

Financial Section

Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2024

For more details about the financial information contained in this annual report, please refer to the financial information that has been made public on Hirogin Holdings website.

 <https://www.hirogin-hd.co.jp/english/index.html>

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
ASSETS			
Cash and due from banks (Notes 4, 14 and 22)	¥ 2,188,107	¥ 2,839,819	\$18,756
Call loans and bills purchased (Note 22)	34,784	50,355	333
Monetary claims bought (Notes 4 and 22)	8,682	8,779	58
Trading assets (Notes 4 and 22)	10,598	6,956	46
Money held in trust (Notes 5 and 22)	40,200	24,787	164
Securities (Notes 4, 6, 7, 10 and 22)	1,580,832	1,783,523	11,779
Loans and bills discounted (Notes 6, 7, 8 and 22)	7,224,123	7,689,192	50,784
Foreign exchanges (Note 6)	11,579	7,064	47
Lease receivables and investments in lease assets	66,358	69,683	460
Other assets (Notes 6, 7 and 22)	133,877	137,582	909
Tangible fixed assets (Note 15)	107,570	113,173	747
Intangible fixed assets	10,835	13,485	89
Net defined benefit assets (Note 17)	74,580	51,236	338
Deferred tax assets (Note 18)	2,473	1,826	12
Customers' liabilities for acceptances and guarantees (Note 6)	40,795	44,432	293
Reserve for possible loan losses (Note 22)	(39,372)	(51,517)	(340)
Total assets	¥11,496,027	¥12,790,381	\$84,475
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 7 and 22)	¥ 9,252,256	¥ 9,362,190	\$61,833
Call money and bills sold (Note 22)	50,000	819,300	5,411
Payables under repurchase agreements (Notes 7 and 22)	130,533	196,778	1,300
Deposits received for bonds lending/borrowing transactions (Notes 7 and 22)	402,712	301,697	1,993
Trading liabilities	7,996	4,443	29
Borrowed money (Notes 7, 9 and 22)	1,013,860	1,377,528	9,098
Foreign exchanges	2,377	661	4
Due to trust account	51	56	0
Other liabilities (Notes 9 and 22)	81,212	126,157	833
Net defined benefit liabilities (Note 17)	709	695	5
Reserve for retirement benefits of directors and Audit & Supervisory Board members	144	150	1
Reserve for reimbursement of deposits	437	1,827	12
Reserve for point loyalty programs	176	199	1
Reserve for stock payments	914	1,043	7
Reserve under Special Laws	28	38	0
Deferred tax liabilities (Note 18)	—	5,031	33
Deferred tax liabilities for land revaluation reserve	13,215	12,899	85
Acceptances and guarantees	40,795	44,432	293
Total liabilities	¥10,997,422	¥12,255,132	\$80,940
Net Assets (Note 11):			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 60,000	¥ 60,000	\$ 396
Issued – 312,370,921 shares			
Capital surplus	25,209	25,209	166
Retained earnings	381,782	400,829	2,647
Common stock in treasury	(1,071)	(7,111)	(47)
Total stockholders' equity	¥ 465,920	¥ 478,927	\$ 3,163
Net unrealized holding gains (losses) on available-for-sale securities (Note 4)	¥(8,502)	¥ 23,949	\$158
Net deferred gains on hedging instruments	3,490	1,303	9
Land revaluation reserve	26,971	26,269	173
Remeasurements of defined benefit plans	10,461	4,529	30
Total accumulated other comprehensive income	¥ 32,421	¥ 56,052	\$ 370
Stock acquisition rights (Note 23)	¥ 126	¥ 126	\$ 1
Non-controlling interests	135	142	1
Total net assets	¥ 498,604	¥ 535,249	\$ 3,535
Total liabilities and net assets	¥11,496,027	¥12,790,381	\$84,475

See notes to consolidated financial statements.

Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
Income:			
Interest income:			
Interest on loans and discounts	¥ 67,726	¥ 82,770	\$ 547
Interest and dividends on securities	15,586	20,137	133
Other interest income	3,799	3,586	24
Trust fees	142	175	1
Fees and commissions	33,262	36,233	239
Trading income	3,288	2,300	15
Other operating income	30,960	29,303	194
Other income	5,507	18,683	123
Total income	¥ 160,273	¥ 193,191	\$ 1,276
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,803	¥ 4,106	\$ 27
Interest on borrowings and rediscounts	7,609	10,697	71
Other interest expenses	11,422	18,776	124
Fees and commissions	12,590	12,268	81
Other operating expenses	41,969	27,905	184
General and administrative expenses (Note 12)	58,064	57,991	383
Other expenses (Note 13)	8,558	21,498	142
Total expenses	¥ 142,018	¥ 153,245	\$ 1,012
Income before income taxes	¥ 18,255	¥ 39,945	\$ 264
Income taxes (Note 18):			
Current income taxes	¥ 1,160	¥ 17,711	\$ 117
Deferred income taxes	4,556	(5,500)	(36)
Total income taxes	¥ 5,717	¥ 12,211	\$ 81
Net income	¥ 12,538	¥ 27,734	\$ 183
Net income attributable to noncontrolling interests	¥ 29	¥ 42	\$ 0
Net income attributable to owners of the parent	¥ 12,508	¥ 27,691	\$ 183

	Yen	U.S. dollars (Note 1)
Amounts per share of common stock (Note 26):		
Net assets	¥1,603.30	\$11.63
Net income	40.25	0.60
Diluted net income	40.22	0.60
Cash dividends applicable to the year (Note 11)	27.00	0.24

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
Net income	¥12,538	¥27,734	\$183
Other comprehensive income (Note 24):			
Net unrealized holding gains (losses) on available-for-sale securities	(9,869)	32,452	214
Net deferred gains (losses) on hedging instruments	2,582	(2,187)	(14)
Remeasurements of defined benefit plans	4,984	(5,931)	(39)
Total other comprehensive income	¥ (2,302)	¥24,332	\$161
Comprehensive income	¥10,235	¥52,066	\$344
Attributable to:			
Comprehensive income attributable to owners of the parent	¥10,206	¥52,023	\$344
Comprehensive income attributable to noncontrolling interests	29	42	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

Item	Millions of yen				
	2023				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥60,000	¥25,209	¥377,217	¥(1,237)	¥461,189
Changes of items during the period					
Dividends from surplus			(7,965)		(7,965)
Net income attributable to owners of the parent			12,508		12,508
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury				166	166
Reversal of land revaluation reserve			21		21
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	—	4,565	165	4,730
Balance at the end of current period	¥60,000	¥25,209	¥381,782	¥(1,071)	¥465,920

Item	Millions of yen							
	2023							
	Accumulated other comprehensive income							
	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,367	¥ 908	¥26,993	¥ 5,476	¥34,745	¥126	¥138	¥496,200
Changes of items during the period								
Dividends from surplus								(7,965)
Net income attributable to owners of the parent								12,508
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								166
Reversal of land revaluation reserve								21
Net changes of items other than stockholders' equity	(9,869)	2,582	(21)	4,984	(2,324)	—	(2)	(2,327)
Total changes of items during the period	(9,869)	2,582	(21)	4,984	(2,324)	—	(2)	2,403
Balance at the end of current period	¥(8,502)	¥3,490	¥26,971	¥10,461	¥32,421	¥126	¥135	¥498,604

Millions of yen					
2024					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥60,000	¥25,209	¥381,782	¥(1,071)	¥465,920
Changes of items during the period					
Dividends from surplus			(9,794)		(9,794)
Net income attributable to owners of the parent			27,691		27,691
Purchase of common stock in treasury				(6,294)	(6,294)
Disposal of common stock in treasury		0		435	435
Increase in retained earnings arising from increase of associates accounted for using equity method			447		447
Increase in treasury shares arising from increase of associates accounted for using equity method				(181)	(181)
Reversal of land revaluation reserve			701		701
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	0	19,046	(6,039)	13,006
Balance at the end of current period	¥60,000	¥25,209	¥400,829	¥(7,111)	¥478,927

