

FINANCIAL REPORT 2024



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Nishi-Nippon Financial Holdings, Inc.

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Consolidated Balance Sheet

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets:			
Cash and due from banks (Note 5)	¥2,200,594	¥1,946,575	\$14,534,010
Call loans and bills bought	7,570	8,011	50,000
Commercial paper and other debt purchased	47,653	42,733	314,729
Money held in trust (Note 26)	11,699	11,609	77,269
Securities (Notes 3, 5, 24 and 25)	1,803,150	1,792,650	11,909,055
Loans and bills discounted (Notes 4, 5, 6 and 24)	9,178,238	8,955,399	60,618,445
Foreign exchange assets (Note 7)	9,361	17,311	61,825
Other assets (Notes 5 and 8)	101,896	99,071	672,980
Tangible fixed assets (Notes 9 and 15)	115,958	116,854	765,858
Intangible fixed assets	5,193	5,204	34,297
Asset for retirement benefits (Note 28)	24,964	8,038	164,882
Deferred tax assets (Note 29)	1,083	6,367	7,153
Customers' liabilities for acceptances and guarantees	18,559	16,372	122,576
Reserve for possible loan losses (Note 24)	(42,302)	(40,455)	(279,388)
Reserve for devaluation of securities	(557)	(562)	(3,683)
Total assets	¥13,483,062	¥12,985,181	\$89,050,014
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 5, 10, and 24)	¥10,424,915	¥9,959,196	\$68,852,224
Call money and bills sold (Note 5)	104,542	512,491	690,458
Payables under repurchase agreements (Note 5)	226,248	265,881	1,494,275
Guarantee deposits received under securities lending transactions (Note 5)	238,191	293,853	1,573,158
Borrowed money (Notes 5, 11 and 24)	1,759,123	1,249,709	11,618,275
Foreign exchange liabilities (Note 7)	720	504	4,760
Borrowed money from trust account	5,349	5,233	35,328
Other liabilities (Note 12)	93,590	120,171	618,123
Provision for share-based remuneration for directors	11	4	76
Liability for retirement benefits (Note 28)	1,973	4,647	13,033
Reserve for retirement benefits for directors and corporate auditors	236	200	1,562
Reserve for reimbursement of deposits	392	545	2,593
Reserve for other contingent losses	1,182	1,194	7,809
Reserve under the special laws	17	12	118
Deferred tax liabilities (Note 29)	8,589	1,070	56,729
Deferred tax liabilities on revaluation of premises (Note 15)	14,613	14,646	96,513
Acceptances and guarantees	18,559	16,372	122,576
Total liabilities	12,898,257	12,445,737	85,187,617
Net assets:			
Capital stock (Note 13)	50,000	50,000	330,229
Capital surplus	117,584	118,706	776,597
Earned surplus	341,349	325,460	2,254,469
Treasury stock (Note 14)	(6,584)	(5,698)	(43,487)
Total shareholders' equity	502,349	488,468	3,317,808
Net unrealized gains on securities available for sale, net of taxes (Note 25)	43,262	25,757	285,728
Net deferred gains (losses) on hedging instruments, net of taxes	711	1,015	4,698
Revaluation of premises, net of taxes (Note 15)	29,678	29,425	196,011
Retirement benefits liability adjustments, net of taxes (Note 28)	(1,379)	(14,843)	(9,109)
Total accumulated other comprehensive income	72,272	41,355	477,330
Non-controlling interests	10,183	9,620	67,258
Total net assets (Note 36)	584,805	539,444	3,862,397
Total liabilities and net assets	¥13,483,062	¥12,985,181	\$89,050,014

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥83,845	¥81,242	\$553,762
Interest and dividends on securities	28,672	21,012	189,371
Other interest income (Note 16)	3,794	3,886	25,058
Trust fees	0	0	0
Fees and commissions	37,790	33,136	249,588
Trading income	1,036	1,369	6,846
Other operating income (Note 17)	13,047	8,064	86,171
Other income (Note 18)	17,461	12,605	115,328
Total income	185,647	161,318	1,226,127
Expenses:			
Interest expenses:			
Interest on deposits	574	451	3,793
Interest on call money and bills sold	1,380	319	9,119
Interest on payables under repurchase agreements	15,291	7,627	100,991
Interest on guarantee deposits received under securities lending transactions	38	22	256
Interest on borrowings	923	589	6,098
Other interest expenses	7,094	3,390	46,859
Fees and commissions	13,770	12,021	90,946
Other operating expenses (Note 19)	19,297	16,130	127,454
General and administrative expenses (Note 20)	83,468	80,634	551,274
Other expenses (Note 21)	8,952	6,018	59,129
Total expenses	150,792	127,206	995,923
Profit (loss) before income taxes	34,855	34,111	230,203
Income taxes (Note 29)			
Current	11,022	6,513	72,800
Deferred	(374)	1,164	(2,474)
Total income taxes	10,648	7,678	70,326
Profit (loss)	24,206	26,433	159,876
Profit (loss) attributable to:			
Non-controlling interests	630	368	4,163
Owners of parent (Note 36)	¥23,576	¥26,064	\$155,713

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Profit (loss)	¥24,206	¥26,433	\$159,876
Other comprehensive income:			
Net unrealized gains on securities available for sale	17,598	(12,962)	116,228
Net deferred gains (losses) on hedging instruments	(304)	1,023	(2,010)
Retirement benefits liability adjustments	13,462	872	88,912
Share of other comprehensive income of affiliates accounted for by the equity method	31	56	207
Total other comprehensive income (Note 22)	¥30,787	(¥11,009)	\$203,337
Comprehensive income	¥54,994	¥15,423	\$363,214
Comprehensive income attributable to owners of parent	¥54,241	¥15,087	\$358,243
Comprehensive income attributable to non-controlling interests	¥752	¥336	\$4,971

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Shareholders' equity			
Capital stock (Note 13)			
Balance at beginning of the year	¥50,000	¥50,000	\$330,229
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥50,000	¥50,000	\$330,229
Capital surplus			
Balance at beginning of the year	¥118,706	¥121,123	\$784,005
Changes during the year			
Sale of treasury stock	0	(0)	0
Retirement of treasury stock	(1,121)	(2,417)	(7,409)
Changes in owners of parent interests in transactions with non-controlling shareholders	0	—	0
Total changes during the year	(1,121)	(2,417)	(7,408)
Balance at end of the year	¥117,584	¥118,706	\$776,597
Earned surplus			
Balance at beginning of the year	¥325,460	¥304,236	\$2,149,533
Changes during the year			
Cash dividends paid (Note 37)	(7,435)	(5,412)	(49,110)
Profit (loss) attributable to owners of parent	23,576	26,064	155,713
Increase in earned surplus due to an increase in the number of affiliates accounted for by the equity method	—	559	—
Reversal of revaluation of premises	(252)	13	(1,665)
Total changes during the year	15,888	21,224	104,936
Balance at end of the year	¥341,349	¥325,460	\$2,254,469
Treasury stock (Note 14)			
Balance at beginning of the year	(¥5,698)	(¥5,522)	(\$37,638)
Changes during the year			
Acquisition of treasury stock	(2,008)	(2,593)	(13,262)
Sale of treasury stock	0	0	2
Retirement of treasury stock	1,121	2,417	7,409
Total changes during the year	(885)	(176)	(5,849)
Balance at end of the year	(¥6,584)	(¥5,698)	(\$43,487)
Total shareholders' equity			
Balance at beginning of the year	¥488,468	¥469,837	\$3,226,130
Changes during the year			
Cash dividends paid (Note 37)	(7,435)	(5,412)	(49,110)
Profit (loss) attributable to owners of parent	23,576	26,064	155,713
Acquisition of treasury stock	(2,008)	(2,593)	(13,262)
Sale of treasury stock	0	0	3
Increase in earned surplus due to an increase in the number of affiliates accounted for by the equity method	—	559	—
Changes in owners of parent interests in transactions with non-controlling shareholders	0	—	0
Reversal of revaluation of premises	(252)	13	(1,665)
Total changes during the year	13,880	18,631	91,678
Balance at end of the year	¥502,349	¥488,468	\$3,317,808

Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Accumulated other comprehensive income			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥25,757	¥38,616	\$170,117
Changes during the year			
Net changes in items other than shareholders' equity	17,504	(12,859)	115,611
Total changes during the year	17,504	(12,859)	115,611
Balance at end of the year	¥43,262	¥25,757	\$285,728
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	¥1,015	(¥8)	\$6,708
Changes during the year			
Net changes in items other than shareholders' equity	(304)	1,023	(2,010)
Total changes during the year	(304)	1,023	(2,010)
Balance at end of the year	¥711	¥1,015	\$4,698
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,425	¥29,438	\$194,345
Changes during the year			
Net changes in items other than shareholders' equity	252	(13)	1,665
Total changes during the year	252	(13)	1,665
Balance at end of the year	¥29,678	¥29,425	\$196,011
Retirement benefits liability adjustments			
Balance at beginning of the year	(¥14,843)	(¥15,715)	(\$98,037)
Changes during the year			
Net changes in items other than shareholders' equity	13,464	871	88,928
Total changes during the year	13,464	871	88,928
Balance at end of the year	(¥1,379)	(¥14,843)	(\$9,109)
Total accumulated other comprehensive income			
Balance at beginning of the year	¥41,355	¥52,332	\$273,134
Changes during the year			
Net changes in items other than shareholders' equity	30,917	(10,977)	204,195
Total changes during the year	30,917	(10,977)	204,195
Balance at end of the year	¥72,272	¥41,355	\$477,330
Non-controlling interests			
Balance at beginning of the year	¥9,620	¥8,555	\$63,541
Changes during the year			
Net changes in items other than shareholders' equity	562	1,065	3,717
Total changes during the year	562	1,065	3,717
Balance at end of the year	¥10,183	¥9,620	\$67,258
Total net assets			
Balance at beginning of the year	¥539,444	¥530,724	\$3,562,805
Changes during the year			
Cash dividends paid (Note 37)	(7,435)	(5,412)	(49,110)
Profit (loss) attributable to owners of parent	23,576	26,064	155,713
Acquisition of treasury stock	(2,008)	(2,593)	(13,262)
Sale of treasury stock	0	0	3
Increase in earned surplus due to an increase in the number of affiliates accounted for by the equity method	—	559	—
Changes in owners of parent interests in transactions with non-controlling shareholders	0	—	0
Reversal of revaluation of premises	(252)	13	(1,665)
Net changes in items other than shareholders' equity	31,480	(9,911)	207,912
Total changes during the year	45,361	8,719	299,591
Balance at end of the year	¥584,805	¥539,444	\$3,862,397

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
I. Cash flows from operating activities:			
Profit (loss) before income taxes	¥34,855	¥34,111	\$230,203
Depreciation	5,992	5,845	39,577
Losses on impairment of fixed assets	434	66	2,869
Gain on negative goodwill	—	(564)	—
Gain on step acquisition	—	(272)	—
Equity in gains of non-consolidated subsidiaries and affiliate	(975)	(8,319)	(6,441)
Increase (decrease) in reserve for possible loan losses	1,846	(2,025)	12,193
Decrease in reserve for devaluation of securities	(5)	(14)	(33)
Increase in provision for share-based remuneration for directors	7	4	49
Increase in asset for retirement benefits	(16,926)	(489)	(111,793)
Decrease in liability for retirement benefits	(2,674)	(1,707)	(17,661)
Increase (decrease) in reserve for retirement benefits for directors and corporate auditors	35	(0)	235
Decrease in reserve for reimbursement of deposits	(152)	(279)	(1,009)
(Decrease) increase in reserve for other contingent losses	(12)	97	(79)
Income from lending activities	(116,311)	(106,142)	(768,192)
Funding costs	25,303	12,401	167,118
(Gains) losses on securities	(4,524)	8,195	(29,882)
(Gains) losses on money held in trust	(10)	74	(68)
Net foreign exchange gains	(1,144)	(1,260)	(7,561)
Losses on sale of tangible fixed assets	311	336	2,055
Net increase in loans and bills discounted	(222,839)	(484,538)	(1,471,758)
Net increase in deposits	385,430	223,471	2,545,607
Net increase (decrease) in certificates of deposit	80,288	(96,869)	530,270
Net increase (decrease) in borrowed money, exclusive of subordinated borrowings	509,413	(505,531)	3,364,462
Net (increase) decrease in due from banks, exclusive of central bank	(415)	676	(2,745)
Net increase in call loans	(4,478)	(11,124)	(29,577)
Net (decrease) increase in call money	(447,582)	17,252	(2,956,095)
Net (decrease) increase in guarantee deposits received under securities lending transactions	(55,661)	206,665	(367,620)
Net decrease in foreign exchange assets	7,950	5,445	52,509
Net increase in foreign exchange liabilities	216	303	1,428
Net increase in borrowed money from trust account	115	438	761
Interest and dividends received	115,321	106,488	761,653
Interest paid	(23,936)	(10,145)	(158,091)
Others	(68,685)	(17,602)	(453,636)
Subtotal	201,185	(625,015)	1,328,748
Income taxes paid	(4,165)	(14,716)	(27,510)
Net cash provided by (used in) operating activities	¥197,020	(¥639,731)	\$1,301,238
II. Cash flows from investing activities:			
Payments for purchase of securities	(¥318,064)	(¥484,648)	(\$2,100,685)
Proceeds from sale of securities	255,490	300,099	1,687,410
Proceeds from redemption of securities	134,374	173,881	887,487
Payments for increase in money held in trust	(4,090)	(17)	(27,018)
Proceeds from decrease in money held in trust	3,997	—	26,400
Payments for purchase of tangible fixed assets	(3,688)	(3,130)	(24,360)
Proceeds from sale of tangible fixed assets	124	112	821
Payments for purchase of intangible fixed assets	(1,947)	(2,358)	(12,864)
Payments for acquisition of subsidiaries' shares resulting in changes in scope of consolidation	—	(4,380)	—
Net cash provided by (used in) investing activities	¥66,194	(¥20,442)	\$437,189
III. Cash flows from financing activities:			
Dividends paid	(¥7,430)	(¥5,409)	(\$49,078)
Dividends paid to non-controlling shareholders	(188)	(172)	(1,245)
Payments for acquisition of treasury stock	(2,008)	(2,593)	(13,262)
Proceeds from sale of treasury stock	0	0	3
Purchase of investments in subsidiaries' shares not resulting in changes in scope of consolidation	(1)	—	(7)
Net cash used in financing activities	(¥9,628)	(¥8,175)	(\$63,590)
IV. Effects of changes in exchange rates on cash and cash equivalents	¥16	¥8	\$107
V. Net increase (decrease) in cash and cash equivalents	¥253,603	(¥668,341)	\$1,674,945
VI. Cash and cash equivalents at beginning of the year	¥1,939,733	¥2,608,074	\$12,811,130
VII. Cash and cash equivalents at end of the year (Note 35)	¥2,193,336	¥1,939,733	\$14,486,076

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. (the "Company"), and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Company.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥151.41= U.S.\$ 1.00, the exchange rate on March 31st, 2024, has been used in translation. The translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

In the consolidated financial statements, "—" is used to denote "nil" and "0" is used to denote rounding down to zero.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (the "Group").

