

Annual Report

Financial Data

2025

(For the year ended March 31, 2025)

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Financial Section and Corporate Profile

Consolidated Balance Sheet

Kyoto Financial Group, Inc. and Consolidated Subsidiaries As of March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
ASSETS:			
Cash and due from banks (Notes 6 and 29)	¥ 1,341,005	¥ 962,778	\$ 8,968,734
Call loans and bills bought (Note 29)	58,666	368,746	392,366
Monetary claims bought	15,007	15,786	100,373
Trading securities	277	221	1,858
Money held in trust (Note 8)	6,306	6,226	42,175
Securities (Notes 7, 13, 18 and 29)	3,304,862	3,336,568	22,103,143
Loans and bills discounted (Notes 10, 13, 14 and 29)	7,268,234	6,717,532	48,610,447
Foreign exchanges (Note 11)	8,725	9,013	58,358
Lease receivables and investment assets (Note 26)	38,137	13,717	255,066
Other assets (Notes 13 and 29)	52,503	79,048	351,144
Tangible fixed assets (Note 12)	78,421	76,590	524,486
Buildings	27,610	28,157	184,657
Land (Note 15)	43,794	43,160	292,899
Construction in progress	2,488	555	16,646
Other tangible fixed assets	4,527	4,716	30,283
Intangible fixed assets	6,022	3,416	40,279
Software	4,007	2,291	26,800
Other intangible fixed assets	2,015	1,124	13,478
Goodwill	1,426		9,543
Asset for employees' retirement benefits (Note 27)	127		853
Deferred tax assets (Note 28)	1,064	1,046	7,120
Customers' liabilities for acceptances and guarantees (Note 18)	13,504	20,519	90,317
Allowance for loan losses (Note 3)	(33,153)	(34,660)	(221,730)
TOTAL ASSETS	¥12,161,140	¥11,576,552	\$81,334,539
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 13, 16 and 29)	¥ 9,572,031	¥ 9,365,326	\$64,018,400
Call money and bills sold	64,293	1,714	430,000
Payables under securities lending transactions (Notes 13 and 29)	634,502	500,070	4,243,595
Borrowed money (Notes 13 and 17)	437,330	193,750	2,924,892
Foreign exchanges (Note 11)	225	743	1,511
Borrowed money from trust account	3,727	3,990	24,931
Other liabilities (Note 29)	92,530	59,382	618,848
Liability for employees' retirement benefits (Note 27)	12,092	23,592	80,872
Liability for reimbursement of deposit losses	97	157	648
Liability for contingent losses	956	761	6,393
Reserves under special laws	0	0	6
Deferred tax liabilities (Note 28)	243,209	262,112	1,626,602
Deferred tax liabilities for land revaluation (Note 15)	3,445	3,349	23,042
Acceptances and guarantees (Note 18)	13,504	20,519	90,317
Total liabilities	11,077,946	10,435,470	74,090,065
EQUITY (Notes 19, 21 and 33):			
Common stock—authorized, 800,000 thousand shares; issued, 301,362 thousand shares in 2025 and 303,362 thousand shares in 2024	40,000	40,000	267,522
Capital surplus	37,473	41,875	250,628
Stock acquisition rights	193	208	1,296
Retained earnings	458,718	441,188	3,067,942
Treasury stock—at cost, 11,388 thousand shares in 2025 and 11,199 thousand shares in 2024	(25,195)	(24,654)	(168,508)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 9)	566,698	645,029	3,790,120
Deferred gain on derivatives under hedge accounting	430	28	2,879
Land revaluation surplus (Note 15)	(2,766)	(2,699)	(18,505)
Defined retirement benefit plans	7,434	105	49,722
Noncontrolling interests	205		1,374
Total equity	1,083,193	1,141,082	7,244,473
TOTAL LIABILITIES AND EQUITY	¥12,161,140	¥11,576,552	\$81,334,539

See notes to consolidated financial statements.

Consolidated Statement of Income

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 63,992	¥ 53,034	\$ 427,989
Interest and dividends on securities	41,460	37,176	277,293
Interest on call loans and bills bought	4,253	5,539	28,448
Other interest income	2,509	1,290	16,783
Trust fees	6	7	46
Fees and commissions	26,067	24,121	174,343
Other operating income (Note 22)	21,254	9,385	142,151
Other income:			
Gains on sales of stocks and other securities	6,127	5,392	40,983
Other income (Note 23)	1,652	2,851	11,054
Total income	167,326	138,799	1,119,094
EXPENSES:			
Interest expenses:			
Interest on deposits	17,395	12,681	116,343
Interest on borrowed money	451	7	3,017
Other interest expenses	10,035	4,418	67,115
Fees and commissions	7,642	6,777	51,116
Other operating expenses (Note 24)	17,724	9,419	118,543
General and administrative expenses	61,284	58,064	409,875
Other expenses (Note 25)	2,304	3,456	15,410
Total expenses	116,838	94,823	781,423
INCOME BEFORE INCOME TAXES	50,488	43,976	337,670
INCOME TAXES (Note 28):			
Current	13,445	11,657	89,921
Deferred	488	679	3,267
NET INCOME	36,554	31,638	244,480
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2	66	15
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 36,552	¥ 31,572	\$ 244,465

	Yen		U.S. Dollars
	2025	2024	2025
PER SHARE INFORMATION (Notes 2.s, 20 and 33):			
Basic net income	¥125.11	¥106.55	\$0.83
Diluted net income	125.03	106.47	0.83
Cash dividends applicable to the year	60.00	115.00	0.40

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME	¥ 36,554	¥ 31,638	\$ 244,480
OTHER COMPREHENSIVE (LOSS) INCOME (Note 31)	(70,694)	145,598	(472,808)
Unrealized (loss) gain on available-for-sale securities	(78,330)	143,158	(523,880)
Deferred gain (loss) on derivatives under hedge accounting	402	(198)	2,689
Land revaluation surplus	(98)		(657)
Defined retirement benefit plans	7,332	2,638	49,040
COMPREHENSIVE (LOSS) INCOME	¥ (34,139)	¥177,237	\$ (228,328)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (34,145)	¥177,075	\$ (228,368)
Noncontrolling interests	6	161	40

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2025

	Thousands	Millions of Yen												
	Outstanding of Shares of Common Stock (Note 20)	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Noncontrolling Interests	Total Equity
							Unrealized Gain on Available-for- Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans				
BALANCE AT APRIL 1, 2023	74,345	¥42,103	¥34,158	¥264	¥421,490	¥ (8,521)	¥501,966	¥ 227	¥(2,677)	¥(2,533)	¥ 986,479	¥ 2,747	¥ 989,226	
Changes by stock split	227,522													
Changes by share transfer		(2,103)	6,261			(4,157)								
Purchase of shares of consolidated subsidiaries			1,475			895					2,370		2,370	
Net income attributable to owners of the parent					31,572						31,572		31,572	
Cash dividends, ¥160.00 per share*					(11,896)						(11,896)		(11,896)	
Purchases of treasury stock	(9,829)					(13,011)					(13,011)		(13,011)	
Disposals of treasury stock	126		(19)			139					119		119	
Reversal of land revaluation surplus					21						21		21	
Net change in the year				(55)			143,062	(198)	(21)	2,638	145,425	(2,747)	142,677	
BALANCE AT MARCH 31, 2024	292,163	40,000	41,875	208	441,188	(24,654)	645,029	28	(2,699)	105	1,141,082		1,141,082	
Net income attributable to owners of the parent					36,552						36,552		36,552	
Purchase of shares of consolidated subsidiaries														
Cash dividends, ¥65.00 per share					(18,991)						(18,991)		(18,991)	
Purchases of treasury stock	(2,227)					(5,028)					(5,028)		(5,028)	
Disposals of treasury stock	38		1			84					86		86	
Cancellation of treasury stock			(4,402)			4,402								
Reversal of land revaluation surplus					(30)						(30)		(30)	
Net change in the year				(14)			(78,330)	402	(67)	7,328	(70,682)	205	(70,476)	
BALANCE AT MARCH 31, 2025	289,974	¥40,000	¥37,473	¥193	¥458,718	¥(25,195)	¥566,698	¥ 430	¥(2,766)	¥ 7,434	¥1,082,988	¥ 205	¥1,083,193	

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for- Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT APRIL 1, 2024	\$267,522	\$280,064	\$1,393	\$2,950,700	\$(164,890)	\$4,314,001	\$ 189	\$(18,052)	\$ 707	\$7,631,637		\$7,631,637
Net income attributable to owners of the parent				244,465						244,465		244,465
Purchase of shares of consolidated subsidiaries												
Cash dividends, \$0.43 per share				(127,018)						(127,018)		(127,018)
Purchases of treasury stock					(33,633)					(33,633)		(33,633)
Disposals of treasury stock		10			568					578		578
Cancellation of treasury stock		(29,446)			29,446							
Reversal of land revaluation surplus				(204)						(204)		(204)
Net change in the year			(97)			(523,880)	2,689	(453)	49,014	(472,726)	\$1,374	(471,351)
BALANCE AT MARCH 31, 2025	\$267,522	\$250,628	\$1,296	\$3,067,942	\$(168,508)	\$3,790,120	\$2,879	\$(18,505)	\$49,722	\$7,243,098	\$1,374	\$7,244,473