Millions of yen								
2024								
Accumulated other comprehensive income								
Item	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total netassets
Balance at the beginning of current period	¥ (8,502)	¥ 3,490	¥26,971	¥10,461	¥32,421	¥126	¥135	¥498,604
Changes of items during the period								
Dividends from surplus								(9,794)
Net income attributable to owners of the parent								27,691
Purchase of common stock in treasury								(6,294)
Disposal of common stock in treasury								435
Increase in retained earnings arising from increase of associates accounted for using equity method								447
Increase in treasury shares arising from increase of associates accounted for using equity method								(181)
Reversal of land revaluation reserve								701
Net changes of items other than stockholders' equity	32,452	(2,187)	(701)	(5,931)	23,630	—	7	23,637
Total changes of items during the period	32,452	(2,187)	(701)	(5,931)	23,630	—	7	36,644
Balance at the end of current period	¥23,949	¥ 1,303	¥26,269	¥ 4,529	¥56,052	¥126	¥142	¥535,249

Millions of U.S. dollars (Note 1)					
2024					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$396	\$166	\$2,522	\$ (7)	\$3,077
Changes of items during the period					
Dividends from surplus			(65)		(65)
Net income attributable to owners of the parent			183		183
Purchase of common stock in treasury				(42)	(42)
Disposal of common stock in treasury		0		3	3
Increase in retained earnings arising from increase of associates accounted for using equity method			3		3
Increase in treasury shares arising from increase of associates accounted for using equity method				(1)	(1)
Reversal of land revaluation reserve			5		5
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	0	126	(40)	86
Balance at the end of current period	\$396	\$166	\$2,647	\$(47)	\$3,163

Millions of U.S. dollars (Note 1)								
2024								
Accumulated other comprehensive income								
Item	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ (56)	\$ 23	\$178	\$ 69	\$214	\$ 1	\$1	\$3,293
Changes of items during the period								
Dividends from surplus								(65)
Net income attributable to owners of the parent								183
Purchase of common stock in treasury								(42)
Disposal of common stock in treasury								3
Increase in retained earnings arising from increase of associates accounted for using equity method								3
Increase in treasury shares arising from increase of associates accounted for using equity method								(1)
Reversal of land revaluation reserve								5
Net changes of items other than stockholders' equity	214	(14)	(5)	(39)	156	—	0	156
Total changes of items during the period	214	(14)	(5)	(39)	156	—	0	242
Balance at the end of current period	\$158	\$ 9	\$173	\$ 30	\$370	\$ 1	\$1	\$3,535

Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
Cash flows from operating activities:			
Income before income taxes	¥ 18,255	¥ 39,945	\$ 264
Depreciation of fixed assets	6,111	6,566	43
Impairment losses on fixed assets	228	1,110	7
Gain on return of retirement benefit trust	—	(6,423)	(42)
Share of loss of entities accounted for using equity method	—	17	0
Net change in reserve for possible loan losses	302	12,144	80
Net change in net defined benefit assets	(16,416)	29,767	197
Net change in net defined benefit liabilities	12	(14)	(0)
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	13	5	0
Net change in reserve for reimbursement of deposits	(672)	1,390	9
Net change in reserve for point loyalty programs	25	22	0
Net change in reserve for stock payments	114	128	1
Net change in reserve under special laws	(0)	10	0
Net change in reserve for dismantling costs for fixed assets	(307)	—	—
Interest income	(87,112)	(106,494)	(703)
Interest expense	20,835	33,581	222
Net losses (gains) on securities transactions	19,093	(5,185)	(34)
Net losses (gains) on dispositions of fixed assets	308	(492)	(3)
Net change in trading assets	(3,021)	3,642	24
Net change in trading liabilities	3,148	(3,552)	(23)
Net change in loans	(322,265)	(465,068)	(3,072)
Net change in deposits	184,377	109,933	726
Net change in borrowed money excluding subordinated loans	(187,978)	363,667	2,402
Net change in due from banks other than from the Bank of Japan	(21,481)	(3,626)	(24)
Net change in call loans and bills purchased	(29,567)	(15,667)	(103)
Net change in call money and bills sold	(48,923)	835,544	5,518
Net change in deposits received for bonds lending/borrowing transactions	(45,470)	(101,015)	(667)
Net change in foreign exchanges (assets)	(110)	4,514	30
Net change in foreign exchanges (liabilities)	(337)	(1,715)	(11)
Amortization of goodwill	140	140	1
Interest received	88,340	104,357	689
Interest paid	(19,458)	(32,377)	(214)
Other – net	(23,457)	(25,458)	(168)
Subtotal	(465,272)	779,400	5,148
Income taxes refund (paid)	(3,469)	3,934	26
Net cash provided by (used in) operating activities	(468,742)	783,335	5,174
Cash flows from investing activities:			
Purchases of securities	(587,510)	(417,446)	(2,757)
Proceeds from sales of securities	583,708	228,069	1,506
Proceeds from redemption of securities	76,726	72,916	482
Increase in money held in trust	(6,006)	(5,503)	(36)
Decrease in money held in trust	8,004	21,803	144
Purchases of tangible fixed assets	(4,546)	(11,573)	(76)
Purchases of intangible fixed assets	(4,748)	(5,865)	(39)
Proceeds from sales of tangible fixed assets	239	1,350	9
Payments for retirement of tangible fixed assets	(39)	(28)	(0)
Purchases of stocks of associates accounted for using equity method	—	(3,109)	(21)
Net cash provided by (used in) investing activities	65,827	(119,386)	(788)
Cash flows from financing activities:			
Dividends paid	(7,957)	(9,772)	(65)
Dividends paid to noncontrolling interests	(32)	(35)	(0)
Purchases of treasury stock	(0)	(6,294)	(42)
Proceeds from sales of treasury stock	—	277	2
Payments of lease liabilities	(109)	(93)	(1)
Net cash used in financing activities	(8,100)	(15,919)	(105)
Effect of foreign exchange rate changes on cash and cash equivalents	12	56	0
Net change in cash and cash equivalents	(411,002)	648,085	4,280
Cash and cash equivalents at the beginning of year	2,565,955	2,154,953	14,233
Cash and cash equivalents at the end of year (Note 14)	¥2,154,953	¥2,803,038	\$18,513