The number of consolidated and non-consolidated subsidiaries for the years ended March 31st, 2024 and 2023 is as follows:

	2024	2023
i) Number of consolidated subsidiaries:	8	8
ii) Number of non-consolidated subsidiaries:	12	10

(2) Application of the Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended March 31st, 2024 and 2023 is as follows:

	2024	2023
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	3	3
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	12	10
iv) Number of affiliates not accounted for by the equity method:	2	2

(3) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries are the same as the closing date for the consolidated financial statements.

(4) Trading Account Assets and Liabilities

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheet and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statement of income.

The Company's consolidated subsidiaries engaged in the banking business value securities, monetary claims, etc. held for trading purpose at the market price prevailing at the consolidated balance sheet date. Derivatives, such as swaps, futures, and option transactions, are stated at the amount assuming that they were terminated or settled at the consolidated balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

Notes to Consolidated Financial Statements

(5) Securities

Securities held to maturity are valued at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method are valued at cost determined by the moving average method. Securities available for sale are valued at fair value with cost of sales determined by the moving average method. However, shares, etc. that do not have a market value are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(6) Derivatives

Derivatives held or written are stated at fair value.

(7) Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets of the Company and its consolidated subsidiaries engaged in the banking business are depreciated by the declining-balance method; however, buildings (excluding facilities attached to buildings) acquired on or after April 1st, 1998 are depreciated by the straight-line method.

The useful lives for buildings and equipment are as follows:

Buildings: 3 to 60 years

Equipment: 2 to 20 years

Tangible fixed assets of other consolidated subsidiaries are depreciated mainly using the declining-balance method, based on their estimated useful lives.

(8) Intangible Fixed Assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Group (5 years).

(9) Leased Assets

The tangible fixed assets capitalized under the finance lease transactions entered into on and after April 1st, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

(10) Reserve for Possible Loan Losses

Major consolidated subsidiaries record the reserve for possible loan losses as follows:

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable. For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

For other loans, the reserve for possible loan losses is provided mainly at an anticipated amount of losses over the next one or three years. The anticipated amount of losses was calculated by obtaining the loss rate based on the mean for a certain period of actual loss rates calculated from actual losses for one or three years and then by making necessary adjustments in accordance with future projections and other factors.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal

of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at March 31st, 2024 and 2023 were ¥9,460 million (\$62,483 thousand) and ¥8,077 million, respectively.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

(11) Reserve for Devaluation of Securities

In order to provide for a loss on investments, the Group estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

(12) Provision for Share-based Remuneration for Directors

In order to provide for payment of compensation for directors of the Company (excluding those who are Audit and Supervisory Committee members) under the stock compensation plan, provision for share-based remuneration for directors is made for amount of compensation that is deemed to be accrued by the end of the fiscal year under review.

(13) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors is provided at the amount that would be paid in accordance with the internally established rule at the consolidated balance sheet date if they were retired on that date.

(14) Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the consolidated subsidiaries engaged in the banking business.

(15) Reserve for Other Contingent Losses

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Group.

(16) Reserve under the Special Laws

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Company's consolidated subsidiary engaged in the securities business at an amount estimated pursuant to Article 46, Item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments services.

(17) Accounting for Retirement Benefits

In calculating the retirement benefit obligation for employees for certain consolidated subsidiaries, the retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

For other consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

(18) Recognition of Earnings

The Company recognizes revenues from contracts with customers when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. For fees and commissions that may be refunded, the Company posts refund liabilities and deducts such amounts from revenues.

(19) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the consolidated balance sheet date.

Notes to Consolidated Financial Statements

(20) Accounting for Leases

Finance lease transactions which were initially engaged by the consolidated subsidiaries prior to April 1st, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

(21) Hedge Accounting

i) Hedge accounting for interest rate risks

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for interest rate risks of certain financial assets and liabilities by using the individual hedging, which directly matches hedged items and hedging instruments. With regard to hedging transactions to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, in accordance with operational rules concerning hedge accounting, hedged items are distinguished by identical type of bonds and interest rate swaps are used as hedging instruments. Since significant terms related to those hedged items and hedging instruments are nearly identical, such hedging transactions are deemed highly effective in terms of evaluation of hedge effectiveness. No evaluation is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment, as it is ascertained that the criteria for the special treatment are continually met.

ii) Hedge accounting for foreign exchange rate risk

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25 of October 8th, 2020). The consolidated subsidiaries treat foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the subsidiaries test hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

iii) Internal contract

For internal contracts, the consolidated subsidiaries engaged in the banking business manage the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry-specific Committee Practical Guideline No. 25. Therefore, the subsidiaries either recognize gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

(22) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

Cash and Cash Equivalents in the consolidated statement of cash flows are composed of cash and due from central bank.

(23) Application of the Group Tax Sharing System

The Company and certain of its consolidated subsidiaries have applied the Group Tax Sharing System, with the Company serving as the aggregate parent corporation.

(24) Accounting Principles and Procedures When Related Accounting Standards Are Not Clear

Gains/losses from cancellation/redemption of investment trusts are recorded under "Interest and dividends on securities," provided, however, that the amount of interim dividends from investment trusts is recorded in "Loss on redemption of bonds" under "Other operating expenses" if such is negative overall.

(25) Significant Accounting Estimates

Reserve for possible loan losses:

Amount recorded on the consolidated financial statements for the fiscal year under review:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Reserve for possible loan losses	¥42,302	¥40,455	\$279,388

Information about the content of significant accounting estimates concerning disclosure items identified:

(1) Calculation method

For the calculation method of reserve for possible loan losses, see "(10) Reserve for Possible Loan Losses," under the "Summary of Significant Accounting Policies."

(2) Key assumptions

Key assumptions include: i) Future outlook of debtors' business in the assessment of debtor companies and ii) Future transition in the assessment of debtor companies and the amount to be collected in the cash flow estimation method.

Details of each assumption are as follows:

i) Future outlook of debtors' business in the assessment of debtor companies

The future outlook of debtors' business is determined by evaluating the repayment situation, financial position, business performance, and impact of the novel coronavirus disease (COVID-19) of each debtor.

ii) Future transition in the assessment of debtor companies and the amount to be collected in the cash flow estimation method

The future transition in the assessment of debtor companies and the amount to be collected are set by evaluating each debtor based on their repayment situation and future plans.

(3) Possible impact on consolidated financial statements for the following fiscal year

All of the key assumptions are surrounded by uncertainty. As such, a change in the assumptions based on which the original estimates were made can have a material impact on reserve for possible loan losses on consolidated financial statements for the following fiscal year.

(26) Accounting Standards Issued but Not Yet Effective

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 of October 28th, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 of October 28th, 2022)

"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of October 28th, 2022)

i) Overview

Classification of income taxes when other comprehensive income is subject to taxation and accounting of tax effect on sales of stocks of subsidiaries, etc. when the group taxation regime is applied have been determined.

ii) Scheduled date of adoption

The Group plans to adopt the above-mentioned accounting standard and implementation guidance from the beginning of the fiscal year ending March 31st, 2025.

iii) Impact of the adoption of the accounting standards and implementation guidance

Regarding adopting these accounting standards and implementation guidance, the Group plans to retroactively apply new accounting policies to all past periods. As a result, deferred tax liabilities are expected to decrease by ¥1,259 million (\$8,319 thousand) and retained earnings are expected to increase by ¥1,259 million (\$8,319 thousand) as of March 31st, 2024, compared to those before the retroactive application of these accounting standards and implementation guidance.

(27) Additional Information

Board Benefit Trust

The Company has introduced the Board Benefit Trust (BBT) (hereinafter, the "Plan") to make clearer the link between compensation to the Company's directors (excluding those who are Audit and Supervisory Committee members; the same applies hereinafter in this section) and the Company's stock value and to further raise awareness of the need to contribute to the enhancement of corporate value over the mid- and long-term.

i) Overview of transactions

The Plan is a stock compensation plan whereby the Company's common stock (hereinafter, the "Company Stock") is acquired through a trust (hereinafter, trust set up under the Plan is referred to as the "Trust") by using money contributed by the Company, and the Company Stock and money in the amount equivalent to the fair value of the Company Stock (hereinafter, collectively the "Company Stock, Etc.") are paid to the Company's directors from the Trust. In principle, directors shall receive the Company Stock, Etc. at the time of retirement.

ii) The Company Stock remaining in the Trust

The Company Stock remaining in the Trust are recorded under net assets as treasury stock at the book value in the Trust (excluding incidental expenses). The book value of treasury stock was ¥89 million (\$591 thousand) and the number of shares of treasury stock was 120,600 shares as of March 31st, 2024.

Notes to Consolidated Financial Statements

3. Securities

Securities at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Japanese government bonds	¥443,955	¥495,866	\$2,932,141
Japanese municipal bonds	479,840	421,892	3,169,149
Corporate bonds (including government-guaranteed bonds)*	165,011	185,910	1,089,829
Stock**	162,969	144,270	1,076,348
Other securities***	551,372	544,711	3,641,587
Total	¥1,803,150	¥1,792,650	\$11,909,055

* Corporate bonds included bonds offered through private placement. The guarantee obligation of The Nishi-Nippon City Bank for such private placement bonds at March 31st, 2024 and 2023 were ¥17,417 million (\$115,037 thousand) and ¥17,634 million, respectively.

** Stock included stock of non-consolidated subsidiaries and affiliates of ¥14,128 million (\$93,310 thousand) and ¥13,321 million at March 31st, 2024 and 2023, respectively.

*** Other securities included investments in non-consolidated subsidiaries and affiliates of ¥3,547 million (\$23,432 thousand) and ¥2,091 million at March 31st, 2024 and 2023, respectively.

4. Loans and Bills Discounted

Loans and bills discounted at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bills discounted*	¥17,195	¥15,905	\$113,567
Loans on notes	192,764	186,919	1,273,129
Loans on deed	8,154,942	7,991,112	53,859,997
Overdraft	813,336	761,462	5,371,751
Total	¥9,178,238	¥8,955,399	\$60,618,445

* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 24 of March 17th, 2022). The consolidated subsidiaries engaged in the banking business have right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥17,200 million (\$113,598 thousand) and ¥15,905 million at March 31st, 2024 and 2023, respectively.

The following table shows the claims classified under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions. Claims include corporate bonds included in "Securities" in the consolidated balance sheet (limited to corporate bonds for which the redemption of principal or interest payments, whether wholly or partly, is guaranteed by the financial institution that owns the corporate bonds, and for which the issuance is implemented through the private placement of securities as defined in Article 2, Item 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, amounts recorded in outstanding interest, temporary payments, and consideration for acceptance of payment under "Other assets" on the balance sheet, and, if securities are loaned (noted), such securities (limited to those via loan for use or lease contract).

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Claims in bankruptcy, reorganization, etc.**	¥20,450	¥16,709	\$135,068
Claims with risks***	92,836	95,408	613,144
Claims in arrears for three months or more****	380	796	2,510
Loans with altered lending conditions*****	30,581	32,771	201,978
Total	¥144,248	¥145,685	\$952,701

** Claims held against debtors with failed business status due to circumstances such as the commencement of bankruptcy proceedings, the commencement of corporate reorganization proceedings, or rehabilitation proceedings, and any other type of claims that are similar or equivalent thereto.

*** Claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance have deteriorated and for which it is highly unlikely that the collection of principal or receipt of interest in accordance with the contract will be possible but that do not fall under claims in bankruptcy, reorganization, etc.

**** Claims in arrears for which the principal or interest is delinquent for three months or more from the date immediately following the contractual due date, and that do not fall under claims in bankruptcy, reorganization, etc. or claims with risks.

***** Loans for which there is a reduction in or an exemption of the interest rate, a grace period for the payment of interests, a grace period for the reimbursement of the principal, a waiver of the loan claim or any other arrangement that might be considered advantageous to a debtor are made for the purpose of the reconstruction of, or support to, the management of the debtor, and that do not fall under claims in bankruptcy, reorganization, etc., claims with risks, or claims in arrears for three months or more.