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income before income taxes	¥ 50,488	¥ 43,976	\$ 337,670
Depreciation	4,585	3,354	30,670
Losses on impairment of long-lived assets	24	73	161
Amortization of goodwill	70		469
Equity in earnings of an affiliated company	(6)	(3)	(42)
Increase in allowance for loan losses	(1,509)	(2,708)	(10,095)
Increase in asset for employees' retirement benefits	(2)		(17)
Decrease in liability for employees' retirement benefits	(894)	(287)	(5,984)
Decrease in liability for reimbursement of deposit losses	(60)	(62)	(401)
Increase in liability for contingent losses	195	182	1,304
Interest income	(112,216)	(97,040)	(750,514)
Interest expense	27,882	17,106	186,477
Gains on securities	(2,843)	(2,213)	(19,016)
Gains on money held in trust	(80)	(226)	(538)
Foreign exchange losses (gains)	1,687	(11,885)	11,284
Losses (gains) on sales of fixed assets	402	(476)	2,694
Net (increase) decrease in trading securities	(56)	0	(379)
Net increase in loans	(550,701)	(419,451)	(3,683,127)
Net increase in deposits	439,153	454,034	2,937,090
Net decrease in negotiable certificates of deposit	(232,448)	(162,879)	(1,554,631)
Net increase (decrease) in borrowed money (excluding subordinated loans)	195,320	(60,340)	1,306,313
Net decrease in due from banks (excluding due from Bank of Japan)	14,925	568	99,824
Net decrease in call loans and bills bought	310,858	46,843	2,079,043
Net increase in call money	62,579	1,714	418,536
Net increase in payables under securities lending transactions	134,432	107,569	899,090
Net decrease (increase) in foreign exchanges (assets)	287	(1,254)	1,923
Net (decrease) increase in foreign exchanges (liabilities)	(517)	510	(3,462)
Net increase in lease receivables and investment assets	(2,921)	(1,075)	(19,542)
Net decrease in borrowed money from trust account	(263)	(183)	(1,759)
Interest and dividends received (cash basis)	113,344	95,877	758,056
Interest paid (cash basis)	(25,528)	(16,654)	(170,739)
Other-net	88,240	(21,707)	590,158
Subtotal	514,426	(26,638)	3,440,516
Income taxes - paid	(12,810)	(10,121)	(85,678)
Net cash provided by (used in) operating activities-(Forward)	¥ 501,615	¥ (36,759)	\$ 3,354,838
INVESTING ACTIVITIES:			
Purchases of securities	¥(1,327,383)	¥ (960,078)	\$ (8,877,631)
Proceeds from sales of securities	1,010,940	501,641	6,761,241
Proceeds from redemption of securities	241,298	280,063	1,613,817
Proceeds from withdraw money held in trust		7,305	
Purchases of tangible fixed assets	(4,377)	(3,811)	(29,279)
Proceeds from sales of tangible fixed assets	133	1,234	893
Purchases of intangible fixed assets	(1,901)	(1,699)	(12,716)
Payments for asset retirement obligations		(27)	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,292)		(22,023)
Other-net	(294)	(189)	(1,969)
Net cash used in investing activities	(84,877)	(175,561)	(567,666)
FINANCING ACTIVITIES:			
Purchases of treasury stock	(5,028)	(13,011)	(33,633)
Dividends paid by the Company	(18,991)	(11,896)	(127,018)
Dividends paid by subsidiaries to noncontrolling shareholders		(3)	
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(535)	
Net cash used in financing activities	(24,020)	(25,446)	(160,651)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	392,717	(237,767)	2,626,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	929,545	1,167,312	6,216,862
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	¥ 1,322,262	¥ 929,545	\$ 8,843,382

See notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2025

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kyoto Financial Group, Inc. (the "Company") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and the Enforcement Regulation for the Banking Law and in accordance with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements for the fiscal year ended March 31, 2024, were prepared by taking over the consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank"), which became a wholly owned subsidiary through a sole-share transfer. Therefore, the consolidated financial statements for the fiscal year ended March 31, 2024, include the consolidated financial statements for the six months ended September 30, 2023, of the Bank.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. All yen figures for 2025 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥149.52 to \$1, the approximate rate of exchange at March 31, 2025. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2025, include the accounts of the Company and its eleven significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Kyoto Turnaround Servicer Co., Ltd. is included in the scope of consolidation from the current fiscal year due to the new establishment, and Sekisui Lease Co., Ltd. is included in the scope of consolidation from the current fiscal year through the acquisition of shares.

Investments in one affiliated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and an affiliated company are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized gains included in assets resulting from transactions within the Group is also eliminated.

b. Cash Equivalents – For purposes of the consolidated statement of cash flows, the Group considers deposits with the Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

c. Trading Securities – Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

d. Securities – Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. Derivatives and Hedging Activities – Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (cash flow hedge) based on the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (the "JICPA") Industry Committee Practical Guidelines No. 24, March 17, 2022).

The Bank applies deferral hedge accounting based on the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020) to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

f. Tangible Fixed Assets – Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after

April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Company and other consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

g. Intangible Fixed Assets – Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for the Group's internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

h. Long-Lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective fixed assets.

i. Allowance for Loan Losses – The amount of the allowance for loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system of the Bank. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the standards for self-assessment of asset quality of the Bank.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as "legal bankruptcy" or "virtual bankruptcy," a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as "possible bankruptcy," a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors with a certain amount of credit or more who are classified as "possible bankruptcy" and debtors with restructured loans, if the cash flows from collection of the principal and interest

can be reasonably estimated, the reserve is provided based on the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying amounts of the loans (the DCF method).

Debtors classified as "caution" are the ones that the Bank pays attention to due to a certain level of concern about their operation and repayment of the loans. Among the debtors classified as "caution," for claims to debtors to whom the Bank pays more attention due to a higher level of concern, an allowance is provided for expected losses for the subsequent 3 years. Expected losses are estimated using the expected loss rate which is based on the average rate of historical loan loss experience for the past 3 years with the long-term perspective. For claims to debtors classified as "caution" excluding the above and as "normal" who do not have specific operational and financial problems, an allowance is provided for expected losses for the subsequent 1 year. Expected losses are estimated using the expected loss rate which is based on the rate of historical loan loss experience for the past 1 year with the long-term perspective. The Bank also uses certain assumptions to estimate the possible credit loss for debtors who are classified as "caution" because of significant uncertainty regarding the feasibility of implementing a management improvement plan. For those debtors, the Bank assumed the risk of credit loss is equal to the risk of credit loss for the debtors under possible bankruptcy and calculated the allowance for loan losses using the same credit loss rate with the one applied to the estimated unsecured portion of claims for the debtors under possible bankruptcy.

Other consolidated subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. Reserves under Special Laws – The reserves under special laws represents financial instruments transaction liability reserve recorded by a consolidated subsidiary as determined in accordance with the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business to provide for losses arising from security-related accidents.

k. Liability for Employees' Retirement Benefits – The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. A part of consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to calculate the liability for employees' retirement benefits and retirement benefit expenses.

The Bank accounts for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

- l. Liability for Reimbursement of Deposit Losses** – A liability for reimbursement of deposits which was derecognized as a liability, is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.
- m. Liability for Contingent Losses** – A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the “responsibility-sharing system” on October 1, 2007. The liability is calculated by estimating future burden charges and other payments to the Credit Guarantee Corporation.
- n. Foreign Currency Transactions** – Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.
- o. Amortization of Goodwill**
Goodwill is amortized using the straight-line method over 16 years.
- p. Stock Options** – Compensation expense for employee stock options, which were granted on and after May 1, 2006, are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (the “ASBJ”) Statement No. 8, “Accounting Standard for Stock Options.” In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.
- q. Leases**
Lessee
Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.
All other leases are accounted for as operating leases.

Lessor
Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.
- r. Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- s. Per Share Information** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share reflects the potential dilution that could occur if securities are exercised or converted into common

stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal year including dividends to be paid after the end of the year. Also “Cash dividends per share” for the fiscal year ended March 31, 2024, is stated at the amount before stock splits (see Note 20).

t. Business Combinations – Business combinations are accounted for using the purchase method.

Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date.

Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

The Company completed the purchase price allocation by the end of the reporting period. A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary.

The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary.

Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

u. Unapplied Accounting Standard and Implementation Guidance
“Accounting Standard for Leases” (ASBJ Statement No. 34 issued on September 13, 2024)
“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33 issued on September 13, 2024), etc.

In addition, related accounting standards, guidelines for application of accounting standards, practical response reports, and transfer guidelines have been revised.

(1) Overview
In line with international accounting standards, it stipulates the treatment of all leases of a lessee such as recording assets and liabilities.

- (2) Effective date**
It is scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.
- (3) Impact of the application of the accounting standards, etc.**
The amount of the impact on the consolidated financial statements is currently being assessed.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for Loan Losses

- (1) Allowance for loan losses at March 31, 2025 and 2024, was as follows:
- | | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|---------|---------------------------|
| | 2025 | 2024 | 2025 |
| Allowance for loan losses | ¥33,153 | ¥34,660 | \$221,730 |
- (2) Information concerning important accounting estimates
Method of calculating allowance for loan losses is described in the Note 2.j.
- The debtor classification is determined based on the financial information about the debtors. For debtors with poor financial results, the rating may rely on judgment as to how reasonable and feasible their business improvement plans are. Therefore, debtors have been classified using certain assumptions about their business outlook and the business environment.
- Under these assumptions, the Bank has recorded an allowance for loan losses factoring in potential losses due to change in the assumed business outlook and current business environment. For specific debtors in situations where there remains significant uncertainty regarding the feasibility of implementing a management improvement plan, the Bank assumed their risk of credit loss is equal to the risk of credit loss for debtors under possible bankruptcy and calculated the allowance for loan losses using the same credit loss rate with the one applied to the estimated unsecured portion of claims for debtors under possible bankruptcy.
- The allowance for loan losses is provided based on the debtors’ rating, after asset assessments for all loans based on the self-assessment standards. However, the estimates made for the allowance for loan losses have high uncertainty because debtors’ financial situation constantly changes and especially as business improvement plans usually take a long period of time to carry out. In addition, drastic changes in economic conditions may significantly affect the amount of allowance for loan losses on the consolidated financial statements for the following fiscal year.

4. CHANGES IN ACCOUNTING POLICIES

The “Accounting Standards for Current Income Taxes” (ASBJ Statement No. 27 issued on October 28, 2022), etc. have been applied since the beginning of the current fiscal year.

There will be no impact on consolidated financial statements.

5. BUSINESS COMBINATION

Corporate Acquisition through Share Acquisition

Based on the share transfer agreement concluded on February 29, 2024, the Company acquired shares in Sekisui Leasing Co., Ltd. and converted the company into its subsidiary on June 3, 2024.

a. Overview of business combination

- (1) Name and business description of the company to be acquired
Name: Sekisui Leasing Co., Ltd.
Business description: General leasing business
- (2) Primary reason for business combination
In order to realize the Group’s vision of becoming a “comprehensive solutions provider that drives community growth and creates the future together,” the Group is working to expand the range of solutions it can provide. Sekisui Leasing Co., Ltd. is a company that operates a stable leasing business with the SEKISUI CHEMICAL Group as its primary customer. This share acquisition will expand the Group’s leasing business and help us offer our customers a greater range of solutions by allowing us to leverage the know-how and trading base, etc. of Kyogin Lease Co., Ltd., a subsidiary of the Company and Sekisui Leasing Co., Ltd. In doing this, we will strive to help customers find solutions to management issues while also further increasing the corporate value of the Group.
- (3) Date of business combination
June 3, 2024
- (4) Legal form of business combination
Share acquisition in consideration for cash
- (5) Name of the company after combination
Unchanged
- (6) Ratio of voting rights before and after acquisition
Voting rights ratio before change: 0.0%
Voting rights ratio after change: 90.0%
- (7) Basis of determining the company to be acquired
It is based on the fact that the Company acquired 90% of voting rights by means of share acquisition in consideration for cash.
- b. The period of financial performance of the acquired company**
Since June 30, 2024 is the deemed acquisition date, the performance from July 1, 2024 to March 31, 2025, is included.
- c. Acquisition cost and breakdown by type of consideration**
Consideration (cash): ¥3,293 million (\$22,023 thousand)
Acquisition cost: ¥3,293 million (\$22,023 thousand)
- d. Description and amount of major acquisition-related expenses**
Advisory fees, etc.: ¥118 million (\$790 thousand)
- e. Amount of goodwill, the reason for the goodwill arising, amortization method, and amortization period**
- (1) Amount of goodwill
¥1,497 million (\$10,012 thousand)
- (2) Reason for the goodwill arising
The goodwill has arisen because the acquisition cost exceeded the fair value of the net assets of the acquired company at the time of business combination.
- (3) Amortization method and amortization period
Equal amortization over 16 years

Financial Section and Corporate Profile

f. Amounts of assets received and liabilities assumed on the date of the business combination and their breakdown

(1) Assets		
Total assets:	¥52,997 million (\$354,449 thousand)	
Of which, lease receivables and lease investment assets:	¥21,714 million (\$145,229 thousand)	
(2) Liabilities		
Total liabilities:	¥51,007 million (\$341,138 thousand)	
Of which, borrowings:	¥48,260 million (\$322,766 thousand)	

g. Amount allocated to intangible assets other than goodwill, breakdown by type, and amortization period

Customer-related assets:	¥1,802 million (\$12,051 thousand)
Amortization period:	16 years

h. Estimated amount of impact on the consolidated statement of income for the current fiscal year assuming that the business combination was completed on the date of commencement of the current fiscal year and the method of calculation thereof

The impact is minor.