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2024

1 Basis of presenting consolidated financial statements

Hirogin Holdings, Inc. (the "Company"), incorporated on October 1, 2020, is a holding company of The Hiroshima Bank, Ltd. (the "Bank") and other 20 subsidiaries and three affiliated companies (collectively the "Group"). The Group engages mainly in banking business together with leasing business, financial instruments business, managing and collecting loans, consulting business, investment business, IT-related services and other.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

The Company maintains its accounting records in Japanese yen, the currency in which the Company is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Act and Enforcement Regulation concerning the Banking Act of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and 12 (12 in 2023) subsidiaries for the year ended March 31, 2024.

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

Hirogin Card Service Co., Ltd., a consolidated subsidiary of the Company, was dissolved in an absorption-type merger with Hirogin Guarantee Co., Ltd., which is also a consolidated subsidiary of the Company, as the surviving company. Accordingly, it was excluded from the scope of consolidation from the year ended March 31, 2024.

On April 1, 2023, Hirogin Guarantee Co., Ltd. changed its business name to Hirogin Credit Service Co., Ltd. In addition, on January 30, 2024, Hirogin Life Partners Co., Ltd. was newly established and included in the scope of consolidation from the year ended March 31, 2024.

All significant intercompany balances and transactions have been eliminated.

As of March 31, 2024, there are nine subsidiaries (eight in 2023) which are not consolidated because the total assets, total income, net income, retained earnings and total other comprehensive income of these companies would not have a material effect on the consolidated financial statements.

As of March 31, 2024, there is no unconsolidated subsidiary (none in 2023) but one affiliated company (none in 2023) which is accounted for using the equity method. From the year ended March 31, 2024, Shin-ai Total Service Co., Ltd. was included in the scope of equity method due to share acquisition.

As of March 31, 2023 and 2024, there are two affiliated companies which are not accounted for using the equity method because net income (corresponding to the share of interests), and other comprehensive income of the company would not have a material effect on the consolidated financial statements.

As of March 31, 2024, nine unconsolidated subsidiaries (eight in 2023) and two (two in 2023) affiliated companies are not accounted for using the equity method, but they are stated at cost, because these companies would not have a material effect on the consolidated financial statements even if they are excluded from the scope of equity method.

Goodwill incurred for three consolidated subsidiaries is amortized using the straight-line method over a period of five years.

As of March 31, 2023 and 2024, the fiscal year ending dates are March 31 for 12 consolidated subsidiaries.