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

5. Assets Pledged as Collateral

Assets pledged as collateral by the Group at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets pledged as collateral			
Cash and due from banks	¥35	¥35	\$236
Securities	1,263,335	1,185,143	8,343,807
Loans	1,372,865	1,457,330	9,067,202
Total	¥2,636,236	¥2,642,510	\$17,411,246
Liabilities secured by the above assets			
Deposits	¥12,599	¥12,736	\$83,216
Payables under repurchase agreements	226,248	265,881	1,494,275
Guarantee deposits received under securities lending transactions	238,191	293,853	1,573,158
Borrowed money	1,757,686	1,248,193	11,608,789

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at March 31st, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Securities	¥—	¥1,141	\$—
Other assets	¥1,400	¥1,400	\$9,246

Other assets include margin deposits for futures transactions, cash collateral paid for financial instruments, and security deposits at March 31st, 2024 and 2023. The respective amounts for each account item are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Margin deposits for futures transactions	¥611	¥—	\$4,035
Cash collateral paid for financial instruments	46,306	45,418	305,837
Deposits included in other assets	2,456	2,464	16,223

6. Contracts for Commitment Lines of Credit

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Aggregate amount under commitment contracts not yet drawn down	¥1,968,032	¥2,023,899	\$12,998,038
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	1,867,672	1,939,425	12,335,197

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Group. Many of these contracts have stipulations that allow the consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

Notes to Consolidated Financial Statements

7. Foreign Exchange

Foreign exchange assets and liabilities at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Foreign exchange bills bought	¥4	¥0	\$31
Foreign exchange bills receivable	129	170	855
Due from foreign banks (their accounts)	—	—	—
Due from foreign banks (our accounts)	9,226	17,141	60,939
Total	¥9,361	¥17,311	\$61,825
Liabilities:			
Foreign exchange bills sold	¥94	¥5	\$625
Foreign exchange bills payable	625	498	4,134
Total	¥720	¥504	\$4,760

8. Other Assets

Other assets at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Domestic exchange settlement account*	¥58	¥31	\$386
Accrued income	8,094	7,233	53,457
Prepaid expenses	705	578	4,658
Margin deposits for futures transactions	611	—	4,035
Financial derivative products	4,049	5,662	26,748
Cash collateral paid for financial instruments	46,306	45,418	305,837
Other	42,070	40,146	277,857
Total	¥101,896	¥99,071	\$672,980

* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

9. Tangible Fixed Assets

Tangible fixed assets at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Land	¥75,372	¥75,659	\$497,802
Buildings	30,595	31,622	202,073
Construction in progress	130	530	864
Leased assets	363	361	2,400
Other tangible fixed assets	9,496	8,680	62,717
Total	¥115,958	¥116,854	\$765,858

* The amounts of accumulated depreciation for tangible fixed assets at March 31st, 2024 and 2023 were ¥71,598 million (\$472,877 thousand) and ¥68,406 million, respectively.

The accelerated depreciation entry amounts for tangible fixed assets at March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
	¥6,517	¥6,573	\$43,042

10. Deposits

Deposits at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Current deposits	¥530,868	¥451,568	\$3,506,164
Ordinary deposits	7,235,343	6,792,829	47,786,428
Deposits at notice	17,588	14,739	116,165
Time deposits	2,239,299	2,383,936	14,789,640
Negotiable certificates of deposit	247,711	167,423	1,636,033
Other deposits	154,103	148,698	1,017,792
Total	¥10,424,915	¥9,959,196	\$68,852,224

11. Borrowed Money

The weighted average interest rates on borrowed money is 0.04% at March 31st, 2024.

The aggregate annual maturity amounts within five years of borrowed money after March 31st, 2024 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31st		
2025	¥407,885	\$2,693,912
2026	252,014	1,664,450
2027	478,815	3,162,374
2028	620,406	4,097,523
2029	2	15

12. Other Liabilities

Other liabilities at March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Domestic exchange settlement account	¥496	¥181	\$3,279
Accrued income taxes	7,294	1,599	48,177
Accrued expenses	10,397	8,886	68,671
Unearned income	10,250	7,460	67,702
Financial derivative products	6,454	5,315	42,631
Lease obligations	374	365	2,471
Cash collateral received for financial instruments	1,531	2,630	10,111
Asset retirement obligations	1,092	1,079	7,218
Others	55,697	92,652	367,859
Total	¥93,590	¥120,171	\$618,123

Notes to Consolidated Financial Statements

13. Capital Stock

Capital stock during the year ended March 31st, 2024 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
April 1st, 2023	148,596,955	¥50,000	\$330,229
Increase	—	—	—
Decrease*	1,203,200	—	—
March 31st, 2024	147,393,755	¥50,000	\$330,229

* The decrease of 1,203,200 shares is due to retirement of treasury shares.

Capital stock during the year ended March 31st, 2023 consisted of the following:

	Common stock	Capital stock
	Issued shares	Millions of yen
April 1st, 2022	151,596,955	¥50,000
Increase	—	—
Decrease*	3,000,000	—
March 31st, 2023	148,596,955	¥50,000

* The decrease of 3,000,000 shares is due to retirement of treasury shares.

14. Treasury Stock

Treasury stock during the year ended March 31st, 2024 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
April 1st, 2023	7,102,038	(¥5,698)	(\$37,638)
Increase**	1,208,557	(2,008)	(13,262)
Decrease**	1,203,751	1,122	7,412
March 31st, 2024*	7,106,844	(¥6,584)	(\$43,487)

* The number of common shares under treasury stock at the end of the fiscal year under review includes 120,600 of the Company's own stock held by the BBT.

** The increase in the number of treasury stock by 1,208,557 shares is due to the acquisition of 1,203,200 shares of treasury stock and the demands for the purchase of 5,357 fractional shares. The decrease of 1,203,351 shares is due to retirement of 1,203,200 shares of treasury stock, the sales of 151 fraction shares, and the distribution of 400 shares from the BBT.

Treasury stock during the year ended March 31st, 2023 consisted of the following:

	Common stock	Treasury stock
	Number of shares	Millions of yen
April 1st, 2022	7,288,911	(¥5,522)
Increase**	2,813,715	(2,593)
Decrease**	3,000,588	2,417
March 31st, 2023*	7,102,038	(¥5,698)

* The number of common shares under treasury stock at the end of the fiscal year under review includes 121,000 of the Company's own stock held by the BBT.

** The increase in the number of treasury stock by 2,813,715 shares is due to the acquisition of 2,687,400 shares of treasury stock, the demands for the purchase of 5,315 fractional shares, and the acquisition of 121,000 shares provided to the BBT. The decrease of 3,000,588 shares is due to retirement of treasury shares of 3,000,000 and sale of fractional shares of 588.

15. Revaluation of Premises Account

Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31st, 1998), the consolidated subsidiaries engaged in the banking business have revalued land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

The differences at March 31st, 2024 and 2023 are not presented as the aggregate market value of land subject to revaluation exceeded the book value after revaluation.

16. Other Interest Income

Other interest income for the years ended March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Interest on call loans and bills bought	¥100	¥28	\$666
Interest on deposits with banks	2,092	2,398	13,821
Others	1,600	1,459	10,569
Total	¥3,794	¥3,886	\$25,058

17. Other Operating Income

Other operating income for the years ended March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on foreign exchange transactions	¥1,144	¥1,260	\$7,561
Gains on sale of bonds	686	1,482	4,533
Others	11,216	5,321	74,077
Total	¥13,047	¥8,064	\$86,171

18. Other Income

Other income for the years ended March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sale of stock and other securities	¥15,448	¥2,353	\$102,032
Gains on money held in trust	13	14	86
Equity in earnings of affiliates	975	8,319	6,441
Gains on disposition of fixed assets	52	32	347
Recoveries of written-off claims	290	251	1,920
Rental income on land and buildings	505	523	3,337
Gain from negative goodwill	—	564	—
Gain on step acquisition	—	272	—
Reversal of reserve for devaluation of securities	—	5	—
Others	175	266	1,161
Total	¥17,461	¥12,605	\$115,328

19. Other Operating Expenses

Other operating expenses for the years ended March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Losses on sale of bonds	¥11,024	¥11,737	\$72,814
Losses on redemption of bonds	440	214	2,912
Losses on devaluation of bonds	8	—	52
Expenses for derivatives other than trading derivatives	—	205	—
Others	7,824	3,973	51,674
Total	¥19,297	¥16,130	\$127,454

Notes to Consolidated Financial Statements

20. General and Administrative Expenses

General and administrative expenses for the years ended March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and allowances	¥30,625	¥30,410	\$202,265
Employee retirement benefits	2,810	2,238	18,560
Retirement benefits for directors and corporate auditors	52	48	344
Depreciation	5,992	5,780	39,577
Rental expenses	3,384	3,383	22,353
Taxes	5,904	5,621	39,000
Others	34,699	33,151	229,173
Total	¥83,468	¥80,634	\$551,274

21. Other Expenses

Other expenses for the years ended March 31st, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Provision for possible loan losses	¥5,036	¥1,984	\$33,265
Losses on write-offs of claims	1,498	1,378	9,894
Losses on sale of stock and other securities	2	64	18
Losses on devaluation of stock and other securities	134	52	885
Losses on disposition of tangible fixed assets	363	368	2,403
Impairment losses	434	66	2,869
Losses on sale of loans	1	182	11
Others	1,480	1,920	9,781
Total	¥8,952	¥6,018	\$59,129

22. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized gains on securities available for sale:			
Amount arising during the year	¥29,926	(¥26,438)	\$197,649
Reclassification adjustments	(4,952)	8,306	(32,706)
Amount before tax effect	24,973	(18,131)	164,942
Tax effect	(7,375)	5,168	(48,713)
Net unrealized gains on securities available for sale	¥17,598	(¥12,962)	\$116,228
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	(¥6,330)	(¥2,117)	(\$41,808)
Reclassification adjustments	5,892	3,591	38,916
Amount before tax effect	(437)	1,473	(2,892)
Tax effect	133	(449)	882
Net deferred gains (losses) on hedging instruments	(¥304)	¥1,023	(\$2,010)
Retirement benefits liability adjustments:			
Amount arising during the year	¥16,461	(¥1,622)	\$108,719
Reclassification adjustments	2,908	2,877	19,210
Amount before tax effect	19,369	1,255	127,930
Tax effect	(5,907)	(382)	(39,018)
Retirement benefits liability adjustments	¥13,462	¥872	\$88,912
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	¥32	¥56	\$216
Reclassification adjustments	(1)	—	(9)
Share of other comprehensive income of affiliates accounted for using the equity method	¥31	¥56	\$207
Total other comprehensive income	¥30,787	(¥11,009)	\$203,337

Notes to Consolidated Financial Statements

23. Lease Transactions

(1) Finance leases

- i) Information on finance lease transactions which are accounted for as operating leases at March 31st, 2024 and 2023 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥985	¥970	\$6,507
Total	¥985	¥970	\$6,507
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥955	¥923	\$6,311
Total	¥955	¥923	\$6,311
Amounts equivalent to carrying value			
Tangible fixed assets	¥29	¥47	\$195
Total	¥29	¥47	\$195

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

- ii) Future lease payments of finance leases which are accounted for as operating leases at March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Future finance lease payments			
Due within one year	¥29	¥31	\$195
Due after one year	—	16	—
Total	¥29	¥47	\$195

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

- iii) Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total lease payments during the year	¥32	¥32	\$213
The amount equivalent to depreciation expenses *	32	32	213

* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

(2) Operating leases

Future lease payments required under operating leases that are non-cancelable at March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Future operating lease payments			
Due within one year	¥229	¥228	\$1,515
Due after one year	563	148	3,720
Total	¥792	¥376	\$5,235

24. Financial Instruments

(1) Matters related to status of financial instruments

i) Policies for financial instruments

The Group is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Company comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Company operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Company's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

ii) Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Company assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

iii) Risk management system for financial instruments

(a) Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, in order to properly carry out write-offs and set provisions, the Group conducts self-assessments of its assets and uses an independent audit department to constantly monitor the status of the self-assessment procedures and adequacy of write-offs and provisions.

Notes to Consolidated Financial Statements

(b) Market risk management

The Group clearly separates the department responsible for conducting market transactions (front office) from the department responsible for business administration (back office). Furthermore, the division which is independent from the market divisions has been put in charge of risk management (middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV (Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at March 31st, 2024 and 2023 were ¥82,256 million (\$543,268 thousand) and ¥73,872 million, respectively.

Financial instruments of the consolidated subsidiaries engaged in the banking business which are subject to the measurement include loans, deposits, securities and derivatives. The Group measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months.

The Group performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

(c) Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Group, a system of mutual controls among divisions has been put into place. As a part of this system, the divisions responsible for the Group's day-to-day cash management raise and manage marketable funds, while the divisions responsible for managing the liquidity risk monitor the Group's cash position. In this way, the Group maintains a fluid and stable cash position.

(d) Risk management for derivative transactions

The Group's derivative transactions are entered into using operational rules prepared in accordance with the Group's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

iv) Supplementary explanation of the estimated fair value of financial instruments

Because various assumptions are used in the estimation of the fair value of financial instruments, the fair value may vary when different assumptions are used.

(2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheet at March 31st, 2024 and 2023 and their fair values and valuation differences are as follows.

Stocks, etc. that do not have a market value and investments in partnerships are excluded from the table below (refer to Note 1). Notes on cash and due from banks, call loans and bills bought, negotiable certificates of deposit, call money and bills sold, securities sold under repurchase agreements, and cash collateral received for securities sent are omitted, because they comprise short-term instruments whose carrying amounts approximate their fair value.

<At March 31st, 2024>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	¥—	¥—	¥—
Available-for-sale securities*	1,766,125	1,766,125	—
ii) Loans and bills discounted	9,178,238		
Reserve for possible loan losses**	(40,660)		
	9,137,578	9,177,259	39,680
Total assets	¥10,903,703	¥10,943,384	¥39,680
Liabilities:			
i) Deposits	¥10,177,203	¥10,177,234	¥31
ii) Borrowed money	1,759,123	1,724,405	(34,717)
Total liabilities	¥11,936,326	¥11,901,639	(¥34,686)
Derivatives***			
Hedge accounting not applied	¥98	¥98	¥—
Hedge accounting applied	(2,503)	(2,503)	—
Total derivatives	(¥2,404)	(¥2,404)	¥—

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	\$—	\$—	\$—
Available-for-sale securities*	11,664,521	11,664,521	—
ii) Loans and bills discounted	60,618,445		
Reserve for possible loan losses**	(268,543)		
	60,349,902	60,611,974	262,071
Total assets	\$72,014,424	\$72,276,495	\$262,071
Liabilities:			
i) Deposits	\$67,216,190	\$67,216,397	\$207
ii) Borrowed money	11,618,275	11,388,978	(229,297)
Total liabilities	\$78,834,465	\$78,605,375	(\$229,090)
Derivatives***			
Hedge accounting not applied	\$648	\$648	\$—
Hedge accounting applied	(16,531)	(16,531)	—
Total derivatives	(\$15,883)	(\$15,883)	\$—

* Available-for-sale securities include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021).