6. CASH AND CASH EQUIVALENTS

(1) The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2025 and 2024, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Cash and due from banks	¥1,341,005	¥962,778	\$8,968,734
Due from banks, excluding due from Bank of Japan	(18,742)	(33,233)	(125,352)
Cash and cash equivalents	¥1,322,262	¥929,545	\$8,843,382

(2) Breakdown of assets and liabilities of newly consolidated subsidiaries due to the acquisition of shares
Fiscal Year Ended March 31, 2024
 Not applicable

Fiscal Year Ended March 31, 2025

Sekisui Lease Co., Ltd. was newly consolidated as a result of the acquisition of shares. The breakdown of assets and liabilities at the date it became a consolidated subsidiary and the relationship between the share acquisition cost and the related expenditure (net) are as follows.

	Millions of Yen	Thousands of U.S. Dollars
Assets	¥ 52,997	\$ 354,449
Leased receivables and leased investment assets	21,714	145,229
Liabilities	(51,007)	(341,138)
Borrowed money	(48,260)	(322,766)
Valuation difference at the time of acquisition	5	35
Noncontrolling interest	(199)	(1,334)
Goodwill	1,497	10,012
Acquisition cost of shares	3,293	22,023
Sekisui Lease Co., Ltd.'s cash and cash equivalents	0	0
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 3,292	\$ 22,023

7. SECURITIES

Securities at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Japanese government bonds	¥ 560,505	¥ 464,738	\$ 3,748,698
Japanese local government bonds	601,191	705,908	4,020,809
Japanese corporate bonds	640,855	650,285	4,286,084
Japanese corporate stocks	1,087,982	1,134,728	7,276,501
Other securities	414,327	380,908	2,771,049
Total	¥3,304,862	¥ 3,336,568	\$22,103,143

Securities include investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥12,596 million (\$84,245 thousand) and ¥6,534 million as of March 31, 2025 and 2024, respectively.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥8,213 million (\$54,929 thousand) and ¥29,404 million for the years ended March 31, 2025 and 2024, respectively.

Held-to-maturity debt securities at March 31, 2025 and 2024, were as follows:

	Millions of Yen				
	2025				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	¥4,583	¥4,389	¥(193)		¥193
Japanese corporate bonds					
Japanese bonds – total	¥4,583	¥4,389	¥(193)		¥193

	Millions of Yen				
	2024				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	¥4,594	¥4,511	¥(83)		¥83
Japanese corporate bonds	500	500	0	¥0	
Japanese bonds – total	¥5,095	¥5,012	¥(82)	¥0	¥83

	Thousands of U.S. Dollars				
	2025				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	\$30,651	\$29,360	\$(1,291)		\$1,291
Japanese corporate bonds					
Japanese bonds – total	\$30,651	\$29,360	\$(1,291)		\$1,291

The cost and aggregate fair value of available-for-sale securities at March 31, 2025 and 2024, were as follows:

	Millions of Yen				
	2025				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	¥ 158,991	¥1,083,734	¥924,742	¥925,955	¥ 1,212
Japanese government bonds	603,047	560,505	(42,541)	5	42,547
Japanese local government bonds	623,678	596,608	(27,070)	0	27,070
Japanese corporate bonds	665,079	640,855	(24,224)	4	24,229
Japanese bonds – total	1,891,805	1,797,969	(93,836)	10	93,847
Foreign bonds	153,725	154,024	298	754	455
Other	223,934	217,933	(6,000)	4,008	10,009
Other – total	377,659	371,957	(5,701)	4,762	10,464
Total	¥2,428,456	¥3,253,661	¥825,204	¥930,729	¥105,524

	Millions of Yen				
	2024				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	¥ 158,825	¥1,131,482	¥972,656	¥972,910	¥ 254
Japanese government bonds	486,976	464,738	(22,238)	217	22,455
Japanese local government bonds	714,872	701,314	(13,558)	193	13,752
Japanese corporate bonds	660,228	649,784	(10,444)	90	10,534
Japanese bonds – total	1,862,077	1,815,836	(46,241)	500	46,741
Foreign bonds	126,591	126,092	(498)	232	730
Other	218,756	220,224	1,467	7,639	6,172
Other – total	345,347	346,316	968	7,871	6,903
Total	¥2,366,251	¥3,293,635	¥927,384	¥981,283	¥53,898

	Thousands of U.S. Dollars				
	2025				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	\$ 1,063,345	\$ 7,248,088	\$6,184,742	\$6,192,853	\$ 8,111
Japanese government bonds	4,033,221	3,748,698	(284,522)	38	284,561
Japanese local government bonds	4,171,204	3,990,157	(181,046)	2	181,048
Japanese corporate bonds	4,448,098	4,286,084	(162,014)	32	162,046
Japanese bonds – total	12,652,524	12,024,940	(627,583)	73	627,657
Foreign bonds	1,028,127	1,030,125	1,998	5,046	3,047
Other	1,497,686	1,457,554	(40,131)	26,808	66,940
Other – total	2,525,813	2,487,679	(38,133)	31,855	69,988
Total	\$16,241,684	\$21,760,708	\$5,519,024	\$6,224,781	\$705,757

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2025 and 2024.

Available-for-sale securities sold during the fiscal years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		
	2025		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	¥ 7,304	¥3,379	¥ 162
Debt securities	952,035	740	3,810
Other securities	51,582	3,006	198
Total	¥1,010,921	¥7,126	¥4,172

	Millions of Yen		
	2024		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	¥ 6,111	¥4,199	¥ 4
Debt securities	443,539	792	623
Other securities	52,008	1,360	3,448
Total	¥501,659	¥6,353	¥4,076

	Thousands of U.S. Dollars		
	2025		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	\$ 48,850	\$22,605	\$ 1,089
Debt securities	6,367,277	4,950	25,488
Other securities	344,984	20,107	1,327
Total	\$6,761,112	\$47,663	\$27,904

The classification of securities has not changed for the years ended March 31, 2025 and 2024.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be "other than temporary." The amount written down is accounted for as loss on valuation. The loss on valuation of available-for-sale securities was ¥133 million (\$894 thousand), of which equity securities of ¥133 million (\$892 thousand) and debt securities of ¥0 million (\$1 thousand) for the year ended March 31, 2025.

The loss on valuation of available-for-sale securities did not occur for the year ended March 31, 2024.

To determine whether an other-than-temporary impairment has occurred, the Company applies the following rules by the credit risk category for the security issuer based on the Company's self-assessment standards.

- For securities issued by debtors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy"; the fair value is lower than the amortized/acquisition cost.
- For securities issued by debtors classified as "caution"; the fair value is 30% or more lower than the amortized/acquisition cost.
- For securities issued by debtors classified as "normal"; the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

8. MONEY HELD IN TRUST

(1) Money held in trust classified as trading:

	Millions of Yen	
	2025	
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	¥6,306	
	Millions of Yen	
	2024	
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	¥6,226	
	Thousands of U.S. Dollars	
	2025	
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	\$42,175	

Money held in trust was all classified as trading. There was no money held in trust that was classified as either held-to-maturity or available-for-sale at March 31, 2025 and 2024.

9. NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities were valued at market and net unrealized gain (loss) on valuation were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net unrealized gain on available-for-sale securities	¥ 825,204	¥ 927,384	\$ 5,519,024
Deferred tax liabilities	(258,117)	(281,966)	(1,726,305)
Other	(388)	(388)	(2,598)
Net unrealized gain on valuation (before adjustment)	566,698	645,029	3,790,120
Net unrealized gain on valuation	¥ 566,698	¥ 645,029	\$ 3,790,120

10. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Bills discounted	¥ 7,633	¥ 13,055	\$ 51,056
Loans on bills	17,502	17,718	117,059
Loans on deeds	6,620,009	6,076,006	44,275,074
Overdrafts	623,088	610,753	4,167,256
Total	¥7,268,234	¥6,717,532	\$48,610,447

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Company has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥7,702 million (\$51,512 thousand) and ¥13,371 million at March 31, 2025 and 2024, respectively.

Loans under the Banking Law and the Law Concerning Emergency Measures for Reconstruction of Financial Functions consist of the following loans: corporate bonds that are included in "Securities" in the consolidated balance sheet*, loans, foreign exchanges, accrued interest

and suspense payments in "Other assets" and liabilities for acceptances and guarantees, and securities (only by use or lease agreement) in cases where the securities noted are loaned.

* Only the redemption of the principal and the payment of interest in whole or in part is guaranteed, and the issuance of such corporate bonds is limited to privately-subscribed bonds (Article 2, paragraph 3 of the Financial Instruments and Exchange Act).

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Bankruptcy reorganization loans and similar loans	¥ 12,291	¥ 9,756	\$ 82,206
Doubtful loans	80,909	81,780	541,128
Past due loans (three months or more)	100	9	668
Restructured loans	8,381	6,066	56,055
Total	¥101,682	¥97,612	\$680,059

Bankruptcy reorganization loans and similar loans are claims to debtors who are in financial difficulties due to initiation of bankruptcy proceedings, reorganization proceedings, petition for commencement of rehabilitation proceedings and claims similar to the above.

Doubtful loans are loans for which the debtor has not yet entered into bankruptcy, but the financial condition and business performance of the debtor have deteriorated and it is highly probable that the principal cannot be collected and interest cannot be received in accordance with the contract, and which do not fall under the category of bankruptcy reorganization loans and similar loans.

