are managed by the headquarters operation at Chugoku Bank, a consolidated subsidiary" amounted to ¥1,234,635 million, an increase of ¥436,417 from the end of the previous fiscal year, representing 20% of the total loans and bills discounted at March 31, 2024. Headquarters Loans include loan facilities, such as loans with underlying loans or other underlying assets, loans combined with specific derivative transactions such as credit linked loans, project finance for specific projects, and object finance for acquisition of specific assets including marine vessels, real estate, and aircraft. Compared to the loans to general corporate customers, these loans have the following characteristics:

- The amount of loan per project is relatively large; and
- The repayment source, in principle, is limited to cash flows generated from the specific projects and assets subject to the finance. There are risk factors of an increasing variety and complexity that affect these cash flows, and accordingly, the risk analysis involves significant management's expert judgment.

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

We inquired of management and personnel in the primary and secondary assessment departments regarding the impact on the recoverability of the Headquarters Loans of the severe economic environment for the current fiscal year, such as inflation and soaring prices of natural resources and energy on a global basis, as well as the Headquarters Loans policy, and inspected the monitoring management materials. As a result, we determined that it was unlikely that a large amount of credit cost would arise if Chugoku Bank made a wrong classification of borrowers due to insufficient identification and management of related risks. Accordingly, we determined that "B. Appropriateness of the classification of borrowers who are managed by the headquarters operation at Chugoku Bank, a consolidated subsidiary" was not a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

As for "C. Risk of management override of controls" and "D. Changes in the accounting standards for sales and cost of sales for installment sales transactions of The Chugin Lease Co., Ltd., a consolidated subsidiary," we determined that the relative materiality of these matters was low as a result of the audit procedures that we performed. Accordingly, we determined that these matters were not key audit matters in our audit of the consolidated financial statements for the current fiscal year.
As for "A. Appropriateness of the classification of borrowers who are small and medium-size enterprises at Chugoku Bank, a consolidated subsidiary," we determined that this matter was a key audit matter in our audit of the consolidated financial statements for the current fiscal year for the reasons described below:

Appropriateness of the classification of borrowers who are small and medium-size enterprises at Chugoku Bank, a consolidated subsidiary

The key audit matter

In the consolidated balance sheet of Chugin Financial Group, Inc. and its consolidated subsidiaries (hereinafter, the "Group"), loans and bills discounted of ¥6,231,363 million were recognized, representing a significant proportion (approximately 58%) of the total assets of ¥10,763,804 million. For receivables including those loans and bills discounted, reserve for possible loan losses of ¥60,570 million was recognized. This was mainly recognized for The Chugoku Bank, Limited (hereinafter, "Chugoku Bank"), a consolidated subsidiary engaged in banking businesses.

As described in Notes 2, "Significant Accounting Policies (g) Reserve for Possible Loan Losses" and Notes 3, "Significant Accounting Estimates" to the consolidated financial statements, Chugoku Bank classified borrowers based on assessment results utilizing the internal rules on self-assessment of assets, and measured the amount of the reserve for possible loan losses for each borrower category.

As a regional financial institution, Chugoku Bank provides comprehensive financial services to contribute to the development of regional society in the Eastern Setouchi region centering on Okayama prefecture. As a characteristic of such a regional financial institution, Chugoku Bank provides loans to a relatively large number of small and medium-size enterprises (hereinafter, "SMEs"). As a result, the balance of those loans amounted to ¥3,451,084 million, representing 55% of the total loans and bills discounted.

For a number of SMEs that support the development of the regional society, the Group, as an entire group including Chugoku Bank, provides not only loans but also consulting activities in different life stages. Through these activities, Chugoku Bank is able to identify borrowers' management challenges and technical and sales

How the matter was addressed in our audit

The primary procedures we performed to assess the appropriateness of the classification of borrowers who are SMEs at Chugoku Bank included the following:

(1) Internal control testing

We assessed the design and operating effectiveness of relevant internal controls over the classification of borrowers in the self-assessment of loan quality.