3 Significant accounting policies

Trading assets and trading liabilities

The Group adopted mark-to-market accounting for trading assets and trading liabilities including securities, monetary claims and financial derivatives for trading purpose. Trading assets and trading liabilities are recorded on a trade date basis, and revenues and expenses related to trading securities transactions are also recorded on a trade date basis. Securities and monetary claims for trading purposes are stated at market or fair value at the balance sheet date. Financial derivatives such as futures and option transactions are stated at a deemed settlement amount at the balance sheet date. Unrealized gains or losses incurred by the mark-to-market method are charged to income.

Securities

All companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereinafter, "trading securities"), (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and an affiliated company, and (d) for all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities").

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated, nor accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities (including unrealized holding gains (losses) arising from foreign exchange fluctuation except cases where market value hedging is applied to hedge foreign exchange risk) are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

However, equity securities, etc. which do not have a market price are carried at cost determined by the moving-average method.

Debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible.

If the fair value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies not consolidated, nor accounted for by the equity method, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity

securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

When fair values of available-for-sale securities decline by 50% or more of the acquisition cost at the balance sheet date, the Group writes down such securities to the fair values and records the related write-downs as loss in its consolidated statements of income. When fair values of available-for-sale securities decline by 30% or more but less than 50% of the acquisition cost, write-downs to the fair values may be recognized for certain issuers based on evaluation of issuers' debtor classification.

Derivatives and hedge accounting

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes

(1) Hedging against interest rate fluctuations

The consolidated banking subsidiary (the "Bank") applies deferred hedge accounting pursuant to the treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24 on March 17, 2022) to hedge transactions such as interest rate swaps entered into to mitigate interest rate risk arising from financial assets and liabilities. The Bank assesses the hedge effectiveness by considering the adequacy of offsetting movement of the fair value by the changes in interest rates through classifying the hedged items such as loans and the hedging instruments such as interest rate swaps by their maturity.

With respect to hedging transactions to fix the cash flows, hedging instruments (e.g. interest rate swaps) are designated to hedged items collectively by interest rate indices and tenors in accordance with JICPA Industry Audit Committee Practical Guideline No. 24. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms.

(2) Hedging against foreign currency fluctuations

The Bank applies deferred hedge accounting to hedge transactions such as currency swaps and foreign exchange swaps entered into to mitigate foreign exchange risk arising from foreign-currency-denominated financial assets and liabilities.

The Bank applies the hedge accounting pursuant to “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 25 on October 8, 2020) to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing in different currencies. The Bank assesses the hedge effectiveness by confirming that the positions of hedge instruments (currency swap and foreign exchange swap transactions) do not exceed the corresponding foreign-currency-denominated monetary receivables and payables as hedged items.

For securities denominated in foreign currencies, the Bank identifies the issues of securities denominated in foreign currencies as hedged items in advance and applies market value hedging to those securities as comprehensive hedging under the condition of spot-forward liabilities in excess of acquisition costs on a foreign currency basis and other.

(3) Exceptional treatment

For some assets and liabilities, if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Out of the above hedging relationships, all the hedging relationships included in the scope of application of the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issue Task Force (“PITF”) Report No. 40, March 17, 2022) apply the special treatments defined by the PITF Report No. 40. The contents of hedging relationships to which the PITF Report No. 40 is applied are as follows:

Hedge accounting method:	Deferred accounting method in principle
Hedging instruments:	Interest rate swaps, currency swaps
Hedged items:	Loans, etc.
Type of hedging transaction:	Offset against market fluctuations, transactions to fix the cash flows

Tangible fixed assets (except for lease assets)

Tangible fixed assets of the Bank except for land utilized for business operations are stated at cost less accumulated depreciation. Accumulated impairment losses are deducted from acquisition costs.

The Bank depreciates its tangible fixed assets under the straight-line method over their estimated useful lives. Estimated useful lives of major items are as follows:

Buildings:	22–50 years
Others:	3–20 years

The Company and its other consolidated subsidiaries depreciate their tangible fixed assets mainly using the declining-balance method (except for facilities attached to buildings acquired on or after April 1, 2016, which are depreciated using the straight-line method) based on the estimated useful lives of those assets.

Accumulated depreciation for tangible assets as of March 31, 2023 and 2024 amounted to ¥48,078 million and ¥48,663 million (\$321 million), respectively.

Deferred revenue deducted from the acquisition cost was ¥12,733 million and ¥12,733 million (\$84 million) as of March 31, 2023 and 2024, respectively.