Past due loans (three months or more) are loans with principal or interest unpaid for over three months from the day after the agreed-upon payment date, and do not fall under the category of bankruptcy reorganization loans and similar loans, or doubtful loans.

Restructured loans are loans that provide certain concessions favorable to the borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the debtors, and exclude bankruptcy reorganization loans and similar loans, doubtful loans, and past due loans (three months or more).

The above loan amounts are before deduction of allowance for loan losses.

11. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Assets:			
Due from foreign correspondents	¥8,564	¥8,586	\$57,277
Foreign bills of exchange purchased	68	316	456
Foreign bills of exchange receivable	93	110	624
Total	¥8,725	¥9,013	\$58,358
Liabilities:			
Foreign bills of exchange sold	¥ 73	¥ 375	\$ 492
Accrued foreign bills of exchange	152	368	1,018
Total	¥ 225	¥ 743	\$ 1,511

12. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2025 and 2024, amounted to ¥80,314 million (\$537,149 thousand) and ¥81,303 million, respectively.

13. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Securities	¥1,082,170	¥704,368	\$7,237,633

Collateralized liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deposits	¥ 39,240	¥ 13,173	\$ 262,442
Payables under securities lending transactions	634,502	500,070	4,243,595
Borrowed money	436,000	193,500	2,915,997

In addition, securities totaling ¥294,065 million (\$1,966,730 thousand) and ¥275,317 million, and loans and bills discounted totaling ¥96,600 million (\$646,067 thousand) and ¥98,400 million, at March 31, 2025 and 2024, respectively, were pledged as collateral for overdraft agreements with the Bank of Japan, the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Cash collateral paid for financial instruments	¥5,737	¥56,061	\$38,369
Surety deposits	1,585	1,500	10,605

14. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowings up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2025 and 2024, such commitments amounted to ¥1,869,915 million (\$12,506,122 thousand) and ¥1,749,999 million, respectively, of which ¥1,747,147 million (\$11,685,042 thousand) and ¥1,639,126 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses where consolidated subsidiaries can reject the application from customers or reduce the contract amounts where economic conditions change, such as when there is a deterioration in the customer's creditworthiness. In addition, consolidated subsidiaries request customers to pledge collateral, such as buildings, land, and securities, upon execution of the contracts, and take necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

15. LAND REVALUATION

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

16. DEPOSITS

Deposits at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Current deposits	¥ 445,974	¥ 480,435	\$ 2,982,710
Ordinary deposits	5,809,957	5,960,924	38,857,395
Savings deposits	93,599	96,272	626,000
Deposits at notice	10,094	11,508	67,513
Time deposits	2,620,367	1,962,297	17,525,197
Other deposits	281,137	310,539	1,880,265
Subtotal	9,261,131	8,821,977	61,939,083
Negotiable certificates of deposit	310,899	543,348	2,079,317
Total	¥9,572,031	¥9,365,326	\$64,018,400

17. BORROWED MONEY

Borrowed money at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Borrowing from banks and other	¥437,330	¥193,750	\$2,924,892
Total	¥437,330	¥193,750	\$2,924,892

At March 31, 2025 and 2024, the weighted-average interest rate applicable to borrowed money was 0.23% and 0.00077%, respectively.

Annual maturities of borrowed money at March 31, 2025, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31		
2026	¥373,380	\$2,497,191
2027	63,940	427,635
2028	10	66
2029		
2030		
2031 and thereafter		
Total	¥437,330	\$2,924,892



18. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ liabilities for acceptances and guarantees” are shown as an asset representing the Company’s right of indemnity from applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥61,227 million (\$409,491 thousand) and 65,907 million as of March 31, 2025 and 2024, respectively.

19. EQUITY

Japanese banks are subject to the Companies Act of Japan (the “Companies Act”) and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or purchase of treasury stock.

The Company was established as a holding company through a sole-share transfer on October 2, 2023. Therefore, current year’s dividend payment amounts were the amounts resolved at the Ordinary General Meeting of Shareholders or the Board of Directors’ meeting of the Bank.

b. Increases (Decreases) and Transfers of Common Stock, Reserve, and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders’ meeting.

c. Treasury Stock and Stock Acquisition Rights

The Companies Act also provides that companies may repurchase and dispose of its shares by resolution of the Board of Directors. The amount of repurchased stock cannot exceed the amount reserved for distribution to shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can repurchase its stock acquisition rights as well as its stock. Such stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

20. STOCK SPLIT

The Company implemented a four-for-one stock split on January 1, 2024, and the number of outstanding of shares was increased by 227,522.

The “Basic EPS” and “Diluted EPS” have been calculated assuming that the stock split was undertaken at the beginning of the year ended March 31, 2024. “Cash dividends per share” are stated at the amount before the stock split.

21. STOCK OPTIONS

The number of stock options has been converted to the number of shares after the four-for-one stock split implemented on January 1, 2024.

There were no stock-based compensation expenses for the years ended March 31, 2025 and 2024.

The stock options outstanding as of March 31, 2025, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant (Note 2)	Exercise Price	Exercise Period
Kyoto Financial Group, Inc. 1st Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	4,080 shares	July 29, 2008	¥1 (\$0.01)	From October 2, 2023, to July 29, 2038
Kyoto Financial Group, Inc. 2nd Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	5,280 shares	July 29, 2009	¥1 (\$0.01)	From October 2, 2023, to July 29, 2039
Kyoto Financial Group, Inc. 3rd Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,240 shares	July 29, 2010	¥1 (\$0.01)	From October 2, 2023, to July 29, 2040
Kyoto Financial Group, Inc. 4th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,400 shares	August 1, 2011	¥1 (\$0.01)	From October 2, 2023, to August 1, 2041
Kyoto Financial Group, Inc. 5th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,800 shares	July 30, 2012	¥1 (\$0.01)	From October 2, 2023, to July 30, 2042
Kyoto Financial Group, Inc. 6th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,160 shares	July 30, 2013	¥1 (\$0.01)	From October 2, 2023, to July 30, 2043
Kyoto Financial Group, Inc. 7th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	4,960 shares	July 30, 2014	¥1 (\$0.01)	From October 2, 2023, to July 30, 2044
Kyoto Financial Group, Inc. 8th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	10,000 shares	July 30, 2015	¥1 (\$0.01)	From October 2, 2023, to July 30, 2045
Kyoto Financial Group, Inc. 9th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	21,040 shares	July 28, 2016	¥1 (\$0.01)	From October 2, 2023, to July 28, 2046
Kyoto Financial Group, Inc. 10th Share Acquisition Rights (Note 1)	2 directors and 1 executive officers of the Bank of Kyoto	16,400 shares	July 30, 2017	¥1 (\$0.01)	From October 2, 2023, to July 30, 2047
Kyoto Financial Group, Inc. 11th Share Acquisition Rights (Note 1)	3 directors and 1 executive officers of the Bank of Kyoto	20,800 shares	July 30, 2018	¥1 (\$0.01)	From October 2, 2023, to July 30, 2048
Kyoto Financial Group, Inc. 12th Share Acquisition Rights (Note 1)	3 directors and 2 executive officers of the Bank of Kyoto	32,160 shares	July 30, 2019	¥1 (\$0.01)	From October 2, 2023, to July 30, 2049
Kyoto Financial Group, Inc. 13th Share Acquisition Rights (Note 1)	3 directors and 7 executive officers of the Bank of Kyoto	44,080 shares	July 30, 2020	¥1 (\$0.01)	From October 2, 2023, to July 30, 2050

Notes: 1. In line with the establishment of the Company through a sole-share transfer of the Bank, share acquisition rights of the Company were delivered on behalf of the share acquisition rights issued by the Bank.
2. “Date of Grant” represents the initial grant date by the Bank.

The stock option activity was as follows:

	Kyoto Financial Group, Inc. 1st Share Acquisition Rights	Kyoto Financial Group, Inc. 2nd Share Acquisition Rights	Kyoto Financial Group, Inc. 3rd Share Acquisition Rights	Kyoto Financial Group, Inc. 4th Share Acquisition Rights	Kyoto Financial Group, Inc. 5th Share Acquisition Rights	Kyoto Financial Group, Inc. 6th Share Acquisition Rights	Kyoto Financial Group, Inc. 7th Share Acquisition Rights	Kyoto Financial Group, Inc. 8th Share Acquisition Rights	Kyoto Financial Group, Inc. 9th Share Acquisition Rights	Kyoto Financial Group, Inc. 10th Share Acquisition Rights	Kyoto Financial Group, Inc. 11th Share Acquisition Rights	Kyoto Financial Group, Inc. 12th Share Acquisition Rights	Kyoto Financial Group, Inc. 13th Share Acquisition Rights
(Shares)													
Year Ended March 31, 2025													
Non-vested													
March 31, 2024 – Outstanding													
Granted													
Canceled													
Vested													
March 31, 2025 – Outstanding													
Vested													
March 31, 2024 – Outstanding	4,080	5,280	6,240	6,400	6,800	6,160	4,960	10,960	23,120	17,680	22,080	36,000	48,400
Vested													
Exercised								960	2,080	1,280	1,280	3,840	4,320
Canceled													
March 31, 2025 – Outstanding													
March 31, 2024 – Outstanding	4,080	5,280	6,240	6,400	6,800	6,160	4,960	10,000	21,040	16,400	20,800	32,160	44,080
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise													
								¥2,848 (\$19.04)	¥2,848 (\$19.04)	¥2,848 (\$19.04)	¥2,848 (\$19.04)	¥2,848 (\$19.04)	¥2,848 (\$19.04)
Fair value price at grant date													
(Note)	¥1,222 (\$8.17)	¥1,006 (\$6.73)	¥857 (\$5.73)	¥847 (\$5.66)	¥657 (\$4.39)	¥952 (\$6.37)	¥1,127 (\$7.54)	¥1,798 (\$12.03)	¥823 (\$5.50)	¥1,306 (\$8.73)	¥1,362 (\$9.11)	¥979 (\$6.55)	¥912 (\$6.10)

Note: “Fair value price at grant date” represents the fair value price at the initial grant date by the Bank, which has been converted to the price after the four-for-one stock split implemented on January 1, 2024.

22. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Gain on foreign exchange transactions – net	¥ 2,775	¥1,721	\$ 18,565
Gain on trading securities	245	349	1,644
Gain on sales of bonds	1,037	960	6,935
Gain on financial derivatives	1,367	309	9,144
Lease receipts	13,155	5,038	87,986
Other	2,672	1,005	17,873
Total	¥21,254	¥9,385	\$142,151

23. OTHER INCOME

Other income for the years ended March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Recovery of loans previously charged off	¥ 2	¥ 10	\$ 15
Gain on investments in money held in trust	84	226	563
Gain on reversal of allowance for loan losses	641	770	4,287
Gain on sales of tangible fixed assets	68	1,108	459
Equity in earnings of an affiliated company	6	3	42
Other	850	732	5,684
Total	¥1,652	¥2,851	\$11,054

24. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Loss on trading account securities transactions	¥ 1		\$ 8
Loss on sales of bonds	3,935	¥3,955	26,318
Loss on valuation of bonds	0		1
Lease costs	11,675	4,398	78,087
Other	2,112	1,065	14,126
Total	¥17,724	¥9,419	\$118,543

25. OTHER EXPENSES

Other expenses for the years ended March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Charge-off claims	¥ 30	¥ 49	\$ 207
Loss on sales of stocks and other securities	252	138	1,690
Loss on devaluation of stocks and other securities	133	46	892
Loss on money held in trust	3		25
Loss on sales of tangible fixed assets	471	632	3,154
Loss on impairment of long-lived assets	24	73	161
Other	1,387	2,516	9,279
Total	¥2,304	¥3,456	\$15,410

26. LEASES

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within one year	¥ 123	¥ 149	\$ 823
Due after one year	1,067	1,152	7,140
Total	¥1,190	¥1,301	\$7,964

Lessor

The Group leases other assets.

The net leased investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Gross leased investment assets	¥38,472	¥14,675	\$257,304
Estimated residual values	1,978		13,230
Unearned interest income	(2,752)	(1,384)	(18,407)
Leased investment assets	¥37,698	¥13,290	\$252,128

Maturities of lease receivables and investment assets for finance leases that transfer ownership of the leased property to the lessee at March 31, 2025 and 2024, were as follows:

	Lease Receivables		Leased Investment Assets	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31	2025			
2026	¥131	\$ 878	¥12,157	\$ 81,307
2027	223	1,492	9,727	65,058
2028	37	253	7,166	47,931
2029	26	179	4,869	32,568
2030	13	86	2,890	19,331
2031 and thereafter	16	111	1,660	11,107
Total	¥448	\$3,001	¥38,472	\$257,304

	Lease Receivables		Leased Investment Assets	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31	2024			
2025	¥116	¥ 4,319		
2026	109	3,480		
2027	202	2,698		
2028	19	1,972		
2029	17	1,266		
2030 and thereafter	18	938		
Total	¥483	¥14,675		

The minimum future lease payments to be received under noncancelable operating leases at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within one year	¥ 578	¥ 194	\$ 3,868
Due after one year	4,164	4,067	27,854
Total	¥4,743	¥4,262	\$31,722

27. EMPLOYEES' RETIREMENT BENEFITS

The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Other consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to state the liability for employees' retirement benefits and retirement benefit expenses.

(1) The changes in defined benefit obligation for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥ 59,440	¥59,163	\$397,539
Service cost	2,035	2,049	13,614
Interest cost	301	295	2,014
Actuarial losses	(10,718)	(108)	(71,684)
Benefits paid	(2,129)	(1,961)	(14,244)
Prior service cost			
Others	491	1	3,289
Balance at end of year	¥ 49,420	¥59,440	\$330,529

Note: Employee contributions to the corporate pension plan has been deducted from service cost.

(2) The changes in plan assets for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥35,847	¥31,480	\$239,752
Expected return on plan assets	724	629	4,845
Actuarial (losses) gains	(730)	2,820	(4,885)
Contributions from the employer	2,683	2,373	17,948
Benefits paid	(1,578)	(1,457)	(10,557)
Others	509	1	3,406
Balance at end of year	¥37,456	¥35,847	\$250,510

(3) Reconciliation between the liabilities and assets recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2025 and 2024, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥ 38,625	¥ 47,128	\$ 258,328
Plan assets	(37,456)	(35,847)	(250,510)
	1,168	11,281	7,818
Unfunded defined benefit obligation	10,795	12,311	72,201
Net liability arising from defined benefit obligation	¥ 11,964	¥ 23,592	\$ 80,019

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Liability for employees' retirement benefits	¥12,092	¥23,592	\$80,872
Asset for retirement benefits	(127)		(853)
Net liability arising from defined benefit obligation	¥11,964	¥23,592	\$80,019

(4) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥2,035	¥2,049	\$13,614
Interest cost	301	295	2,014
Expected return on plan assets	(724)	(629)	(4,845)
Recognized actuarial losses	725	874	4,850
Recognized prior service cost			
Other			
Net periodic benefit costs	¥2,337	¥2,589	\$15,633

Notes: 1. Net periodic benefit costs for consolidated subsidiaries that use the simplified method are recorded in aggregate in service cost.
2. Employee contributions to the corporate pension plan has been deducted from service cost.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Prior service cost			
Actuarial gains	¥10,712	¥3,803	\$71,649
Other			
Total	¥10,712	¥3,803	\$71,649

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized actuarial gains			
Actuarial losses	¥(10,859)	¥(152)	\$(72,630)
Other			
Total	¥(10,859)	¥(152)	\$(72,630)

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2025	2024
Debt investments	42%	42%
Equity investments	31	31
Cash and cash equivalents	12	13
Others	15	14
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets was determined considering the long-term rates of return which were expected currently and in the future from the various components of the plan assets.

(8) Actuarial assumptions used for the years ended March 31, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	2.0%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate	3.8%	3.8%

The amount to be paid to consolidated subsidiaries' defined contribution pension plan was ¥350 million (\$2,342 thousand) and ¥349 million for the years ended March 31, 2025 and 2024, respectively.

28. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2025 and 2024, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Allowance for loan losses	¥ 9,475	¥ 10,055	\$ 63,370
Liability for employees' retirement benefits	3,763	7,226	25,171
Devaluation of stocks and other securities	2,457	2,432	16,436
Other	4,552	4,292	30,444
Less valuation allowance	(3,021)	(2,926)	(20,205)
Total	¥ 17,227	¥ 21,080	\$ 115,218
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥258,116	¥281,965	\$1,726,299
Other	1,256	180	8,400
Total	¥259,372	¥282,146	\$1,734,700
Net deferred tax assets	¥ 1,064	¥ 1,046	\$ 7,120
Net deferred tax liabilities	243,209	262,112	1,626,602

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2025, with the corresponding figures for 2024, was as follows:

	2025	2024
Normal effective statutory tax rate	30.5%	30.5%
Expenses not deductible for income tax purposes	0.2	0.2
Income not taxable for income tax purposes	(2.8)	(3.2)
Per capita inhabitant tax	0.2	0.2
Increase in valuation allowance for deferred tax assets	0.0	0.1
Reduction in year-end deferred tax assets (liabilities) due to tax-rate change	(0.7)	
Others	0.1	0.2
Actual effective tax rate	27.5%	28.0%

Revision of the Amount of Deferred Tax Assets and Deferred Tax Liabilities due to Changes in Corporate Tax Rates, Etc.

The "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 13 of 2025) was enacted on March 31, 2025, and the "Special Defense Corporation Tax" will be levied from the fiscal year beginning on or after April 1, 2026. As a result, the statutory effective tax rate used to calculate deferred tax assets and liabilities will increase from 30.54% to 31.43% for temporary differences that are expected to be resolved after the fiscal year beginning April 1, 2026. As a result of this tax rate change, deferred tax assets increased by ¥9 million (\$66 thousand), deferred tax liabilities increased by ¥7,112 million (\$47,572 thousand), unrealized gains on available-for-sale securities decreased by ¥7,368 million (\$49,280 thousand), deferred gains on derivatives under hedge accounting

decreased by ¥5 million (\$37 thousand), defined retirement benefit plans decreased by ¥97 million (\$653 thousand), and income taxes deferred decreased by ¥368 million (\$2,467 thousand). Deferred tax liabilities related to revaluation increased by ¥98 million (\$657 thousand), and land revaluation differences decreased by the same amount. The impact on noncontrolling shareholders' interests will be minor.

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Basic Policy for Financial Instruments

The main business of the Group is banking, which mainly consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

Among these, in the banking business, the Group's core business, the Bank procures funds by receiving deposits and manages funds through loans and investment in securities. Since financial assets and financial liabilities held by the Group are subject to interest rate fluctuations, exchange rate fluctuations, and market price fluctuations, the Bank conducts asset and liability management ("ALM") to prevent negative impacts from these fluctuations. As part of such ALM, the Bank carries out derivative transactions. Also, the Bank offers derivative instruments to its customers for their risk hedging.

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as a result of market turbulence.

The Group enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange forward contracts. The Group also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2025. Consolidated subsidiaries do not enter into any derivative transactions.

Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Group's derivative transactions are conducted to

hedge underlying business risk exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Group enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Group also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Group uses derivatives to actively meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

- (a) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
- (b) The hedge items are interest rate swaps and currency swaps. The hedged instruments are fixed-rate loans and currency-denominated available-for-sale securities.
- (c) The Group assesses the hedge effectiveness of the interest rate swaps and currency swaps.

(3) Risk Management for Financial Instruments

(a) Credit risk management

The Group is working to strengthen its credit risk management under a structure established based on the Credit Risk Management Guidelines. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of non-performing loans, and provisions for loan losses, the Business Management Division's Credit Planning Group is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Credit Planning Group analyzes the Group's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are periodically reported at the Integrated Risk Council.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for loan losses. The Group also established an Asset Audit Group as a specialized section within the Corporate Audit Division to examine the validity of write-offs and allowances based on asset self-assessments.

In managing credit to specific borrowers, each subsidiary company implements strict credit screening. When application is made for borrowings, comprehensive judgments of repayment ability are made based on the debtor's financial condition, technical capabilities, future viability, the purpose of the loan, borrowers' repayment resources, and other factors.

Moreover, the Group works to keep its assets sound by helping customers radically transform slumping businesses

through a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating individual policies based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

(b) Market risk management

The Group is taking steps to strengthen market risk management, based on the Market Risk Management Guidelines. The Business Management Division, which is responsible for conducting market risk management, centrally manages market risk (including risk for deposits, loans, stocks and other securities), credit risk, and other risks, and adequately controls risks within the scope of the Group's capital to secure stable earnings.

To this end, the Business Management Division manages and assesses market risk by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Group also employs means such as backtesting and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Of the instruments exposed to market risk, to effectively manage stocks and other securities, the Group sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Group's capital and net operating profit to achieve a balance between capital and profitability. The Group regularly measures the fair value of securities under management appropriately and accurately and reports these to management.

For stocks, the Group sets the limits on acceptable risk quantities based on the economic capital and gains on valuation, and a semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities, the results of which are subject to audit by the Corporate Audit Division.

Moreover, the Group conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity. The Group also works to strategically address risk management based on risk appetite by periodically reporting on market risk quantities of each instrument to the management, examining the appropriate balance of assets and liabilities, and considering risk hedging and other measures, as needed.

Most of the derivative transactions are for hedging purposes or as cover for customer transactions. However, trading transactions for short-term trading are managed by setting certain loss limits and other limits.