In this assessment, we focused our testing on the following:

- controls to validate whether the internal rules on self-assessment criteria were set out in compliance with relevant accounting standards;
- application controls provided by IT systems over the classification of borrowers on a quantitative basis; and
- controls to ensure the effectiveness of the secondary assessment department's verification in the classification of borrowers.

(2) Assessment of the appropriateness of the classification of borrowers

In order to assess the appropriateness of the classification of borrowers who are SMEs, we:

- evaluated whether the borrowers' information, including financial data as the basis for classifying the borrowers, was sufficient and most recent information by inspecting supporting documents and comparing the information with relevant documents;
- inquired of relevant personnel in the secondary assessment department in order to assess the timeliness and appropriateness of judgments regarding qualitative factors, and inspected relevant documents that contributed to the judgments of the actual conditions of the borrowers' business. Particularly for the

capabilities. On the other hand, in classifying borrowers who are SMEs into borrower categories, Chugoku Bank considers not only the borrower's current financial position, but also qualitative factors such as the feasibility of the profit plan prepared by the borrower, future funding prospects, and the support status of financial institutions. These factors are based on various assumptions. In the current fiscal year, while the impacts of COVID-19 have been waning, the business performance of some borrowers continues to be sluggish because of the impact of increased costs due to the yen's depreciation and soaring resource and energy prices which cannot be reflected to selling prices in a timely manner. The profit plans prepared by these borrowers involve highly uncertain assumptions, such as the projection of effectiveness of business improvement measures such as raising sales prices and reducing costs. In addition, careful consideration is required regarding the status of any support provided by financial institutions. We, therefore, determined that our assessment of the appropriateness of the classification of borrowers who are SMEs at the Chugoku Bank was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	borrowers who were still in lower performance and whose financial position had deteriorated, we examined their business conditions and future projections, their cash flow conditions, and their status of financial support, if any, from financial institutions; and ● for SME borrowers who were still in lower performance due to failures to revise their selling prices in a timely manner despite the significant adverse impacts of rapid changes in the business environment such as the depreciation of the yen and soaring resource and energy prices, and whose profit plans served as a key factor for classifying the borrowers, examined the feasibility of those plans in light of the current regional economic conditions, industry trends, historical business performance and information obtained by Chugoku Bank in relation to the borrowers, among others.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the

effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 138 million yen and 10 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Suzuki Shigehisa

Designated Engagement Partner

Certified Public Accountant

Saito Koji

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

September 20, 2024

Non-consolidated Financial Statements
Non-consolidated Balance Sheets

Chugin Financial Group, Inc.
March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	**2024**
ASSETS:			
Cash and deposits	**¥ 6,930**	¥ 6,264	**$ 45,769**
Income taxes refund receivable	**627**	1,802	**4,141**
Other	**9**	0	**59**
Tangible fixed assets	**8**	8	**52**
Intangible fixed assets	**0**	0	**0**
Investments and other assets	**474,181**	474,062	**3,131,768**
Total assets	**¥ 481,758**	¥ 482,138	**$ 3,181,810**
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable - other	**¥ 76**	¥ 12	**$ 501**
Accrued expenses	**—**	11	**—**
Income taxes payable	**37**	19	**244**
Accrued consumption taxes	**32**	60	**211**
Accrued employees' bonuses	**52**	49	**343**
Other	**26**	1	**171**
Total liabilities	**¥ 225**	¥ 155	**$ 1,486**
Net assets			
Shareholders' equity			
Common stock	**¥ 16,000**	¥ 16,000	**$ 105,673**
Capital surplus	**457,686**	457,696	**3,022,825**
Retained earnings	**10,438**	9,015	**68,938**
Less treasury stock, at cost	**(2,812)**	(1,000)	**(18,572)**
Subscription rights to shares	**220**	272	**1,453**
Total net assets	**481,532**	481,983	**3,180,318**
Total liabilities and net assets	**¥ 481,758**	¥ 482,138	**$ 3,181,810**