** The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

*** Derivative transactions recorded in Other assets and Other liabilities are presented in total.

The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

Notes to Consolidated Financial Statements

<At March 31st, 2023>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	¥6,000	¥6,186	¥185
Available-for-sale securities*	1,751,334	1,751,334	—
ii) Loans and bills discounted	8,955,399		
Reserve for possible loan losses**	(39,364)		
	8,916,034	8,979,316	63,281
Total assets	¥10,673,369	¥10,736,836	¥63,466
Liabilities:			
i) Deposits	¥9,791,772	¥9,791,886	¥113
ii) Borrowed money	1,249,709	1,230,518	(19,191)
Total liabilities	¥11,041,482	¥11,022,404	(¥19,077)
Derivatives***			
Hedge accounting not applied	¥189	¥189	¥—
Hedge accounting applied	157	157	—
Total derivatives	¥346	¥346	¥—

* Available-for-sale securities include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021).

** The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

*** Derivative transactions recorded in Other assets and Other liabilities are presented in total.

The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

(Note 1) The carrying amount of stocks, etc. that do not have a market value and investments in partnerships recorded on the consolidated balance sheet are as follows, and are not included in "Available for sale securities" of fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Non-listed stocks	¥32,009	¥31,362	\$211,411
Investments in partnerships	5,015	3,953	33,123
Total	¥37,024	¥35,315	\$244,534

Notes: 1. Non-listed stocks are not within the scope of disclosures about fair value in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31st, 2020).

2. In the years ended March 31st, 2024 and 2023, impairment losses of ¥55 million (\$366 thousand) and ¥52 million were recorded for non-listed stocks, respectively.

3. Investments in partnerships are not within the scope of disclosures about fair value in accordance with paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31 of June 17th, 2021).

Notes to Consolidated Financial Statements

(Note 2) Repayment schedules for monetary claims and securities with stated maturity at March 31st, 2024 and 2023

<At March 31st, 2024>

Millions of yen						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥2,114,437	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	—	—	—	—	—	—
Government bonds	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	114,972	228,396	289,611	305,813	397,083	219,856
Government bonds	18,000	—	—	118,000	132,000	208,000
Municipal bonds	42,950	140,839	198,179	79,390	21,410	—
Corporate bonds	22,913	48,067	21,406	29,473	45,626	—
Others	31,107	39,489	70,025	78,949	198,046	11,856
Loans and bills discounted	2,220,540	1,412,900	1,221,217	963,685	920,470	2,259,667
Total	¥4,449,950	¥1,641,296	¥1,510,829	¥1,269,499	¥1,317,554	¥2,479,524

Thousands of U.S. dollars						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$13,964,981	\$—	\$—	\$—	\$—	\$—
Securities:						
Held-to-maturity securities	—	—	—	—	—	—
Government bonds	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	759,342	1,508,461	1,912,762	2,019,773	2,622,569	1,452,063
Government bonds	118,882	—	—	779,340	871,805	1,373,753
Municipal bonds	283,673	930,183	1,308,893	524,337	141,404	—
Corporate bonds	151,336	317,468	141,380	194,663	301,343	—
Others	205,450	260,809	462,489	521,430	1,308,017	78,310
Loans and bills discounted	14,665,743	9,331,620	8,065,634	6,364,742	6,079,326	14,924,161
Total	\$29,390,068	\$10,840,082	\$9,978,397	\$8,384,515	\$8,701,896	\$16,376,225

Note: Excluded from Loans and bills discounted are ¥112,698 million (\$744,328 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥67,057 million (\$442,886 thousand) relating to those that do not have contractual maturity.

Notes to Consolidated Financial Statements

<At March 31st, 2023>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥1,852,561	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	6,000	—	—	—	—	—
Government bonds	6,000	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	113,202	242,102	268,161	202,031	521,171	226,617
Government bonds	8,000	18,000	—	—	271,000	213,000
Municipal bonds	23,510	121,288	150,890	108,041	18,220	—
Corporate bonds	47,367	49,763	28,026	28,704	32,633	—
Others	34,325	53,051	89,245	65,284	199,317	13,617
Loans and bills discounted	2,210,870	1,367,984	1,159,899	883,477	988,744	2,164,792
Total	¥4,182,633	¥1,610,087	¥1,428,061	¥1,085,508	¥1,509,915	¥2,391,409

Note: Excluded from Loans and bills discounted are ¥112,174 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥67,457 million relating to those that do not have contractual maturity.

(Note 3) Repayment schedules for bonds, borrowed money and other interest-bearing debts at March 31st, 2024 and 2023

<At March 31st, 2024>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥10,167,491	¥193,259	¥50,381	¥5,410	¥8,373	¥—
Call money and bills sold	104,542	—	—	—	—	—
Payables under repurchase agreements	226,248	—	—	—	—	—
Guarantee deposits received under securities lending transactions	238,191	—	—	—	—	—
Borrowed money	407,885	730,829	620,408	—	—	—
Total	¥11,144,358	¥924,088	¥670,789	¥5,410	¥8,373	¥—

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	\$67,152,045	\$1,276,395	\$332,745	\$35,734	\$55,303	\$—
Call money and bills sold	690,458	—	—	—	—	—
Payables under repurchase agreements	1,494,275	—	—	—	—	—
Guarantee deposits received under securities lending transactions	1,573,158	—	—	—	—	—
Borrowed money	2,693,912	4,826,824	4,097,538	—	—	—
Total	\$73,603,849	\$6,103,220	\$4,430,284	\$35,734	\$55,303	\$—

Note: Demand deposits are included under "Due in 1 year or less."

Notes to Consolidated Financial Statements

<At March 31st, 2023>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥9,681,682	¥225,306	¥41,810	¥5,966	¥4,430	¥0
Call money and bills sold	512,491	—	—	—	—	—
Payables under repurchase agreements	265,881	—	—	—	—	—
Guarantee deposits received under securities lending transactions	293,853	—	—	—	—	—
Borrowed money	273,776	497,111	478,819	2	—	—
Total	¥11,027,685	¥722,417	¥520,630	¥5,968	¥4,430	¥0

Note: Demand deposits are included under "Due in 1 year or less."

(3) Fair value information by level within the fair value hierarchy

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

i) Financial instruments measured at fair value

<At March 31st, 2024>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available for sale securities:				
Government bonds, municipal bonds, etc.	¥443,955	¥479,840	¥—	¥923,796
Corporate bonds	—	100,844	17,773	118,617
Residential mortgage-backed securities	—	46,393	—	46,393
Stocks	130,960	—	—	130,960
Other	122,452	397,664	9,696	529,813
Derivative transactions:				
Interest rates	—	1,345	—	1,345
Currencies	—	2,704	—	2,704
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	¥697,368	¥1,028,793	¥27,470	¥1,753,631
Derivative transactions:				
Interest rates	—	251	—	251
Currencies	—	6,202	—	6,202
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	¥—	¥6,454	¥—	¥6,454

Notes to Consolidated Financial Statements

Thousands of U.S. dollars				
Category	Fair value			Total
	Level 1	Level 2	Level 3	
Securities:				
Available for sale securities:				
Government bonds, municipal bonds, etc.	\$2,932,141	\$3,169,149	\$—	\$6,101,291
Corporate bonds	—	666,035	117,384	783,419
Residential mortgage-backed securities	—	306,409	—	306,409
Stocks	864,936	—	—	864,936
Other	808,747	2,626,407	64,043	3,499,198
Derivative transactions:				
Interest rates	—	8,883	—	8,883
Currencies	—	17,864	—	17,864
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	\$4,605,826	\$6,794,749	\$181,428	\$11,582,004
Derivative transactions:				
Interest rates	—	1,663	—	1,663
Currencies	—	40,967	—	40,967
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	\$—	\$42,631	\$—	\$42,631

Note: Securities do not include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021). The consolidated balance sheet amount of such investment trusts is ¥15,669 million (\$103,492 thousand).

Reconciliation of investment trusts that apply treatments as allowed by the provisions of paragraph 24-9

<At March 31st, 2024>

Millions of yen							
Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuance, and settlements, net	Amount for which the net asset value of investment trusts is regarded as the fair value	Amount for which the net asset value of investment trusts is not regarded as the fair value	Ending balance	Of gain/loss in fiscal year ended March 31st, 2024, net valuation gain/loss of investment trusts held on the consolidated balance sheet date
	Recorded in gain or loss	Recorded in other comprehensive income for the period*					
¥15,189	¥—	¥276	¥202	¥—	¥—	¥15,669	¥—

Thousands of U.S. dollars							
Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuance, and settlements, net	Amount for which the net asset value of investment trusts is regarded as the fair value	Amount for which the net asset value of investment trusts is not regarded as the fair value	Ending balance	Of gain/loss in fiscal year ended March 31st, 2024, net valuation gain/loss of investment trusts held on the consolidated balance sheet date
	Recorded in gain or loss	Recorded in other comprehensive income for the period*					
\$100,323	\$—	\$1,829	\$1,339	\$—	\$—	\$103,492	\$—

* Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated balance sheet.

Notes to Consolidated Financial Statements

<At March 31st, 2023>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available for sale securities:				
Government bonds, municipal bonds, etc.	¥489,865	¥421,892	¥—	¥911,758
Corporate bonds	—	103,861	18,048	121,910
Residential mortgage-backed securities	—	63,999	—	63,999
Stocks	112,907	—	—	112,907
Other	160,156	353,768	10,633	524,559
Derivative transactions:				
Interest rates	—	1,874	—	1,874
Currencies	—	3,787	—	3,787
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	¥762,930	¥949,185	¥28,682	¥1,740,797
Derivative transactions:				
Interest rates	—	267	—	267
Currencies	—	5,047	—	5,047
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	¥—	¥5,315	¥—	¥5,315

Note: Securities do not include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021). The consolidated balance sheet amount of such investment trusts is ¥15,189 million.

Reconciliation of investment trusts that apply treatments as allowed by the provisions of paragraph 24-9

<At March 31st, 2023>

Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuance, and settlements, net	Amount for which the net asset value of investment trusts is regarded as the fair value	Amount for which the net asset value of investment trusts is not regarded as the fair value	Ending balance	Of gain/loss in fiscal year ended March 31st, 2023, net valuation gain/loss of investment trusts held on the consolidated balance sheet date
	Recorded in gain or loss	Recorded in other comprehensive income for the period*					
¥10,859	¥—	¥439	¥3,891	¥—	¥—	¥15,189	¥—

* Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated balance sheet.

Notes to Consolidated Financial Statements

ii) Financial instruments other than financial instruments measured at fair value

<At March 31st, 2024>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted:	—	—	9,177,259	9,177,259
Total assets	¥—	¥—	¥9,177,259	¥9,177,259
Deposits	—	10,177,234	—	10,177,234
Borrowings	—	1,724,405	—	1,724,405
Total liabilities	¥—	¥11,901,639	¥—	¥11,901,639

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	\$—	\$—	\$—	\$—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted	—	—	60,611,974	60,611,974
Total assets	\$—	\$—	\$60,611,974	\$60,611,974
Deposits	—	67,216,397	—	67,216,397
Borrowings	—	11,388,978	—	11,388,978
Total liabilities	\$—	\$78,605,375	\$—	\$78,605,375

<At March 31st, 2023>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	¥—	¥6,186	¥—	¥6,186
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted:	—	—	8,979,316	8,979,316
Total assets	¥—	¥6,186	¥8,979,316	¥8,985,502
Deposits	—	9,791,886	—	9,791,886
Borrowings	—	1,230,518	—	1,230,518
Total liabilities	¥—	¥11,022,404	¥—	¥11,022,404

(Note 1) Description of the valuation technique(s) and inputs used in the fair value measurements

Assets:

i) Securities

Fair value of securities that may be measured using non-adjusted quoted prices in active markets is classified as Level 1. Listed shares and government bonds are typically included here.

Fair value of securities that are measured using quoted prices and whose respective markets are not very active is classified as Level 2. Local government bonds, corporate bonds, and residential mortgage-backed securities are typically included here. For investment trusts with no transaction price on the market, in cases where there are no material restrictions that would require market participants to compensate for the risk associated with cancellation or repurchase requests, the net asset value is used as the fair value and they are classified as Level 2.

Notes to Consolidated Financial Statements

If quoted prices are not available, fair value is measured using the future cash flow present value technique and other valuation techniques. For valuation, observable inputs are used in the best manner. Such inputs include TIBOR, government bond yields, conditional prepayment rates, credit spreads, the probability of bankruptcy, and the rate of loss at the time of bankruptcy. Fair value of securities that are measured using significant unobservable inputs is classified as Level 3.

ii) Loans and bills discount

The fair value of loans and bills discounted is based on the present value of the total amount of principal and interest as categorized by loan type, internal rating, and term, discounted by the credit-risk-adjusted market interest rate. Because the fair value of loans with floating interest rates approximates their carrying value if a borrower's credit capability does not differ markedly from the borrower's credit capability after execution (since they reflect the prevailing interest rates in the short term), the carrying value is treated as the fair value. Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducing the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value. Their fair value is classified as Level 3.