Quantitative information on market risk

• Financial instruments other than those for trading purposes
The instruments that are affected by typical risks, namely parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks,"

"Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Group measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Group adopts the historical simulation method (at six months holding period and 99% confidence interval and five years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at six months holding period, 99% confidence interval and five years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Group as of March 31, 2025 and 2024, was ¥69.4 billion (\$464 million) and ¥59.5 billion, respectively.

VaR by risk type at March 31, 2025 and 2024, was as follows:

	Billions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Interest rate fluctuation risk	¥29.4	¥23.8	\$196
Market price fluctuation risk *	39.9	35.6	266
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥69.4	¥59.5	\$464

* The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Group performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal assumptions.

(c) Liquidity risk management

The Group is working to maintain and strengthen its liquidity risk management under a structure in accordance with the Liquidity Risk Management Guidelines. The Group maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Group manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary Explanation on Fair Value of Financial Instruments
Since the measurement of fair value of financial instruments are implemented under certain conditions and assumptions, the result of measurements could differ if they are made under different conditions and assumptions.

(5) Fair Value of Financial Instruments

Accounts that had immaterial amounts on the consolidated balance sheet are not included in the following table. Moreover, Cash and due from banks, Call loans and bills bought, and Payables under

securities lending transactions are not included since they are settled in short terms and their carrying amount approximates fair value. Nonmarketable available-for-sale equity securities, investments in capital of partnership and others are not included in the following table (see (a)):

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2025			
Securities:			
Held-to-maturity bonds	¥ 4,583	¥ 4,389	¥ (193)
Available-for-sale securities	3,253,661	3,253,661	
Loans and bills discounted	7,268,234		
Allowance for loan losses *1	(32,328)		
	7,235,905	7,154,861	(81,044)
Total	¥10,494,149	¥10,412,912	¥(81,237)

Deposits (other than negotiable certificates of deposit)	¥ 9,261,131	¥ 9,260,180	¥ (950)
Negotiable certificates of deposit	310,899	310,899	(0)
Borrowed money	437,330	436,262	(1,067)
Total	¥10,009,361	¥10,007,342	¥ (2,018)

Derivatives *2:

Hedge accounting not applied	¥ (27)	¥ (27)
Hedge accounting applied	(2,585)	(2,585)
Total	¥ (2,612)	¥ (2,612)

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2024			
Securities:			
Held-to-maturity bonds	¥ 5,095	¥ 5,012	¥ (82)
Available-for-sale securities	3,293,635	3,293,635	
Loans and bills discounted	6,717,532		
Allowance for loan losses *1	(33,816)		
	6,683,716	6,662,444	(21,271)
Total	¥9,982,447	¥9,961,092	¥(21,354)

Deposits (other than negotiable certificates of deposit)	¥8,821,977	¥8,822,028	¥ 50
Negotiable certificates of deposit	543,348	543,347	(0)
Borrowed money	193,750	193,023	(726)
Total	¥9,559,076	¥9,558,399	¥ (676)

Derivatives *2:

Hedge accounting not applied	¥ 495	¥ 495
Hedge accounting applied	(4,766)	(4,766)
Total	¥ (4,271)	¥ (4,271)

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2025			
Securities:			
Held-to-maturity bonds	\$ 30,651	\$ 29,360	\$ (1,291)
Available-for-sale securities	21,760,708	21,760,708	
Loans and bills discounted	48,610,447		
Allowance for loan losses *1	(216,214)		
	48,394,232	47,852,202	(542,029)
Total	\$70,185,592	\$69,642,271	\$(543,321)

Deposits (other than negotiable certificates of deposit)	\$61,939,083	\$61,932,723	\$ (6,359)
Negotiable certificates of deposit	2,079,317	2,079,315	(2)
Borrowed money	2,924,892	2,917,754	(7,138)
Total	\$66,943,293	\$66,929,793	\$ (13,500)

Derivatives *2:

Hedge accounting not applied	\$ (184)	\$ (184)
Hedge accounting applied	(17,290)	(17,290)
Total	\$ (17,475)	\$ (17,475)

*1 General and specific allowances for loan losses corresponding to "Loans and bills discounted" were deducted.

*2 Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.

(a) The carrying amount of nonmarketable available-for-sale equity securities and investments in capital of partnership and others on the consolidated balance sheet were as follows, and they were not included in "Available-for-sales securities" on the fair value information of financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Nonmarketable available-for-sale equity securities *1, *2	¥ 4,250	¥ 3,248	\$ 28,430
Investments in capital of partnership and others *3	42,366	34,589	283,352

*1 Nonmarketable available-for-sale equity securities include non-listed stocks which are not subject to fair value disclosure based on Article 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

*2 With respect to non listed stocks, losses on devaluation of ¥46 million were recorded for the year ended March 31, 2024.

There was no losses on devaluation for the year ended March 31, 2025.

*3 Investments in capital of partnership and others are not subject to fair value disclosure based on Article 24-16 of the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021).

(b) Maturity analysis for financial assets and securities with contractual maturities

Millions of Yen						
March 31, 2025	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	¥1,272,457					
Call loans and bills bought	58,666					
Securities:						
Held-to-maturity bonds	500	¥ 1,600	¥ 1,400			¥ 1,000
Available-for-sale	186,794	538,899	551,671	¥ 98,844	¥ 188,999	475,837
Loans and bills discounted *	1,383,220	1,386,180	1,184,903	760,707	817,857	1,635,028
Total	¥2,901,639	¥1,926,680	¥1,737,974	¥859,552	¥1,006,857	¥2,111,866

Millions of Yen						
March 31, 2024	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	¥ 873,393					
Call loans and bills bought	368,746					
Securities:						
Held-to-maturity bonds	500	¥ 1,500	¥ 1,500	¥ 500		¥ 1,000
Available-for-sale	131,053	477,505	605,707	81,466	¥231,967	453,235
Loans and bills discounted *	1,361,910	1,277,984	1,074,267	757,249	712,926	1,433,797
Total	¥2,735,603	¥1,756,990	¥1,681,474	¥839,216	¥944,893	¥1,888,033

Thousands of U.S. Dollars						
March 31, 2025	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	\$ 8,510,283					
Call loans and bills bought	392,366					
Securities:						
Held-to-maturity bonds	3,344	\$ 10,700	\$ 9,363			\$ 6,688
Available-for-sale	1,249,297	3,604,197	3,689,615	\$ 661,078	\$1,264,042	3,182,435
Loans and bills discounted *	9,251,072	9,270,873	7,924,712	5,087,666	5,469,888	10,935,181
Total	\$19,406,364	\$12,885,772	\$11,623,691	\$5,748,745	\$6,733,931	\$14,124,305

* At March 31, 2025 and 2024, loans and bills discounted, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, of ¥92,372 million (\$617,790 thousand) and ¥90,800 million, respectively, were not included in the table. At March 31, 2025 and 2024, loans and bills discounted without fixed maturities of ¥7,963 million (\$53,260 thousand) and ¥8,595 million, were not included either.

(c) Maturity analysis of interest bearing liabilities

Millions of Yen						
March 31, 2025	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits (other than negotiable certificates of deposit) *	¥ 8,886,111	¥326,424	¥48,596			
Negotiable certificates of deposit	310,899					
Payables under securities lending transactions	634,502					
Borrowed money	373,380	63,940	10			
Total	¥10,204,893	¥390,364	¥48,606			

Millions of Yen						
March 31, 2024	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits (other than negotiable certificates of deposit) *	¥8,429,354	¥362,556	¥30,066			
Negotiable certificates of deposit	543,348					
Payables under securities lending transactions	500,070					
Borrowed money	129,840	63,880	30			
Total	¥9,602,613	¥426,436	¥30,096			

Thousands of U.S. Dollars						
March 31, 2025	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits (other than negotiable certificates of deposit) *	\$59,430,920	\$2,183,147	\$325,015			
Negotiable certificates of deposit	2,079,317					
Payables under securities lending transactions	4,243,595					
Borrowed money	2,497,191	427,635	66			
Total	\$68,251,024	\$2,610,782	\$325,082			

* Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

(6) Breakdown of Financial Instruments by Level in the Fair Value Hierarchy

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

Level 1: Fair value measured using quoted market prices in active markets for identical assets or liabilities.

Level 2: Fair value measured using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measured using unobservable inputs for the asset or liability.

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.

(a) Financial instruments carried on the consolidated balance sheet at fair value

Millions of Yen				
Fair Value				
March 31, 2025	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	¥1,075,949	¥ 7,784		¥1,083,734
Japanese government bonds	560,505			560,505
Japanese local government bonds		596,608		596,608
Japanese corporate bonds		580,653	¥60,201	640,855
Others		371,957		371,957
Total	¥1,636,454	¥1,557,004	¥60,201	¥3,253,661

Derivatives:				
Interest rate		¥ 1,270		¥ 1,270
Currency		(3,883)		(3,883)
Total		¥ (2,612)		¥ (2,612)

Millions of Yen				
Fair Value				
March 31, 2024	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	¥1,119,019	¥ 12,462		¥1,131,482
Japanese government bonds	464,738			464,738
Japanese local government bonds		701,314		701,314
Japanese corporate bonds		584,403	¥65,381	649,784
Others	3,297	343,018		346,316
Total	¥1,587,055	¥1,641,198	¥65,381	¥3,293,635

Derivatives:				
Interest rate		¥ 720		¥ 720
Currency		(4,991)		(4,991)
Total		¥ (4,271)		¥ (4,271)

Thousands of U.S. Dollars				
Fair Value				
March 31, 2025	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	\$ 7,196,022	\$ 52,065		\$ 7,248,087
Japanese government bonds	3,748,698			3,748,698
Japanese local government bonds		3,990,157		3,990,157
Japanese corporate bonds		3,883,451	\$402,633	4,286,084
Others		2,487,679		2,487,679
Total	\$10,944,721	\$10,413,354	\$402,633	\$21,760,708

Derivatives:				
Interest rate		\$ 8,498		\$ 8,498
Currency		(25,973)		(25,973)
Total		\$ (17,475)		\$ (17,475)

(b) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Millions of Yen				
Fair Value				
March 31, 2025	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		¥ 4,389		¥ 4,389
Japanese corporate bonds				
Others				
Loans and bills discounted				
				¥7,154,861 7,154,861
Total		¥ 4,389		¥ 7,159,251

Due from banks		¥ 9,260,180		¥ 9,260,180
Negotiable certificates of deposit		310,899		310,899
Borrowed money		436,262		436,262
Total		¥10,007,342		¥10,007,342



Financial Section and Corporate Profile

March 31, 2024	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		¥ 4,511		¥ 4,511
Japanese corporate bonds		500		500
Others				
Loans and bills discounted			¥6,662,444	6,662,444
Total	¥ 5,012	¥6,662,444		¥6,667,457

Due from banks	¥8,822,028		¥8,822,028
Negotiable certificates of deposit	543,347		543,347
Borrowed money	193,023		193,023
Total	¥9,558,399		¥9,558,399

March 31, 2025	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		\$ 29,360		\$ 29,360
Japanese corporate bonds				
Others				
Loans and bills discounted			\$47,852,202	47,852,202
Total	\$ 29,360	\$47,852,202		\$47,881,562

Due from banks	\$61,932,723		\$61,932,723
Negotiable certificates of deposit	2,079,315		2,079,315
Borrowed money	2,917,754		2,917,754
Total	\$66,929,793		\$66,929,793

a. Valuation techniques used to calculate fair value and inputs related to the calculation of fair value

Assets

Securities

Securities that can apply unadjusted market prices in active markets are classified as Level 1 fair value. This mainly includes listed stocks and government bonds.