Land revaluation reserve

In accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998; the “Act”), land for business purposes of the Bank has been revalued as of the date indicated below. The tax equivalent with regard to the valuation differences was recognized as “Deferred tax liabilities for land revaluation” in liabilities, and the amount net of deferred tax liabilities for land revaluation was stated as “Land revaluation surplus” in equity.

Date of revaluation: March 31, 1998

The method of revaluation of assets set forth in Article 3, Paragraph 3 of the Act:

Fair values are determined based on land price determined using the method established and published by the Commissioner of the National Tax Agency of Japan in order to calculate land value used for determining taxable amounts subject to landholding tax stipulated in Article 16 of the Landholding Tax Act, which is stipulated in Article 2, Item 4 of the Order for Enforcement on Act on Revaluation of Land (Order No. 119, March 31, 1998), with reasonable price adjustments.

The difference between the total fair values and the total carrying amounts of land for business purposes which was revalued pursuant to Article 10 of the Act as of March 31, 2023 and 2024 was ¥20,751 million and ¥18,891 million (\$125 million), respectively.

Intangible fixed assets (except for lease assets)

Intangible fixed assets are amortized using the straight-line method. Software utilized by the Group is amortized over the period in which it is expected to be utilized mainly for five or ten years.

Lease assets

Lease assets of the finance leases included in “Tangible fixed assets” other than those that transfer the ownership of leased property to the lessees are depreciated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

Reserve for possible loan losses

The Bank records its reserve for possible loan losses in accordance with a predetermined standard for write-offs and provisions as follows:

For loans to borrowers who are legally bankrupt due to special liquidation, etc. ("legally bankrupt" borrowers) or borrowers in a similar financial condition ("virtually bankrupt" borrowers), the reserve for possible loan losses is provided in the carrying amounts of such loans which are stated after directly setting off the uncollectible amounts as mentioned below, less the disposable value of collaterals and the estimated recoverable value from relevant guarantees.

For loans to borrowers who are not bankrupt at present, but likely to become bankrupt in future ("possibly bankrupt" borrowers), the reserve for possible loan losses is provided in the amounts considered to be necessary after comprehensively evaluating the borrower's overall financial conditions out of the amounts remaining after deducting the disposable value of collaterals and the estimated recoverable value from relevant guarantees from the carrying amounts of the loans.

Among loans to major borrowers who are possibly bankrupt and those with restructured loans, for loans to borrowers whose cash flows from collection of principal and interest can be reasonably estimated, the reserve for possible loan losses is provided in the amount of differences between the amount obtained by discounting the said cash flows at the contractual interest rate before restructuring and the carrying amounts of the loans (cash flow estimation method).

For other loans, the reserve for possible loan losses is provided based on the expected credit losses for the coming year or the coming three years. Expected credit losses are determined by adding necessary adjustments such as future prospects, etc. to the loss rate obtained by the average rate of actual loan losses for certain past periods based on bad debts for the past one year or the past three years.

The sales-related department conducts asset assessments for all the loans in accordance with the self-assessment rule, and their assessments are audited by the asset audit department, which is independent from the sales-related department.

For collateralized or guaranteed loans to legally bankrupt and virtually bankrupt borrowers, the estimated uncollectible amounts, which are the amounts remaining after deducting the appraisal value of collaterals and the recoverable value from relevant guarantees, are directly set off against the carrying amounts of the loans. Such amounts directly set off against those loans at March 31, 2023 and 2024 were ¥24,879 million and ¥20,422 million (\$135 million), respectively.

Other consolidated subsidiaries record the reserve for possible loan losses at the necessary amounts considering

the historical bad debt ratio for general loans, and at the estimated uncollectible amounts for specific loans to possibly bankrupt borrowers.

Employees' severance and retirement benefits

The liabilities and expenses for severance and retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

The Bank provides allowance for employees' severance and retirement benefits at March 31, 2024 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over 14 years, which was not longer than the average of the estimated remaining service lives, commencing with the following period.

In calculating the projected benefit obligation, the straight-line method is used to attribute the expected benefit attributable to the respective fiscal year. Prior service costs were recognized in the consolidated statements of income as incurred.

Other consolidated subsidiaries adopt the simplified method for the calculation of net defined benefit liability and expenses for severance and retirement benefits.