Liabilities:

i) Deposits

For demand deposits, the amount which would be paid if its repayment was demanded on the consolidated balance sheet date is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of future cash flows as categorized by term duration. The prevailing interest rates are used to calculate the discount rate. Because the fair value of those demand deposits having short terms (one year or less) approximates their carrying value, the carrying value is treated as the fair value. Their fair value is classified as Level 2.

ii) Borrowed money

The fair value of borrowed money is based on the present value of the total amount of the principal and interest of the borrowed money as categorized by term duration, discounted by the remaining period of such borrowings and the credit-risk-adjusted market interest rate. For borrowed money with floating interest rates, because its fair value is deemed to approximate the carrying value, the carrying value is treated as the fair value. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value. Their fair value is classified as Level 2.

iii) Derivative transactions:

The fair value of derivative transactions for which unadjusted quoted prices in active markets may be used is classified as Level 1. Bond futures and interest rate futures are typically included here, provided, however, because the majority of derivative transactions are made over-the-counter and thus no published quoted prices exist, their fair value is measured by using valuation techniques such as the present value technique or the Black-Sholes model in accordance with the transaction type and the period until maturity. Among key inputs used for these valuation techniques are interest rates, foreign exchange rates, and volatility. The fair price is adjusted based on the credit risk of the transaction partner and the credit risk of consolidated subsidiaries engaged in the banking business. If unobservable inputs are not used or if the impact of such inputs, in the event that such inputs are used, is not significant, the fair value is classified as Level 2. Interest swaps, foreign exchange transactions, etc. are typically included here. If significant unobservable inputs are used, the fair value is classified as Level 3.

(Note 2) Information on financial instruments measured at fair value whose fair value is classified as Level 3

i) Quantitative information on significant unobservable inputs

<At March 31st, 2024>

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average inputs
Securities:				
Available for sale securities:				
Private placement bonds	present value technique	Default rates by credit rating	0.03%—1.89%	0.06%
		Coverage ratio by credit rating	4.73%—73.28%	37.18%
Preferred equity securities	present value technique	Default rates by credit rating	0.03%	0.03%
		Coverage ratio by credit rating	30.12%	30.12%

Notes to Consolidated Financial Statements

<At March 31st, 2023>

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average inputs
Securities:				
Available for sale securities:				
Private placement bonds	present value technique	Default rates by credit rating	0.03%—1.48%	0.07%
		Coverage ratio by credit rating	5.32%—78.35%	38.52%
Preferred equity securities	present value technique	Default rates by credit rating	0.03%	0.03%
		Coverage ratio by credit rating	33.33%	33.33%

ii) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period

<At March 31st, 2024>

Millions of yen								
Category	Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in gain or loss for the period
		Recorded in gain or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available for sale securities:								
Private placement bonds	¥18,048	(¥7)	(¥59)	(¥208)	¥—	¥—	¥17,773	¥—
Preferred equity securities	9,611	—	(16)	—	—	—	9,595	—
Foreign securities	1,022	—	(20)	(900)	—	—	101	—

Thousands of U.S. dollars								
Category	Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in gain or loss for the period
		Recorded in gain or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available for sale securities:								
Private placement bonds	\$119,203	(\$52)	(\$390)	(\$1,375)	\$—	\$—	\$117,384	\$—
Preferred equity securities	63,480	—	(106)	—	—	—	63,373	—
Foreign securities	6,751	—	(137)	(5,944)	—	—	669	—

* Included in "Other operating income" and "Other operating expenses" of the consolidated statement of income.

** Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated statement of comprehensive income.

<At March 31st, 2023>

Category	Millions of yen							Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in gain or loss for the period
	Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net***	Transfer into Level 3	Transfer out of Level 3	Ending balance	
		Recorded in gain or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available for sale securities:								
Private placement bonds	¥19,693	¥38	(¥50)	(¥1,633)	¥—	¥—	¥18,048	¥—
Preferred equity securities	9,516	—	95	—	—	—	9,611	—
Foreign securities	—	—	22	1,000	—	—	1,022	—

* Included in "Other operating income" and "Other operating expenses" of the consolidated statement of income.

** Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated statement of comprehensive income.

*** The increase in foreign securities is due to the acquisition of a consolidated subsidiary.

iii) Description of valuation processes used for fair value measurements

In its manual, the Group has established policies and procedures for measuring fair value, and back-office departments measure fair value accordingly. Whether the fair value thus obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy is then verified to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Group uses a valuation model that most accurately reflects the nature, characteristics, and risks of each asset. In addition, when using quoted prices obtained from third parties, the Group verifies whether the prices are valid using the methods deemed such as confirming the valuation techniques and inputs used.

iv) Narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of private placement bonds, etc. are default rates by credit rating and coverage ratios measured by consolidated subsidiaries. The default rate indicates a probability of default, that is, borrowers falling into arrears within a certain period. A significant increase (decrease) of this input can cause a significant decline (rise) in the fair value.

Notes to Consolidated Financial Statements

25. Securities

(1) Trading securities and commercial papers (including those included in “Trading account assets”)

Not applicable

(2) Held-to-maturity securities

i) Securities whose fair value exceeds their carrying value

<At March 31st, 2024>

None

<At March 31st, 2023>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥6,000	¥6,186	¥185
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	6,000	6,186	185
Others	—	—	—
Total	¥6,000	¥6,186	¥185

ii) Securities whose carrying value exceeds their fair value

<At March 31st, 2024>

None

<At March 31st, 2023>

None

(3) Available-for-sale securities (including negotiable due from banks included in “Cash and due from banks”)

i) Securities whose carrying value exceeds their acquisition cost

<At March 31st, 2024>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥129,873	¥37,927	¥91,946
Bonds:			
Government bonds	18,041	18,020	21
Municipal bonds	6,784	6,755	29
Corporate bonds	23,648	23,346	301
	48,474	48,122	351
Others	225,481	194,327	31,154
Total	¥403,829	¥280,377	¥123,451

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$857,761	\$250,494	\$607,267
Bonds:			
Government bonds	119,155	119,016	139
Municipal bonds	44,809	44,617	191
Corporate bonds	156,185	154,196	1,989
	320,151	317,829	2,321
Others	1,489,209	1,283,450	205,759
Total	\$2,667,122	\$1,851,774	\$815,348

Notes to Consolidated Financial Statements

<At March 31st, 2023>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥105,039	¥33,548	¥71,490
Bonds:			
Government bonds	30,772	30,647	125
Municipal bonds	24,922	24,877	45
Corporate bonds	104,542	103,828	714
	160,237	159,352	884
Others	158,175	140,942	17,233
Total	¥423,452	¥333,844	¥89,608

ii) Securities whose acquisition cost exceeds their carrying value

<At March 31st, 2024>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥1,086	¥1,460	(¥373)
Bonds:			
Government bonds	425,914	456,061	(30,147)
Municipal bonds	473,056	477,090	(4,034)
Corporate bonds	141,362	144,315	(2,953)
	1,040,333	1,077,468	(37,134)
Others	320,876	343,771	(22,895)
Total	¥1,362,296	¥1,422,699	(¥60,403)

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$7,175	\$9,644	(\$2,469)
Bonds:			
Government bonds	2,812,985	3,012,094	(199,109)
Municipal bonds	3,124,339	3,150,986	(26,646)
Corporate bonds	933,643	953,147	(19,503)
	6,870,969	7,116,228	(245,259)
Others	2,119,254	2,270,466	(151,212)
Total	\$8,997,398	\$9,396,340	(\$398,941)

<At March 31st, 2023>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥7,868	¥9,928	(¥2,060)
Bonds:			
Government bonds	459,093	477,266	(18,173)
Municipal bonds	396,970	399,545	(2,575)
Corporate bonds	81,367	82,949	(1,581)
	937,430	959,761	(22,330)
Others	382,582	409,725	(27,142)
Total	¥1,327,881	¥1,379,416	(¥51,534)

Notes to Consolidated Financial Statements

(4) Available for sale securities sold for the years ended March 31st, 2024 and 2023 are as follows:

<At March 31st, 2024>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥4,208	¥8,334	(¥2)
Bonds:			
Government bonds	30,811	32	(247)
Municipal bonds	4,977	18	—
Corporate bonds	16,437	154	—
	52,227	205	(247)
Others	161,426	7,574	(10,777)
Total	¥217,862	¥16,113	(¥11,027)

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$27,798	\$55,043	(\$18)
Bonds:			
Government bonds	203,497	214	(1,634)
Municipal bonds	32,875	125	—
Corporate bonds	108,564	1,018	—
	344,937	1,357	(1,634)
Others	1,066,154	50,023	(71,180)
Total	\$1,438,889	\$106,424	(\$72,832)

<At March 31st, 2023>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥429	¥1,296	(¥10)
Bonds:			
Government bonds	141,733	712	(594)
Municipal bonds	—	—	—
Corporate bonds	4,785	1	(8)
	146,519	713	(603)
Others	118,309	1,800	(11,133)
Total	¥265,258	¥3,810	(¥11,747)

(5) Securities whose purposes of holding have changed

During the previous fiscal year, stocks of City Ascom Co., Ltd. and Kyushu Leasing Service Co., Ltd., which were held as other securities, are held as stocks of subsidiaries and stocks of affiliates, respectively. With this change, other securities decreased by ¥1,867 million (net unrealized gains on securities available for sale down by ¥359 million, deferred tax liabilities down by ¥157 million).

There are no securities whose purposes of holding changed during the fiscal year under review.

(6) Devaluation of securities

Securities other than trading securities (excluding shares, etc. that do not have market prices and investments in partnerships) are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value.

The amount of devaluation was ¥86 million (\$572 thousand), of which ¥78 million (\$519 thousand) for stocks and ¥8 million (\$52 thousand) for bonds, for the year ended March 31st, 2024.

There were no impairment losses for the year ended March 31st, 2023.

The criteria for determining whether the fair value of a security has "significantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acquisition cost, or
2. The fair value exceeds 30% but is 50% or less of the acquisition cost and the security meets certain conditions such as the quoted market price for a certain period in the past and financial conditions of the issuer.

(7) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at March 31st, 2024 and 2023 are as follows:

<At March 31st, 2024>

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	¥63,048	\$416,407
Deferred tax liability	(19,257)	(127,186)
Revaluation difference (before non-controlling interest adjustment), net of taxes	43,790	289,220
Amount corresponding to non-controlling interests	(630)	(4,163)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	101	670
Unrealized gains on securities available for sale, net of taxes	¥43,262	\$285,728

<At March 31st, 2023>

	Millions of yen
Revaluation difference	¥38,074
Deferred tax liability	(11,881)
Revaluation difference (before non-controlling interest adjustment), net of taxes	26,192
Amount corresponding to non-controlling interests	(505)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	70
Unrealized gains on securities available for sale, net of taxes	¥25,757

Notes to Consolidated Financial Statements

26. Money Held in Trust

Money held in trust at March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Money held in trust for investment purposes			
Carrying value	¥4,999	¥4,909	\$33,018
Unrealized gains/losses	—	—	—
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥6,700	¥6,700	\$44,250
Carrying value	6,700	6,700	44,250
Unrealized gains/losses	—	—	—

27. Derivatives

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

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at March 31st, 2024 and 2023, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

i) Interest related transactions

<At March 31st, 2024>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥20,811	¥20,711	¥6	¥6
Receive-floating and pay-fixed	20,811	20,711	133	133
Total	¥—	¥—	¥140	¥140

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$137,451	\$136,791	\$40	\$40
Receive-floating and pay-fixed	137,451	136,791	884	884
Total	\$—	\$—	\$925	\$925

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

<At March 31st, 2023>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥25,532	¥22,560	¥178	¥178
Receive-floating and pay-fixed	25,532	22,560	(12)	(12)
Total	¥—	¥—	¥165	¥165

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

Notes to Consolidated Financial Statements

ii) Currency related transactions
<At March 31st, 2024>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥13,079	¥—	¥1	¥1
Forward foreign:				
Sell	6,368	—	(197)	(197)
Buy	5,977	—	161	161
Currency option:				
Sell	90,535	70,330	(875)	182
Buy	90,535	70,330	866	253
Total	¥—	¥—	(¥41)	¥402

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$86,387	\$—	\$11	\$11
Forward foreign:				
Sell	42,064	—	(1,301)	(1,301)
Buy	39,479	—	1,069	1,069
Currency option:				
Sell	597,950	464,502	(5,782)	1,207
Buy	597,950	464,502	5,725	1,672
Total	\$—	\$—	(\$277)	\$2,659

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

<At March 31st, 2023>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥15,108	¥12,187	¥5	¥5
Forward foreign:				
Sell	8,523	—	49	49
Buy	5,575	—	23	23
Currency option:				
Sell	91,559	73,252	(1,157)	246
Buy	91,559	73,252	1,102	157
Total	¥—	¥—	¥23	¥482

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

(2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at March 31st, 2024 and 2023, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

Notes to Consolidated Financial Statements

i) Interest related transactions

<At March 31st, 2024>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥28,737	¥9,084	¥952
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	—	—	—
	Interest rate options		—	—	—
Total			¥—	¥—	¥952

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	\$189,800	\$60,000	\$6,293
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	—	—	—
	Interest rate options		—	—	—
Total			\$—	\$—	\$6,293

<At March 31st, 2023>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥38,436	¥25,343	¥1,440
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	10,000	—	(Note)
	Interest rate options		—	—	—
Total			¥—	¥—	¥1,440

Note: Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 24)".

ii) Currency related transactions

<At March 31st, 2024>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥144,025	¥—	(¥3,455)
Total			¥—	¥—	(¥3,455)

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$951,231	\$—	(\$22,825)
Total			\$—	\$—	(\$22,825)

Note: The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25).

<At March 31st, 2023>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥121,427	¥—	(¥1,283)
Total			¥—	¥—	(¥1,283)

Note: The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25).

28. Employee Retirement Benefits

(1) Description of the retirement benefit plans

The Company's consolidated subsidiaries adopt funded or unfunded defined benefit plans and/or the defined contribution plan to provide for employee retirement benefits.

Under the defined benefit corporate pension plans (all funded), lump-sum or annuity payments are made at the amounts based on salaries and the length of service periods of the covered employees. The Nishi-Nippon City Bank, a consolidated subsidiary, has established a retirement benefit trust for its defined benefit corporate pension plan.

Under the lump-sum payment plans (principally unfunded, however, some plans have a funded status as a result of the establishment of a retirement benefit trust), retirement benefits are paid in the form of a lump sum at the amounts based on salaries and the length of service periods of the covered employees.

The consolidated subsidiaries may also pay additional retirement benefits that are not subject to actuarial calculation.

As of March 31st, 2024, the lump-sum payment plans have been adopted by 7 consolidated subsidiaries. The corporate pension fund plans have been adopted by 2 consolidated subsidiaries. The defined contribution plan has been adopted by 1 consolidated subsidiary.