Securities that apply published prices of inactive markets, however, are classified as Level 2 fair value. This mainly includes local government bonds, corporate bonds, and mortgage-backed securities.

When quoted market prices are not available, fair value is determined using valuation techniques such as the discounted present value of future cash flows method. Valuation is made using observable inputs as much as possible, including market interest rates, prepayment rates, and credit spreads. When

significant unobservable inputs are used in the calculation, these are classified as Level 3 fair value.

The fair value of investment trusts is determined based on the transaction price or the net asset value obtained from securities companies, etc., and other prices, and is classified according to how active the market is for investment trusts.

The fair value of privately-subscribed bonds is measured by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk for each category based on the internal rating and term of the bonds. These are classified as Level 3 fair value.

Loans and Bills Discounted

The fair value of loans and bills discounted is measured by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk according to the categories based on the types, internal ratings and terms of the loans and bills discounted.

For floating-rate loans which reflect the fluctuation of market rates in the short term, unless the creditworthiness of the borrower has changed significantly since the loan origination, the carrying amount is presented as fair value, because the carrying amount approximates fair value. For fixed-rate loans with short contractual terms (one year or less), fair value is measured at the carrying amount because the carrying amount approximates fair value.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flows and the expected amount to be collected from collateral and guarantees. As the carrying amount of receivables reported in the consolidated balance sheet at the consolidated closing date after deduction of allowance for loan losses approximates fair value, these loans are measured at that amount.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, their carrying amount is used as fair value because the carrying amount is deemed to approximate fair value based on the estimated loan periods, interest rates, and other conditions.

These are classified as Level 3 fair value.

Liabilities

Deposits and Negotiable Certificates of Deposit

For deposits on demand, the payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount) is deemed as their fair value.

Time deposits and negotiable certificates of deposit are grouped by certain maturity lengths. The fair value of such deposits is the discounted present value of expected future cash flows. The discount rate used is the interest rate that would be applied to newly accepted deposits. The Group uses the carrying amount as fair value for short term deposits within one year because the carrying amount approximates fair value.

These are classified as Level 2 fair value.

Borrowed Money

Floating-rate borrowed money reflects market interest rates in the short term, and the credit standing of the consolidated subsidiaries has not significantly changed from when the money was borrowed. Therefore, the carrying amount of floating-rate borrowed money is considered to approximate fair value and carrying amount is used as fair value. The fair value of fixed-rate borrowed money which is classified based on its contract term is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money. The Group uses the carrying amount as fair value for short term borrowed money due within one year because the carrying amount approximates fair value.

These are classified as Level 2 fair value.

Derivatives

Most derivative transactions are made over the counter where there are no published quoted market prices. Fair value is measured by using valuation techniques such as the discounted present value method and option pricing models depending on the type of transaction and maturity period. The main factors used in these valuation techniques are interest rates, exchange rates, and volatility.

When unobservable inputs are not used or their effect is not material, these are classified as Level 2 fair value. When unobservable inputs are used, these are classified as Level 3 fair value.

Exchange-traded transactions that cannot be verified as using unadjusted prices in active markets are classified as Level 2 fair value.

b. Level 3 fair value of financial instruments carried on the consolidated balance sheet at fair value

Quantitative information about Level 3 fair value on significant unobservable inputs at March 31, 2025, was as follows:

Securities:	Valuation Technique	Significant Unobservable Inputs		Range
Available-for-sale securities:				
Japanese corporate bonds:				
Privately-subscribed bonds	Discounted cash flow	Discount rate	0.6%-6.1%	

Quantitative information about Level 3 fair value on significant unobservable inputs at March 31, 2024, was as follows:

Securities:	Valuation Technique	Significant Unobservable Inputs		Range
Available-for-sale securities:				
Japanese corporate bonds:				
Privately-subscribed bonds	Discounted cash flow	Discount rate	0.3%-4.5%	

A reconciliation beginning to ending balance, unrealized gain or loss included in earnings at March 31, 2025 and 2024, was as follows:

March 31, 2025	Millions of Yen	
	Securities	
	Available-for-sale Securities	
	Japanese Corporate Bonds	
Balance at beginning of year	¥65,381	
Included in earnings *1	7	
Included in other comprehensive income *2	(506)	
Purchases, issues, sales and settlements	(4,680)	
Transfers into Level 3		
Transfers out of Level 3		
Balance at end of year	¥60,201	
Unrealized gain (loss) included in earnings for assets and liabilities held at March 31, 2025*1		

March 31, 2024	Millions of Yen	
	Securities	
	Available-for-sale Securities	
	Japanese Corporate Bonds	
Balance at beginning of year	¥59,373	
Included in earnings *1	8	
Included in other comprehensive income *2	(150)	
Purchases, issues, sales and settlements	6,149	
Transfers into Level 3		
Transfers out of Level 3		
Balance at end of year	¥65,381	
Unrealized gain (loss) included in earnings for assets and liabilities held at March 31, 2024 *1		

March 31, 2025	Thousands of U.S. Dollars	
	Securities	
	Available-for-sale Securities	
	Japanese Corporate Bonds	
Balance at beginning of year	\$437,273	
Included in earnings *1	48	
Included in other comprehensive income *2	(3,386)	
Purchases, issues, sales and settlements	(31,302)	
Transfers into Level 3		
Transfers out of Level 3		
Balance at end of year	\$402,633	
Unrealized gain (loss) included in earnings for assets and liabilities held at March 31, 2025*1		

(Notes)

*1 Included in consolidated statement of income.

*2 Included in net unrealized gain (loss) on available-for-sale securities under other comprehensive income in the consolidated statement of comprehensive income.

Fair value valuation process

The Group has established policies, procedures, and a fair value valuation model for measuring fair value. The middle division verifies the appropriateness of the valuation techniques and inputs used to measure fair value, as well as the appropriateness of the classification of fair value levels.

In measuring fair value, the Group uses valuation models that most appropriately reflect the characteristics and risks of individual assets. When quoted market prices obtained from

third parties are used, the Group verifies the appropriateness of the value by confirming the valuation techniques and inputs used and by comparing them with the market prices of similar financial instruments.

Effect of changes in significant unobservable inputs on fair value

Discount rate

The discount rate is obtained by adjusting the market interest rate. It consists primarily of the consideration for bearing the uncertainty arising from credit risk of the cash flows of the financial instrument. Generally, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.

30. DERIVATIVES

The contractual amounts of swap agreements, forward exchange contracts, option agreements, and other derivatives do not necessarily indicate the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Not Applied

(1) Interest-rate-related transactions

Millions of Yen				
2025				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	¥26,339	¥24,599	¥(235)	¥(235)
Receive floating and pay fixed	26,339	24,599	352	352
Total			¥ 116	¥ 116

Millions of Yen				
2024				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	¥27,142	¥26,583	¥185	¥185
Receive floating and pay fixed	27,142	26,583	(39)	(39)
Total			¥146	¥146

Thousands of U.S. Dollars				
2025				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	\$176,160	\$164,520	\$(1,577)	\$(1,577)
Receive floating and pay fixed	176,160	164,520	2,359	2,359
Total			\$ 782	\$ 782

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.

(2) Currency-related transactions

Millions of Yen				
2025				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps	¥ 2,387	¥ 2,387	¥ 0	¥ 0
Forward exchange contracts:				
Sold	41,813	1,744	(208)	(208)
Bought	108,614	776	63	63
Currency options:				
Sold	191,067	137,920	(2,794)	(705)
Bought	191,067	137,920	2,794	1,286
Total			¥ (144)	¥ 436

Millions of Yen				
2024				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps				
Forward exchange contracts:				
Sold	¥53,131	¥ 1,280	¥(1,818)	¥(1,818)
Bought	79,720	974	2,167	2,167
Currency options:				
Sold	87,842	45,324	(1,319)	1,201
Bought	87,842	45,324	1,319	(630)
Total			¥ 348	¥ 919

Thousands of U.S. Dollars				
2025				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps	\$ 15,971	\$ 15,971	\$ 1	\$ 1
Forward exchange contracts:				
Sold	279,653	11,666	(1,395)	(1,395)
Bought	726,420	5,192	427	427
Currency options:				
Sold	1,277,875	922,422	(18,691)	(4,718)
Bought	1,277,875	922,422	18,691	8,606
Total			\$ (966)	\$ 2,921

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.

(3) Other

Millions of Yen				
2025				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	¥19,370		¥(169)	
Bought	19,370		169	
Weather derivatives:				
Sold	1,830		(21)	
Bought	1,830		21	
Total			—	

Millions of Yen				
2024				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	¥21,510		¥(198)	
Bought	21,510		198	
Weather derivatives:				
Sold	1,830		(21)	
Bought	1,830		21	
Total			—	

Thousands of U.S. Dollars				
2025				
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	\$129,547		\$(1,133)	
Bought	129,547		1,133	
Weather derivatives:				
Sold	12,239		(144)	
Bought	12,239		144	
Total			—	

Note: The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.

Derivative Transactions to Which Hedge Accounting Is Applied

(1) Interest-rate-related transactions

Millions of Yen			
2025			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	¥31,792	¥31,646	¥1,153

Millions of Yen			
2024			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	¥36,245	¥30,267	¥573

Thousands of U.S. Dollars			
2025			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	\$212,627	\$211,650	\$7,716

Notes: 1. The Group applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting based on the rules of the JICPA Industry Committee Practical Guidelines No. 24.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans.

(2) Currency-related transactions

Millions of Yen			
2025			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value
Currency swaps	¥131,432	¥63,124	¥(3,739)

Millions of Yen			
2024			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value
Currency swaps	¥71,036	¥27,247	¥(5,340)

Thousands of U.S. Dollars			
2025			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value
Currency swaps	\$879,027	\$422,180	\$(25,007)

Notes: 1. The Group applies deferral hedge accounting principally based on the rules of the JICPA Industry Committee Practical Guidelines No. 25.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were foreign currency-denominated securities, etc.

31. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized (loss) gain on available-for-sale securities:			
(Loss) gain arising during the year	¥ (99,359)	¥208,467	\$(664,520)
Reclassification adjustments to profit or loss	(2,820)	(2,276)	(18,864)
Income taxes and amount before income tax effect	(102,179)	206,191	(683,384)
Income taxes and Income tax effect	(23,849)	63,032	(159,504)
Total	¥ (78,330)	¥143,158	\$(523,880)
Deferred gain (loss) on derivatives under hedge accounting:			
Loss arising during the year	¥ (4,191)	¥ (2,702)	\$ (28,032)
Reclassification adjustments to profit or loss	4,779	2,415	31,963
Income taxes and amount before income tax effect	587	(286)	3,931
Income taxes and Income tax effect	185	(87)	1,241
Total	¥ 402	¥ (198)	\$ 2,689
Land revaluation surplus:			
Loss arising during the year			
Reclassification adjustments to profit or loss			
Income taxes and amount before income tax effect			
Income taxes and Income tax effect	¥ 98		\$ 657
Total	¥ (98)		\$ (657)
Defined retirement benefit plans:			
Gain arising during the year	¥ 9,987	¥ 2,929	\$ 66,798
Reclassification adjustments to profit or loss	725	874	4,850
Income taxes and amount before income tax effect	10,712	3,803	71,648
Income taxes and Income tax effect	3,380	1,164	22,608
Total	¥ 7,332	¥ 2,638	\$ 49,040
Total other comprehensive (loss) income	¥ (70,694)	¥145,598	\$(472,808)

32. SEGMENT INFORMATION

Segment Information

Since the Group has a single reportable segment, which is the banking business, the disclosure of segment information is omitted.

Related Information

a. Information about services

	Millions of Yen			
	2025			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	¥67,061	¥48,625	¥51,570	¥167,258

	Millions of Yen			
	2024			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	¥55,228	¥43,529	¥38,933	¥137,691

	Thousands of U.S. Dollars			
	2025			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	\$448,513	\$325,213	\$344,907	\$1,118,634

b. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statement of income for the fiscal year ended March 31, 2025; therefore, geographical operating income information is not presented.

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statement of income for the fiscal year ended March 31, 2024; therefore, geographical operating income information is not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2025; therefore, geographical tangible fixed assets information is not presented.

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2024; therefore, geographical tangible fixed assets information is not presented.

c. Information about major customers

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal year ended March 31, 2025; therefore, major customer information is not presented.

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal year ended March 31, 2024; therefore, major customer information is not presented.

33. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2025 and 2024, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2025				
Basic EPS – Net income available to common shareholders	¥36,552	292,145	¥125.11	\$0.83
Effect of dilutive securities – Stock acquisition rights		184		
Diluted EPS – Net income for computation	¥36,552	292,329	¥125.03	\$0.83

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2024				
Basic EPS – Net income available to common shareholders	¥31,572	296,317	¥106.55	
Effect of dilutive securities – Stock acquisition rights		198		
Diluted EPS – Net income for computation	¥31,572	296,515	¥106.47	

The Company implemented a four-for-one stock split on January 1, 2024. The basic EPS and diluted EPS have been calculated assuming that the stock split was undertaken at the beginning of the year ended March 31, 2024.

Since the Company was established on October 2, 2023, through a sole-share transfer, the number of weighted-average shares for the

period before the establishment, which is from April 1, 2023 to October 1, 2023, was calculated based on the weighted-average shares of the Bank, and the number of weighted-average shares for the period from October 2, 2023 to March 31, 2024, was calculated based on the weighted-average shares of the Company.

34. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2025, was approved at the Company's Board of Directors' meeting held on May 15, 2025:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30.00 (\$0.20) per share	¥8,699	\$58,181

Acquisition of Treasury Stock

At the Board of Directors' meeting held on November 14, 2024, the Company resolved a resolution on matters related to the acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act, which shall be read and applied in accordance with the provisions of Article 165, Paragraph 3 of the Companies Act, and completed the acquisition on April 11, 2025.

The details of the acquisition of treasury stock since April 1, 2025, are as follows:

a. Class of shares acquired:	Common stock of the Company
b. Acquisition period:	April 1, 2025–April 11, 2025 (contract basis)
c. Total number of shares acquired:	2,436,300 shares
d. Total amount of share acquisition costs:	¥4,973,840,900 (\$33,265 thousand)
e. Method of acquisition:	Market purchase on the Tokyo Stock Exchange

In addition, at the Board of Directors' meeting held on May 15, 2025, the Company resolved matters related to the acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act, which shall be read and applied in accordance with the provisions of Article 165, Paragraph 3 of the Companies Act.

a. Details of matters related to the acquisition of treasury stock

(1) Class of shares to be acquired:	Common shares
(2) Total number of shares to be acquired:	5,000,000 shares (maximum) (1.72% of the total number of issued shares (excluding treasury stock))
(3) Total amount of share acquisition costs:	¥10 billion (\$66,880 thousand) (maximum)
(4) Acquisition period:	May 16, 2025–December 30, 2025
(5) Method of acquisition:	Market purchase by the Tokyo Stock Exchange

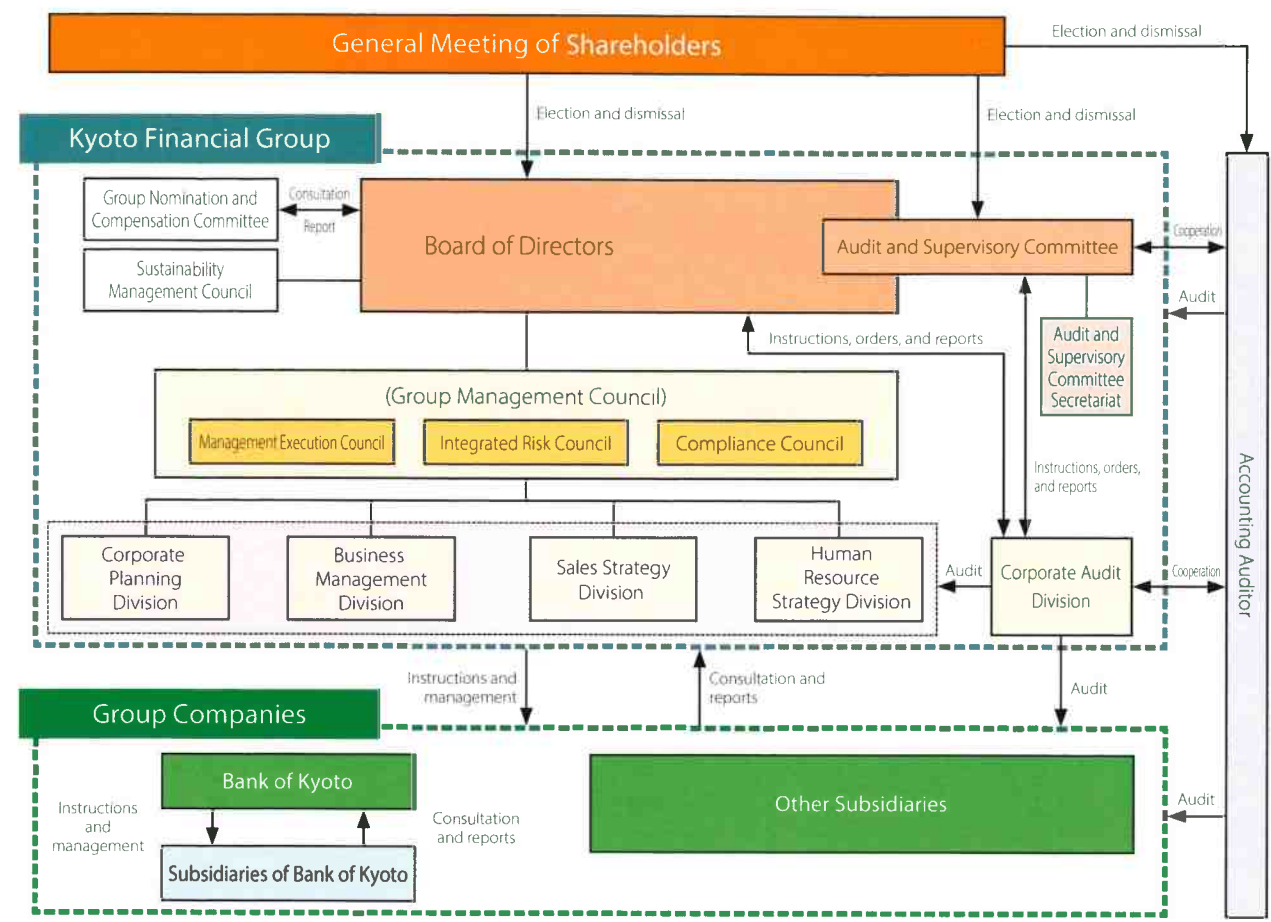
b. Reasons

This is done to enhance corporate value by strengthening shareholder returns and improving capital efficiency based on the Company's shareholder return policy.



Corporate Profile (As of July 1, 2025)

Kyoto Financial Group's Organization



Group Companies

	Main Business
Kyoto Financial Group, Inc.	Business management of group companies
The Bank of Kyoto, Ltd.	Banking
Kyoto Guaranty Service Co., Ltd.	Credit guarantee
Sky Ocean Asset Management Co., Ltd. (The Bank of Kyoto's Equity Method Associate)	Investment management
Karasuma Shoji Co., Ltd.	Management of electronic commerce mall
Kyoto Credit Service Co., Ltd.	Credit card services
Kyogin Card Service Co., Ltd.	Credit card services
Kyogin Lease Co., Ltd.	Leasing
Kyoto Soken Consulting Co., Ltd.	Consulting business, Economic survey, Research business, Member business
Kyogin Securities Co., Ltd.	Financial products trading business
Kyoto Capital Partners Co., Ltd.	Investments
Kyoto Turnaround Servicer Co., Ltd.	Servicer
Sekisui Leasing Co., Ltd.	Leasing
Kyoto M&A Advisory Co., Ltd.	M&A advisory business

Board of Directors and Executive Officers

Board of Directors

Representative Director and President
Nobuhiro Doi

Representative Director
Hiroyuki Hata

Directors
Mikiya Yasui
Minako Okuno

Directors (Audit and Supervisory Committee Members)

Toshiro Iwahashi
Chiho Oyabu (external)
Eiji Ueki (external)
Hiroyuki Nakatsukasa (external)
Motoko Tanaka (external)
Shizue Izumi (external)
Tamame Akamatsu (external)

Executive Officers

Managing Executive Officers

Kanji Habuchi
Etsuji Motomasa
Kenji Hashi
Hiroyuki Shikata
Takashi Kawakatsu

Executive Officers

Takashi Miki
Hideki Onishi

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