Non-consolidated Statements of Income

Chugin Financial Group, Inc.
For the Years Ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	**2024**
Income:			
Operating revenue:			
Dividends from subsidiaries and associates	**¥ 7,000**	¥ 9,000	**$ 46,232**
Commissions from subsidiaries and associates	**1,854**	833	**12,244**
Other income:			
Interest income	**0**	0	**0**
Miscellaneous income	**19**	2	**125**
Total income	**8,874**	9,836	**58,609**
Expenses:			
Operating expenses:			
Selling, general and administrative expenses	**1,669**	739	**11,023**
Other expenses:			
Organization expenses	**—**	58	**—**
Other	**0**	0	**0**
Total expenses	**1,670**	798	**11,029**
Income before income taxes	**7,204**	9,037	**47,579**
Income taxes:			
Current	**121**	50	**799**
Deferred	**(19)**	(27)	**(125)**
	102	22	**673**
Net income	**¥ 7,101**	¥ 9,015	**$ 46,899**

Non-consolidated Statements of Changes in Net Assets

Chugin Financial Group, Inc.
For the Years Ended March 31, 2024 and 2023

	Millions of Yen					
	2024					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets
Balance at beginning of year	**¥ 16,000**	**¥ 457,696**	**¥ 9,015**	**¥ (1,000)**	**¥ 272**	**¥ 481,983**
Net income			**7,101**			**7,101**
Cash dividends			**(5,678)**			**(5,678)**
Purchases of treasury stock				**(2,000)**		**(2,000)**
Disposals of treasury stock		**(10)**		**187**		**177**
Net changes in items other than shareholders' equity					**(51)**	**(51)**
Net changes during the year	**—**	**(10)**	**1,423**	**(1,812)**	**(51)**	**(450)**
Balance at end of year	**¥ 16,000**	**¥ 457,686**	**¥ 10,438**	**¥ (2,812)**	**¥ 220**	**¥ 481,532**

	Millions of Yen					
	2023					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets
Balance at beginning of year	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Net income			9,015			9,015
Changes by share transfer	16,000	457,696				473,696
Purchases of treasury stock				(1,000)		(1,000)
Net changes in items other than shareholders' equity					272	272
Net changes during the year	16,000	457,696	9,015	(1,000)	272	481,983
Balance at end of year	¥ 16,000	¥ 457,696	¥ 9,015	¥ (1,000)	¥ 272	¥ 481,983

	Thousands of U.S. Dollars (Note 1)					
	2024					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Subscription rights to shares	Total net assets
Balance at beginning of year	**$ 105,673**	**$ 3,022,891**	**$ 59,540**	**$ (6,604)**	**$ 1,796**	**$ 3,183,297**
Net income			**46,899**			**46,899**
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					**(336)**	**(336)**
Net changes during the year	**—**	**(66)**	**9,398**	**(11,967)**	**(336)**	**(2,972)**
Balance at end of year	**$ 105,673**	**$ 3,022,825**	**$ 68,938**	**$ (18,572)**	**$ 1,453**	**$ 3,180,318**

Disclosure Policy

The Chugin Financial Group proactively undertakes the disclosure of information in order that customers, investors, business partners and other parties can more accurately understand matters concerning the Company as a result of conducting timely and appropriate information disclosure.

This includes disclosing information in a timely manner by producing disclosure pamphlets, business reports, annual reports and financial reports as well as via our website and other mediums.

The Chugin Financial Group will continue to endeavor to disclose information in an appropriate and timely manner.

Forward-looking Statements

This annual report contains forward-looking statements regarding the future results and performance of Chugin Financial Group. Such forward-looking statements are based on current information and assumptions. Please be advised that actual results could differ materially from those anticipated by the forward-looking statements due to a variety of factors.