For the lump-sum payment plans that certain consolidated subsidiaries have adopted, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all the eligible employees voluntarily terminated their employment at fiscal year end.

Some consolidated subsidiaries subscribe to the Japan Computer Information Service Employees' Pension Fund (multi-employer plan) but are accounted for in the same manner as the defined contribution plan because of the inability to reasonably assess the amount of pension assets that correspond to the amount of contributions by the Company.

(2) Defined benefit plans

- i) Reconciliation between the balances of retirement benefit obligation at the beginning and end of the year for the years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligation at beginning of the year	¥71,797	¥72,256	\$474,191
Service cost	2,173	2,247	14,355
Interest cost	87	87	580
Actuarial gain and loss	(8,531)	247	(56,344)
Retirement benefits paid	(4,650)	(4,622)	(30,713)
Others	—	1,581	—
Retirement benefit obligation at end of the year	¥60,877	¥71,797	\$402,069

Notes to Consolidated Financial Statements

- ii) Reconciliation between the balances of plan assets at the beginning and end of the year for the years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Plan assets at beginning of the year	¥75,188	¥75,031	\$496,585
Expected return on plan assets	2,472	2,467	16,327
Actuarial gain and loss	7,930	(737)	52,375
Contributions by employer	594	695	3,924
Contributions by employees	128	136	851
Retirement benefits paid	(2,444)	(2,404)	(16,146)
Others	—	—	—
Plan assets at end of the year	¥83,868	¥75,188	\$553,918

- iii) Reconciliation between the balances of retirement benefit obligation and plan assets at the end of the year and the amounts of the liability and asset for retirement benefits recognized in the consolidated balance sheet at March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligation (funded)	¥60,400	¥71,277	\$398,923
Fair value of plan assets	(83,868)	(75,188)	(553,918)
	(23,467)	(3,910)	(154,994)
Retirement benefit obligation (unfunded)	476	519	3,146
Net liability (asset) for retirement benefits in the consolidated balance sheet	(¥22,991)	(¥3,390)	(\$151,848)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits	¥1,973	¥4,647	\$13,033
Asset for retirement benefits	(24,964)	(8,038)	(164,882)
Net liability (asset) for retirement benefits in the consolidated balance sheet	(¥22,991)	(¥3,390)	(\$151,848)

- iv) Components of retirement benefit expenses for the years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥2,044	¥2,111	\$13,504
Interest cost	87	87	580
Expected return on plan assets	(2,472)	(2,467)	(16,327)
Amortization of unrecognized actuarial gain and loss	2,908	2,240	19,210
Others	241	267	1,591
Retirement benefit expenses	¥2,810	¥2,238	\$18,560

Notes: 1. Contributions by employees to corporate pension funds, etc. have been deducted from the service cost.

2. Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are reported in total under "Service cost."

- v) Items recorded in retirement benefits liability adjustments included in other comprehensive income (gross of income tax effects) for the years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial gain and loss	(¥19,369)	(¥1,255)	(\$127,930)

- vi) Items recorded in retirement benefits liability adjustments included in accumulated other comprehensive income (gross of income tax effects) at March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized actuarial gain and loss	(¥1,994)	(¥21,364)	(\$13,175)

- vii) Matters concerning plan assets

(a) Percentages of each main category of the total plan assets at March 31st, 2024 and 2023 are as follows:

	2024	2023
Bonds	23%	26%
Stocks	52%	48%
Cash and deposits	0%	0%
Others	25%	26%
Total	100%	100%

Note: Retirement benefit trusts established for the corporate pension plans accounted for 22% and 22% of the total plan assets at March 31st, 2024 and 2023, respectively. Retirement benefit trusts established for the lump-sum payment plans accounted for 20% and 18% of the total plan assets at March 31st, 2024 and 2023, respectively.

(b) The expected long-term rate of return on plan assets has been estimated by taking into account the current and expected allocation of the plan assets and the current and anticipated long-term rate of return on diverse assets that constitute the plan assets.

- viii) Assumptions for actuarial calculation

Major assumptions for actuarial calculation as of March 31st, 2024 and 2023

	2024	2023
1) Discount rates:	1.191%(principally)	0.117%(principally)
2) Expected long-term rate of return on plan assets:	3.30%(principally)	3.30%(principally)
3) Expected rate of pay increase:	2.83%(principally)	2.76%(principally)

(3) Defined contribution plans

Contributions of ¥0 million (\$0 thousand) and ¥0 million have been made to the defined contribution plan by the consolidated subsidiary for the years ended March 31st, 2024 and 2023, respectively.

(4) Multi-employer plan

Contributions of ¥25 million (\$167 thousand) and ¥24 million have been made to the corporate pension fund plan (multi-employer plan) for the years ended March 31st, 2024 and 2023, which is accounted for in the same manner as the defined contribution plan.

- i) Latest amount of pension assets accumulated under the multi-employer plan

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amount of pension assets	¥255,330	¥260,833	\$1,686,354
Amount of actuarial liabilities for the purpose of pension financing valuation	206,318	211,022	1,362,649
Balance	49,012	49,810	323,705

- ii) Percentages of the Group's premiums within the multi-employer plan

	2024	2023
Percentages of the Group's premiums	0.36%	0.36%

- iii) Supplementary explanations

Main factors behind the Balance in i) above are general reserves (previous fiscal year: ¥49,810 million, fiscal year under review: ¥49,012 million (\$323,705 thousand)).

The percentages in ii) above do not match the actual percentages borne by the Group.

Notes to Consolidated Financial Statements

29. Income Taxes

(1) The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Reserve for possible loan losses	¥12,788	¥12,485	\$84,461
Liability for retirement benefits	1,848	7,509	12,210
Accumulated depreciation	2,111	2,002	13,942
Loss carryforwards for tax purposes	20	31	134
Others	7,689	7,613	50,788
Subtotal	24,458	29,643	161,538
Valuation allowance	(7,386)	(7,118)	(48,783)
Total deferred tax assets	17,072	22,524	112,754
Deferred tax liabilities:			
Reserve fund for deferred income of fixed assets	(0)	(0)	(5)
Unrealized losses on securities attributable to partition of corporation, net	(23)	(22)	(153)
Gains on establishment of a retirement benefit trust	(3,179)	(3,179)	(21,000)
Asset retirement obligations	(121)	(124)	(800)
Capital gain adjustments	(1,259)	(1,259)	(8,319)
Share of retained earnings of affiliates accounted for by the equity method	(421)	(308)	(2,781)
Unrealized gains on securities available for sale, net	(19,257)	(11,881)	(127,187)
Others	(315)	(448)	(2,082)
Total deferred tax liabilities	(24,578)	(17,226)	(162,329)
Net deferred tax assets (liabilities)	(¥7,506)	¥5,297	(\$49,575)

(2) The reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statement of income for the year ended March 31st, 2024 and 2023 are as follows:

	2024	2023
Statutory tax rate	—%	30.5%
(Adjustments)		
Items permanently not deductible for tax purposes such as entertainment expenses	—	0.5
Non-taxable dividend income and others	—	(0.9)
Inhabitant tax on per capita basis	—	0.3
Capital gain adjustments	—	(2.1)
Increase in valuation allowance	—	(7.4)
Equity in earnings of affiliates	—	1.6
Others	—	
Effective tax rate	—%	22.5%

Note: Since the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting is equal to or less than 5% of the statutory effective tax rate, notes are omitted for the year ended March 31st, 2024.

(3) Accounting treatment of national and local income tax or accounting treatment of tax effect accounting thereof

The Company and some of its consolidated subsidiaries have adopted the Group Tax Sharing System. Accordingly, national and local income tax are accounted for, or tax effect accounting thereof is accounted for and disclosed in accordance with the ASBJ Practical Solution No. 42.

30. Asset Retirement Obligations

Information on asset retirement obligations is as follows:

Asset retirement obligations that are recorded in the consolidated balance sheet

(1) Overview of asset retirement obligations

The Group recognizes asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Group also recognizes asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

(3) Changes in total asset retirement obligations for the years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at beginning of the year	¥1,079	¥1,069	\$7,131
Increase due to acquisition of tangible fixed assets	15	4	101
Adjustment for passage of time	12	12	83
Decrease due to fulfillment of asset retirement obligation	14	6	97
Balance at end of the year	¥1,092	¥1,079	\$7,218

31. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

<In 2024>

	Millions of yen		
	Reporting segment Banking	Other	Total
Fees and commissions	¥25,105	¥8,854	¥33,960
Deposit-taking and lending	10,147	4,836	14,984
Forex businesses	7,045	—	7,045
Securities-related businesses	2,737	3,656	6,393
Agency transactions	2,269	1	2,270
Ordinary revenues other than fees and commissions	20	9,561	9,582
Revenue from contracts with customers	25,126	18,416	43,542
Ordinary revenues other than the above	135,722	6,330	142,052
Ordinary revenues from third party customers	¥160,848	¥24,746	¥185,595

	Thousands of U.S. dollars		
	Reporting segment Banking	Other	Total
Fees and commissions	\$165,810	\$58,483	\$224,293
Deposit-taking and lending	67,019	31,943	98,963
Forex businesses	46,533	—	46,533
Securities-related businesses	18,078	24,149	42,227
Agency transactions	14,988	7	14,996
Ordinary revenues other than fees and commissions	137	63,149	63,287
Revenue from contracts with customers	165,948	121,632	287,581
Ordinary revenues other than the above	896,391	41,807	938,198
Ordinary revenues from third party customers	\$1,062,339	\$163,439	\$1,225,779

Note: "Other" is a business segment that is not included in reporting segments and includes credit guarantees, credit cards, financial instruments transactions, and other financial businesses as well as information system service businesses.

Notes to Consolidated Financial Statements

<In 2023>

	Millions of yen		
	Reporting segment Banking	Other	Total
Fees and commissions	¥22,685	¥7,383	¥30,068
Deposit-taking and lending	8,251	4,596	12,847
Forex businesses	6,957	—	6,957
Securities-related businesses	2,586	2,447	5,033
Agency transactions	2,572	0	2,572
Ordinary revenues other than fees and commissions	29	5,020	5,049
Revenue from contracts with customers	22,714	12,403	35,118
Ordinary revenues other than the above	111,989	13,339	125,329
Ordinary revenues from third party customers	¥134,704	¥25,743	¥160,448

Note: "Other" is a business segment that is not included in reporting segments and includes credit guarantees, credit cards, financial instruments transactions, and other financial businesses as well as information system service businesses.

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in "2. Summary of Significant Accounting Policies, (18) Recognition of Earnings."

(3) Balance of contract liabilities and the transaction price allocated to the remaining performance obligations

i) Balance of contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Receivables from contracts with customers (beginning balance)	¥3,088	¥810	\$20,395
Receivables from contracts with customers (ending balance)	3,241	3,088	21,409
Contract liabilities (beginning balance)	391	348	2,588
Contract liabilities (ending balance)	359	391	2,374

Notes: 1. Contract liabilities are mainly related to advances received from customers and their balance decreases as they are appropriated when recognizing earnings.

2. Of the amount of income recognized, the amount included in the balance of contract liabilities (beginning balance) was ¥348 million for the previous fiscal year and ¥375 million (\$2,482 thousand) for the fiscal year under review.

ii) Transaction price allocated to the remaining performance obligations

The Group does not have significant transactions with an original expected duration of one year or more. Accordingly, the Group has applied the practical expedient and omitted information on the remaining performance obligations.

32. Business Segment Information

(1) Segment information

i) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of 8 consolidated subsidiaries and 3 affiliates. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which The Nishi-Nippon City Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

ii) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies". The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

Notes to Consolidated Financial Statements

iii) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

<In 2024>

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥160,848	¥24,746	¥185,595	¥—	¥185,595
Internal ordinary income among segments	1,452	14,235	15,687	(15,687)	—
Total ordinary income	162,301	38,981	201,282	(15,687)	185,595
Segment profit	28,285	15,576	43,861	(8,252)	35,609
Segment assets	13,429,242	534,973	13,964,216	(481,153)	13,483,062
Segment liabilities	12,874,109	104,997	12,979,107	(80,849)	12,898,257
Other items					
Depreciation	5,718	274	5,993	(0)	5,992
Interest and dividend income	114,136	10,608	124,744	(8,432)	116,311
Interest expenses	25,295	138	25,434	(130)	25,303
Increase in tangible and intangible fixed assets	5,443	193	5,636	—	5,636

	Thousands of U.S. dollars				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	\$1,062,339	\$163,439	\$1,225,779	\$—	\$1,225,779
Internal ordinary income among segments	9,590	94,017	103,607	(103,607)	—
Total ordinary income	1,071,930	257,457	1,329,387	(103,607)	1,225,779
Segment profit	186,812	102,877	289,690	(54,501)	235,189
Segment assets	88,694,556	3,533,276	92,227,832	(3,177,817)	89,050,014
Segment liabilities	85,028,132	693,464	85,721,597	(533,980)	85,187,617
Other items					
Depreciation	37,769	1,812	39,582	(4)	39,577
Interest and dividend income	753,822	70,062	823,885	(55,693)	768,192
Interest expenses	167,064	917	167,982	(863)	167,118
Increase in tangible and intangible fixed assets	35,949	1,275	37,225	—	37,225

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card, financial instruments exchange and system information service.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

4. Segment profit is adjusted with ordinary profit in the consolidated statement of income.

<In 2023>

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥134,704	¥25,743	¥160,448	¥—	¥160,448
Internal ordinary income among segments	1,988	13,670	15,659	(15,659)	—
Total ordinary income	136,693	39,414	176,107	(15,659)	160,448
Segment profit	20,773	21,557	42,330	(8,653)	33,677
Segment assets	12,937,934	523,367	13,461,301	(476,120)	12,985,181
Segment liabilities	12,423,397	98,117	12,521,515	(75,777)	12,445,737
Other items					
Depreciation	5,516	263	5,780	(0)	5,780
Interest and dividend income	104,121	10,262	114,384	(8,242)	106,142
Interest expenses	12,394	134	12,529	(128)	12,401
Increase in tangible and intangible fixed assets	5,195	293	5,489	—	5,489

Notes to Consolidated Financial Statements

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

4. Segment profit is adjusted with ordinary profit in the consolidated statement of income.

(2) Related information

Ordinary income by services:

<In 2024>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥93,119	¥47,052	¥45,423	¥185,595

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$615,018	\$310,761	\$300,000	\$1,225,779

Note: Ordinary income is presented instead of net sales.

<In 2023>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥87,959	¥26,271	¥46,217	¥160,448

Note: Ordinary income is presented instead of net sales.

(3) Impairment losses on tangible fixed assets by reportable segments

<In 2024>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥434	¥—	¥434

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Impairment losses	\$2,869	\$—	\$2,869

<In 2023>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥61	¥4	¥66

(4) Amortization and balance of goodwill by reportable segments

Not applicable

(5) Information of gain from negative goodwill by reportable segments

<In 2024>

Not applicable

<In 2023>

Not applicable for the reportable segment of "Banking".

Under "Other," negative goodwill occurred as City Ascom Co., Ltd. has been made into a consolidated subsidiary. For the fiscal year under review, ¥564 million was posted as a gain from negative goodwill due to said event.

33. Related Party Transactions

There are no related party transactions to report for the years ended March 31st, 2024 and 2023.

34. Reconciliation of Cash and Cash Equivalents

(Note 1) The reconciliation between "Cash and cash equivalents" in the consolidated statement of cash flows and each account in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and due from banks on the consolidated balance sheet	¥2,200,594	¥1,946,575	\$14,534,010
Due from banks, exclusive of central bank	(7,257)	(6,842)	(47,934)
Cash and cash equivalents on the consolidated statement of cash flows	¥2,193,336	¥1,939,733	\$14,486,076

(Note 2) Main components of assets and liabilities of companies that had become consolidated subsidiaries due to the acquisition of their stock.

Components of assets and liabilities at the start of inclusion of City Ascom Co., Ltd. in the scope of consolidation due to the acquisition of their stock and the relationship between the value of acquisition of the stock of City Ascom Co., Ltd. and net disbursements for the acquisition of City Ascom Co., Ltd. were as follows.

<In 2024>

Not applicable

<In 2023>

	Millions of yen
Assets	¥10,073
Liabilities	(3,695)
Non-controlling interests	(901)
Gain on negative goodwill	(564)
Stock acquisition cost	4,910
Acquisition cost up to gaining control	(255)
Gain on step acquisition	(272)
Cash and cash equivalents on the consolidated statement of cash flows	(1)
Balance: Disbursements for the acquisition	4,380

35. Per Share Information

	Yen		U.S. dollars
	2024	2023	2024
Net assets per share at end of the year	¥4,096.04	¥3,744.47	\$27.052
Profit (loss) attributable to owners of parent per share	167.11	181.56	1.103

(Note 1) Basis for net assets per share as of March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net assets	¥584,805	¥539,444	\$3,862,397
Items to be deducted from net assets	10,183	9,620	67,258
Non-controlling interests	10,183	9,620	67,258
Net assets attributable to common stock	574,621	529,823	3,795,138

	Shares	
	2024	2023
Number of shares of common stock outstanding at end of the year	140,286,911	141,494,917

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* The Company's own stock that remains in the BBT, which is posted as treasury stock under shareholders' equity, is included in treasury stock, which is subtracted from the total number of outstanding shares at the end of the fiscal year for the purpose of calculating net assets per share.

The number of said treasury stock outstanding at the end of the fiscal year that was subtracted for the purpose of calculating net assets per share was 121,000 shares and 120,600 shares for the previous fiscal year and the fiscal year under review, respectively.

(Note 2) Basis for profit (loss) attributable to owners of parent per share for the years ended March 31st, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Basis:			
Profit (loss) attributable to owners of parent	¥23,576	¥26,064	\$155,713
Items not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent available for shareholders of common stock	23,576	26,064	155,713
Shares			
	2024	2023	
Average number of shares of common stock outstanding during the year	141,082,011	143,551,305	

* The Company's own stock that remains in the BBT, which is posted as treasury stock under shareholders' equity, is included in treasury stock, which is subtracted in computing the average number of shares of common stock outstanding during the year for the purpose of calculating profit (loss) attributable to owners of parent per share.

The average number of shares during the year of said treasury stock that was subtracted for the purpose of calculating profit (loss) attributable to owners of parent per share was 66,489 shares and 120,725 shares for the previous fiscal year and the fiscal year under review, respectively.

(Note 3) Diluted profit (loss) attributable to owners of parent per share for the years ended March 31st, 2024 and 2023 was not presented because the Group had no dilutive shares during the years.

36. Cash Dividends

Cash dividends paid during the years ended March 31st, 2024 and 2023 are as follows:

<In 2024>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 29th, 2023 Ordinary General Meeting of Shareholders	Cash dividends (¥27.5 per share)	¥3,895	\$25,724	March 31st, 2023	June 30th, 2023
November 7th, 2023 Meeting of Board of Directors	Cash dividends (¥25.0 per share)	¥3,540	\$23,385	September 30th, 2023	December 8th, 2023

* The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 29th, 2023 includes dividends of ¥3 million (\$21 thousand) on the Company's own stock that remains in the BBT.

The total amount of dividends resolved by the Board of Directors on November 7th, 2023 includes dividends of ¥3 million (\$19 thousand) on the Company's own stock that remains in the BBT.

<In 2023>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 29th, 2022 Ordinary General Meeting of Shareholders	Cash dividends (¥20.0 per share)	¥2,886		March 31st, 2022	June 30th, 2022
November 10th, 2022 Meeting of Board of Directors	Cash dividends (¥17.5 per share)	¥2,525		September 30th, 2022	December 9th, 2022

* The total amount of dividends resolved by the Board of Directors on November 10th, 2022 includes dividends of ¥2 million on the Company's own stock that remains in the BBT.

37. Subsequent Event

The following appropriation of earned surplus for the year ended March 31st, 2024 was approved at the shareholders' meeting held on June 27th, 2024:

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 27th, 2024 Ordinary General Meeting of Shareholders	Cash dividends (¥30.0 per share)	¥4,212	\$27,824	March 31st, 2024	June 28th, 2024

* The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 27th, 2024 includes dividends of ¥3 million (\$23 thousand) on the Company's own stock that remains in the BBT.

Quarterly Information (Unaudited)

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Year ended March 31st, 2024

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from April 1st, 2023 to June 30th, 2023	from April 1st, 2023 to September 30th, 2023	from April 1st, 2023 to December 31st, 2023	from April 1st, 2023 to March 31st, 2024
Ordinary income	¥45,290	¥91,261	¥138,724	¥185,595
Profit (loss) before income taxes	12,619	22,116	28,894	34,855
Profit (loss) attributable to owners of parent	8,565	15,407	19,856	23,576

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from April 1st, 2023 to June 30th, 2023	from April 1st, 2023 to September 30th, 2023	from April 1st, 2023 to December 31st, 2023	from April 1st, 2023 to March 31st, 2024
Profit (loss) attributable to owners of parent per share	¥60.53	¥108.89	¥140.48	¥167.11

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from April 1st, 2023 to June 30th, 2023	from July 1st, 2023 to September 30th, 2023	from October 1st, 2023 to December 31st, 2023	from January 1st, 2024 to March 31st, 2024
Profit (loss) attributable to owners of parent per share	¥60.53	¥48.35	¥31.54	¥26.51

	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from April 1st, 2023 to June 30th, 2023	from April 1st, 2023 to September 30th, 2023	from April 1st, 2023 to December 31st, 2023	from April 1st, 2023 to March 31st, 2024
Ordinary income	\$299,124	\$602,741	\$916,217	\$1,225,779
Profit (loss) before income taxes	83,344	146,072	190,833	230,203
Profit (loss) attributable to owners of parent	56,569	101,758	131,143	155,713

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from April 1st, 2023 to June 30th, 2023	from April 1st, 2023 to September 30th, 2023	from April 1st, 2023 to December 31st, 2023	from April 1st, 2023 to March 31st, 2024
Profit (loss) attributable to owners of parent per share	\$0.39	\$0.71	\$0.92	\$1.10

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from April 1st, 2023 to June 30th, 2023	from July 1st, 2023 to September 30th, 2023	from October 1st, 2023 to December 31st, 2023	from January 1st, 2024 to March 31st, 2024
Profit (loss) attributable to owners of parent per share	\$0.39	\$0.31	\$0.20	\$0.17

Non-Consolidated Balance Sheet (Unaudited)

The Nishi-Nippon City Bank, Ltd.

March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Cash and due from banks	¥2,161,345	¥1,911,245	\$14,274,787
Call loans	33,570	39,011	221,719
Money held in trust	11,699	11,609	77,269
Securities	1,765,672	1,757,285	11,661,529
Loans and bills discounted	8,959,421	8,737,883	59,173,247
Foreign exchange assets	9,361	17,311	61,825
Other assets	84,773	81,623	559,895
Tangible fixed assets	110,087	110,891	727,084
Intangible fixed assets	4,800	4,646	31,706
Prepaid pension cost	26,845	26,730	177,301
Customers' liabilities for acceptances and guarantees	17,033	14,737	112,499
Reserve for possible loan losses	(37,357)	(35,799)	(246,732)
Reserve for devaluation of securities	(436)	(440)	(2,884)
Total assets	¥13,146,816	¥12,676,735	\$86,829,249
Liabilities and Net assets:			
Liabilities:			
Deposits	¥10,184,730	¥9,722,332	\$67,265,905
Call money and bills sold	104,542	512,491	690,458
Payables under repurchase agreements	226,248	265,881	1,494,275
Guarantee deposits received under securities lending transactions	238,191	293,853	1,573,158
Borrowed money	1,749,973	1,242,152	11,557,843
Foreign exchange liabilities	720	504	4,760
Borrowed money from trust account	5,349	5,233	35,328
Other liabilities	48,066	80,485	317,460
Reserve for employee retirement benefits	165	214	1,093
Reserve for reimbursement of deposits	366	531	2,422
Reserve for other contingent losses	1,148	1,172	7,583
Deferred tax liabilities	8,030	1,600	53,039
Deferred tax liabilities on revaluation of premises	14,343	14,376	94,731
Acceptances and guarantees	17,033	14,737	112,499
Total liabilities	12,598,911	12,155,568	83,210,560
Net assets:			
Capital stock	85,745	85,745	566,313
Capital surplus			
Capital reserve	85,684	85,684	565,907
Earned surplus			
Legal reserve	61	61	406
Reserve for deferred capital gains	1	1	11
Unappropriated retained earnings	306,758	296,356	2,026,009
Total shareholders' equity	478,250	467,849	3,158,648
Net unrealized gains on securities available for sale, net of taxes	39,263	22,874	259,320
Net deferred gains (losses) on hedging instruments, net of taxes	711	1,015	4,698
Revaluation of premises, net of taxes	29,679	29,427	196,021
Total valuation and translation adjustments	69,654	53,317	460,040
Total net assets	547,905	521,167	3,618,689
Total liabilities and net assets	¥13,146,816	¥12,676,735	\$86,829,249

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Income:			
Interest income:			
Interest on loans and discounts	¥79,924	¥77,310	\$527,871
Interest and dividends on securities	28,037	20,517	185,173
Other interest income	2,207	2,422	14,576
Trust fees	0	0	0
Fees and commissions	28,504	25,384	188,260
Trading income	6	3	41
Other operating income	3,030	2,811	20,016
Other income	15,803	3,676	104,372
Total income	157,513	132,126	1,040,312
Expenses:			
Interest expenses:			
Interest on deposits	541	407	3,573
Interest on call money and bills sold	1,380	319	9,119
Interest on payables under repurchase agreements	15,291	7,627	100,991
Interest on borrowings	920	585	6,079
Interest on guarantee deposits received under securities lending transactions	38	22	256
Other interest expenses	7,089	3,386	46,821
Fees and commissions	16,695	15,135	110,270
Other operating expenses	11,468	12,155	75,746
General and administrative expenses	69,692	67,648	460,289
Other expenses	7,267	4,822	47,999
Total expenses	130,386	112,112	861,148
Income before income taxes	27,127	20,014	179,163
Income taxes			
Current	8,490	4,570	56,079
Deferred	(206)	949	(1,362)
Total income taxes	8,284	5,520	54,716
Net income	¥18,842	¥14,493	\$124,447

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$566,313
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$566,313
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$565,907
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$565,907
Total capital surplus			
Balance at beginning of the year	¥85,684	¥85,684	\$565,907
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$565,907
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$406
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$406
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥1	¥1	\$12
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(0)
Total changes during the year	(0)	(0)	(0)
Balance at end of the year	¥1	¥1	\$11
Unappropriated retained earnings			
Balance at beginning of the year	¥296,356	¥289,868	\$1,957,313
Changes during the year			
Cash dividends paid	(8,189)	(8,017)	(54,085)
Transfer from reserve for deferred capital gains	0	0	0
Net income	18,842	14,493	124,447
Reversal of revaluation of premises	(252)	11	(1,665)
Total changes during the year	10,401	6,487	68,696
Balance at end of the year	¥306,758	¥296,356	\$2,026,009

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total earned surplus			
Balance at beginning of the year	¥296,420	¥289,932	\$1,957,731
Changes during the year			
Cash dividends paid	(8,189)	(8,017)	(54,085)
Net income	18,842	14,493	124,447
Reversal of revaluation of premises	(252)	11	(1,665)
Total changes during the year	10,401	6,487	68,695
Balance at end of the year	¥306,821	¥296,420	\$2,026,427
Total shareholders' equity			
Balance at beginning of the year	¥467,849	¥461,362	\$3,089,953
Changes during the year			
Cash dividends paid	(8,189)	(8,017)	(54,085)
Net income	18,842	14,493	124,447
Reversal of revaluation of premises	(252)	11	(1,665)
Total changes during the year	10,401	6,487	68,695
Balance at end of the year	¥478,250	¥467,849	\$3,158,648
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥22,874	¥35,824	\$151,076
Changes during the year			
Net changes in items other than shareholders' equity	16,389	(12,950)	108,243
Total changes during the year	16,389	(12,950)	108,243
Balance at end of the year	¥39,263	¥22,874	\$259,320
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	¥1,015	(¥8)	\$6,708
Changes during the year			
Net changes in items other than shareholders' equity	(304)	1,023	(2,010)
Total changes during the year	(304)	1,023	(2,010)
Balance at end of the year	¥711	¥1,015	\$4,698
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,427	¥29,438	\$194,355
Changes during the year			
Net changes in items other than shareholders' equity	252	(11)	1,665
Total changes during the year	252	(11)	1,665
Balance at end of the year	¥29,679	¥29,427	\$196,021
Total valuation and translation adjustments			
Balance at beginning of the year	¥53,317	¥65,255	\$352,141
Changes during the year			
Net changes in items other than shareholders' equity	16,337	(11,937)	107,899
Total changes during the year	16,337	(11,937)	107,899
Balance at end of the year	¥69,654	¥53,317	\$460,040

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total net assets			
Balance at beginning of the year	¥521,167	¥526,617	\$3,442,094
Changes during the year			
Cash dividends paid	(8,189)	(8,017)	(54,085)
Net income	18,842	14,493	124,447
Reversal of revaluation of premises	(252)	11	(1,665)
Net changes in items other than shareholders' equity	16,337	(11,937)	107,899
Total changes during the year	26,738	(5,450)	176,594
Balance at end of the year	¥547,905	¥521,167	\$3,618,689

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Nagasaki, Ltd.
March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Cash and due from banks	¥33,745	¥32,095	\$222,873
Securities	11,991	11,560	79,197
Loans and bills discounted	269,522	267,312	1,780,084
Other assets	1,840	1,837	12,154
Tangible fixed assets	4,369	4,364	28,861
Intangible fixed assets	86	174	570
Prepaid pension cost	100	86	664
Customers' liabilities for acceptances and guarantees	8	10	59
Reserve for possible loan losses	(300)	(318)	(1,987)
Reserve for devaluation of securities	(42)	(43)	(281)
Total assets	¥321,321	¥317,080	\$2,122,196
Liabilities and net assets:			
Liabilities:			
Deposits	¥266,459	¥259,069	\$1,759,852
Call money and bills sold	26,000	31,000	171,719
Borrowed money	7,800	6,200	51,515
Other liabilities	1,113	1,313	7,354
Reserve for employee retirement benefits	12	9	83
Reserve for retirement benefits for directors and corporate auditors	97	76	643
Reserve for reimbursement of deposits	25	14	171
Reserve for other contingent losses	34	21	225
Deferred tax liabilities	29	11	194
Deferred tax liabilities on revaluation of premises	508	508	3,358
Acceptances and guarantees	8	10	59
Total liabilities	302,089	298,235	1,995,177
Net assets:			
Capital stock	7,621	7,621	50,338
Capital surplus			
Capital reserve	3,500	3,500	23,116
Other capital surplus	2,463	2,463	16,273
Earned surplus			
Legal reserve	244	224	1,615
Unappropriated retained earnings	3,790	3,547	25,035
Total shareholders' equity	17,620	17,357	116,378
Net unrealized gains on securities available for sale, net of taxes	460	337	3,042
Revaluation of premises, net of taxes	1,150	1,150	7,598
Total valuation and translation adjustments	1,611	1,487	10,640
Total net assets	19,231	18,845	127,019
Total liabilities and net assets	¥321,321	¥317,080	\$2,122,196

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥3,492	¥3,492	\$23,066
Interest and dividends on securities	¥433	¥332	\$2,864
Other interest income	22	28	147
Fees and commissions	800	676	5,287
Other income	58	118	383
Total income	4,807	4,648	31,748
Expenses:			
Interest expenses:			
Interest on deposits	33	44	222
Interest on call money and bills sold	(18)	(18)	(123)
Interest on borrowings	0	—	0
Other interest expenses	—	1	—
Fees and commissions	1,053	975	6,954
Other operating expenses	2	0	14
General and administrative expenses	3,208	3,184	21,188
Other expenses	105	90	694
Total expenses	4,383	4,278	28,950
Income before income taxes	423	369	2,797
Income taxes			
Current	96	49	639
Deferred	(36)	70	(240)
Total income taxes	60	119	399
Net income	¥363	¥249	\$2,398

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥7,621	¥7,621	\$50,338
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥7,621	¥7,621	\$50,338
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥3,500	¥3,500	\$23,116
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥3,500	¥3,500	\$23,116
Other capital surplus			
Balance at beginning of the year	¥2,463	¥2,463	\$16,273
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥2,463	¥2,463	\$16,273
Total capital surplus			
Balance at beginning of the year	¥5,963	¥5,963	\$39,389
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥5,963	¥5,963	\$39,389
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥224	¥210	\$1,483
Changes during the year			
Reserve of legal retained earnings	20	14	132
Total changes during the year	20	14	132
Balance at end of the year	¥244	¥224	\$1,615
Other earned surplus:			
Unappropriated retained earnings			
Balance at beginning of the year	¥3,547	¥3,380	\$23,430
Changes during the year			
Reserve of legal retained earnings	(20)	(14)	(132)
Cash dividends paid	(100)	(70)	(661)
Net income	363	249	2,398
Reversal of revaluation of premises	—	1	—
Total changes during the year	243	167	1,605
Balance at end of the year	¥3,790	¥3,547	\$25,035
Total earned surplus			
Balance at beginning of the year	¥3,772	¥3,590	\$24,913
Changes during the year			
Cash dividends paid	(100)	(70)	(661)
Net income	363	249	2,398
Reversal of revaluation of premises	—	1	—
Total changes during the year	263	181	1,737
Balance at end of the year	¥4,035	¥3,772	\$26,651

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended March 31st, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total shareholders' equity			
Balance at beginning of the year	¥17,357	¥17,176	\$114,641
Changes during the year			
Cash dividends paid	(100)	(70)	(661)
Net income	363	249	2,398
Reversal of revaluation of premises	—	1	—
Total changes during the year	263	181	1,737
Balance at end of the year	¥17,620	¥17,357	\$116,378
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥337	¥169	\$2,227
Changes during the year			
Net changes in items other than shareholders' equity	123	167	815
Total changes during the year	123	167	815
Balance at end of the year	¥460	¥337	\$3,042
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥1,150	¥1,151	\$7,598
Changes during the year			
Net changes in items other than shareholders' equity	—	(1)	—
Total changes during the year	—	(1)	—
Balance at end of the year	¥1,150	¥1,150	\$7,598
Total valuation and translation adjustments			
Balance at beginning of the year	¥1,487	¥1,321	\$9,825
Changes during the year			
Net changes in items other than shareholders' equity	123	166	815
Total changes during the year	123	166	815
Balance at end of the year	¥1,611	¥1,487	\$10,640
Total net assets			
Balance at beginning of the year	¥18,845	¥18,497	\$124,466
Changes during the year			
Cash dividends paid	(100)	(70)	(661)
Net income	363	249	2,398
Reversal of revaluation of premises	—	1	—
Net changes in items other than shareholders' equity	123	166	815
Total changes during the year	386	347	2,552
Balance at end of the year	¥19,231	¥18,845	\$127,019

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd.

March 31st, 2024 and 2023

1. Basis of Presentation of Financial Statements

The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd. (the Banks) have been prepared from the accounts maintained by the Banks in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.

2. Other Accounting Principles and Practices Employed by the Bank

Accounting principles employed by the Banks in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.

Independent Auditor's Report

The Board of Directors
Nishi-Nippon Financial Holdings, Inc.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

Determination of debtor classification in self-assessments of debtors such as those that have formulated business improvement plans and calculation of the reserve for possible loan losses for debtors for which the cash flow estimation method is applied	
Description of Key Audit Matter	Auditor's Response
<p>Nishi-Nippon Financial Holdings, Inc. and its consolidated subsidiaries (the Group) recorded loans and bills discounted of ¥9,178,238 million and reserve for possible loan losses of ¥42,302 million on its consolidated balance sheet as of March 31, 2024.</p> <p>The Group has as its core subsidiary The Nishi-Nippon City Bank, Ltd., and is engaged in the loan business mainly in Fukuoka. Loans and bills discounted is a significant part of the Group's business as it accounts for approximately 70% of the total assets on the consolidated balance sheet, and loan losses may arise if, for example, the creditworthiness of debtors deteriorates or the value of collateral such as real estate declines.</p> <p>Accordingly, the Group records the amount of expected losses that will not be collected as a reserve for possible loan losses, and the details of this process are noted in "(10) Reserve for Possible Loan Losses," and "(25) Significant Accounting Estimates" under Note 2 "Summary of Significant Accounting Policies."</p> <p>The reserve for possible loan losses is calculated in line with the write-offs and allowances method for each debtor class based on the determination of the debtor classification through self-assessment.</p> <p>The determination of the debtor classification through self-assessment is made by evaluating the relevant debtor's ability to repay loans based on the debtor's repayment status, financial position, business performance, and future prospects thereof.</p>	<p>(1) Overall procedures</p> <p>1. In order to assess whether the Group's policies comply with generally accepted corporate accounting standards, we considered the Group's self-assessment standards and write-offs and allowances standards with reference to Accounting Standards for Financial Instruments.</p> <p>2. In order to assess the accuracy and completeness of the calculation of the reserve for possible loan losses, determinations of the debtor classification and credit ratings relevant to such determinations, and debtor information upon which such determinations are made, we evaluated the effectiveness of these internal controls designed and implemented by the Group.</p> <p>3. We sampled mainly the following types of debtors to assess their self-assessments.</p> <ul style="list-style-type: none"> • Debtors that formulated highly feasible drastic business improvement plans (or reasonable and highly feasible business improvement plans) for which the impact of the change in debtor classification on the reserve for possible loan losses exceeded a certain amount • Debtors expected to be affected by COVID-19 from the standpoint of the industry to which they belong or their operating results • Debtors for which the cash flow estimation method is applied to test management's classification of the sampled debtor <p>4. With regard to the determination of the debtor classification, we obtained and inspected mainly the following materials related to the Group's self-assessment, made inquiries as necessary of the Credit Supervision Division and Credit Management Division, and evaluated the responses we received to gain an understanding of the sampled debtors' status of recent repayments, financial position, and business performance.</p>

<p>In particular, categorizing debtors as Requiring Caution when the debtor formulates ‘highly feasible drastic business improvement plans’ or ‘reasonable and highly feasible business improvement plans’ requires validation of the reasonableness and feasibility of such business improvement plans. ‘Highly feasible drastic business improvement plans’ (or ‘reasonable and highly feasible business improvement plans’) are formulated based on significant assumptions such as expected future sales and future earnings levels, including profit or loss, of debtors, and are affected by factors such as changes in the operating environment surrounding debtors and the outcome of business strategies. Therefore, the determination of the debtor classification is highly dependent on judgement by the Group’s management. Similarly, these determinations become even more dependent on judgement by the Group’s management in cases where COVID-19 has had an impact on the business conditions of the debtor.</p> <p>Additionally, calculation of the reserve for possible loan losses for debtors for which the cash flow estimation method is applied is highly dependent on judgement by the Group’s management since such calculation is based on significant assumptions, such as future changes in debtor classification and amounts expected to be collected in the future.</p> <p>Therefore, we determined that the reasonableness and feasibility of highly feasible drastic business improvement plans (reasonable and highly feasible business improvement plans), which has a significant impact on the determination of debtor classification in self-assessments conducted by The Nishi-Nippon City Bank, Ltd., a consolidated subsidiary of the Group, and future changes in debtor classification and amounts expected to be collected in the future, which are used in the cash flow estimation method and have a significant impact on the calculation of the reserve for possible loan losses, are key audit matters.</p>	<ul style="list-style-type: none"> • Materials related to a description of the debtor’s business • Materials related to the borrowing and repayment status • Research materials that provide details of the actual financial position • Financial statements and the trial balance <p>(2) Procedures addressing key audit matters</p> <p>1. We performed the following procedures to examine the reasonableness and feasibility of highly feasible drastic business improvement plans (or reasonable and highly feasible business improvement plans).</p> <ul style="list-style-type: none"> • We analyzed trends from past results of major plan items such as future sales and earnings levels, including profit or loss, of debtors and compared the assumptions used in these business improvement plans with the actual results to evaluate whether the debtor had historically achieved its previous business improvement plans. We also made inquiries as necessary of the Credit Supervision Division and Credit Management Division regarding items such as progress of business improvement plans and evaluated the responses we received. • We inspected the contact history between the Group and its debtors as well as materials such as minutes of meetings and interim trial balances to assess whether there was new information or indications that targets set out in plans will significantly fall short of being achieved. • To examine the recoverability of future operating results of debtors affected by COVID-19, we inspected materials regarding the extent of the deterioration in their business performance compared to past operating results and future actions to be taken by debtors, and made inquiries as necessary of the Credit Supervision Division and Credit Management Division and evaluated the responses we received.
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	<p>2. Regarding debtors for which the cash flow estimation method is applied in the calculation of the reserve for possible loan losses, in order to assess whether future expectations for debtors identified through self-assessment are reflected in the calculation of the reserve for possible loan losses, we agreed the future changes of debtor classification and amounts expected to be collected in the future to supporting documentation, and made inquiries as necessary of the Credit Supervision Division and Credit Management Division about the latest information and considered the consistency of the responses we received with the basis for determination of the reserve for possible loan losses.</p>
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Other Information

The other information comprises the information included in Financial Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

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

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

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

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

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

Fee-related Information

The fees for the audits of the financial statements of Nishi-Nippon Financial Holdings, Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 125 million yen and 10 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 2, 2024

小澤裕治

Yuji Ozawa

Designated Engagement Partner

Certified Public Accountant

中園龍也

Tatsuya Nakazono

Designated Engagement Partner

Certified Public Accountant



Nishi-Nippon Financial Holdings, Inc.

1-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka, 812-0011, Japan
Phone: +81-92-461-1867



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