Reserve for retirement benefits of directors and Audit & Supervisory Board members

Reserve for retirement benefits of directors and Audit & Supervisory Board members is provided for in payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end.

Reserve for reimbursement of deposits

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal.

Reserve for point loyalty programs

Reserve for point loyalty programs is provided for the estimated expenses based on an estimate of the future usage of points. Points are granted to credit card holders through card usage under the point loyalty program which is designed to promote card usage.

Reserve for stock payments

Reserve for stock payments is provided for the Company's stock payment to directors (excluding outside directors and directors who are members of the audit committee) and executive officers of the Company and directors (excluding outside directors) and executive officers of the Bank based on the Director Share Payment Regulations at the estimated amount at the fiscal year-end.

Reserve under Special Laws

Reserve under special laws is provided for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions, pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

Foreign currency translation

The consolidated financial statements of the Bank are maintained in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates, etc.

Income taxes

Income taxes consist of corporation tax, enterprise tax and inhabitant tax. The provision for income taxes is computed based on the pretax income of the Company and each of its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for tax loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the recoverability of the tax benefits.

Consolidated statements of cash flows and cash equivalents

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

Amounts per share

Net assets per share is calculated by dividing net assets by the number of common stocks outstanding at the year-end (excluding "treasury stock").

Net income per share is calculated by dividing net income attributable to owners of the parent by the average number of shares of common stock outstanding during the year (excluding "treasury stock").

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

Significant accounting estimates

The following items, which are items of accounting estimates recorded in the consolidated financial statements for the current year, may have significant effects on the consolidated financial statements for the following year:

• Reserve for possible loan losses

Accounting estimates associated with reserve for possible loan losses are considered to be material, since loans and other receivables of consolidated subsidiaries engaged in the

banking business account for a relatively high portion in the consolidated balance sheet of the Group and therefore the recording of reserve for possible loan losses have a significant impact on the operating performance and financial position of the Group.

(1) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2024

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Reserve for possible loan losses	¥ 39,372	¥ 51,517	\$ 340
(Of which amount recorded by consolidated subsidiaries engaged in the banking business)	¥(37,124)	¥(48,929)	\$(323)

(2) Information about the contents of significant accounting estimates for the identified item

a. Calculation method for the amount recorded in the consolidated financial statements for the year ended March 31, 2024

The calculation method for reserve for possible loan losses is stated in "Reserve for possible loan losses" under Note 3 "Significant accounting policies."

As of March 31, 2024, no modification was made as a result of the consideration of necessary modification such as future projections, in computing the expected loan loss rate.

Asset assessments described in "Reserve for possible loan losses" above refer to the classification in accordance with the risk of recovery and loss probabilities that are investigated and analyzed specifically after classifying debtors depending on their circumstances associated with the loans and receivables they hold based on the self-assessment criteria, and appropriate write-offs and the recording of provisions according to debtor classification are implemented. Debtors are classified into normal borrowers, borrowers who require special attention, possibly bankrupt borrowers, virtually bankrupt borrowers and legally bankrupt borrowers in accordance with the outcome of investigation of the repayment ability of debtors based on the financial position, cash management status, profitability, etc. of the debtors.

b. Main assumptions used in calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2024

On the premise that there is a certain correlation between the historical loan loss rate and the future expected loan loss rate, for normal borrowers, borrowers who require special attention (including borrowers of restructured loans) and possibly bankrupt borrowers, the Group, in principle, records reserve for possible loan losses at an amount corresponding to the expected loan losses which are determined by multiplying the expected loss rate computed based on the historical loss rate.

With respect to debtors for which loan conditions were restructured and whose financial conditions are deteriorated after the lapse of a certain period of time, the Group continues to assume that credit risk is highly likely to materialize.

The Group determines the debtor classification, based on the credit risk rating system, by comprehensively taking into account the following: i) projections about business continuity and profitability, considering not only the immediate business continuity but also the absence of significant concerns about eventual collectability, ii) reasonableness of management improvement plans, etc., iii) ability to repay debt and iv) the status of support from financial institutions, in consideration of the characteristics of the industry, etc., after investigating the debtor's ability to repay the debt based on the actual financial position, cash management status, profitability, etc. of the debtor, and confirming the lending terms and the fulfilment status of loans.

Furthermore, if the management reconstruction is expected to proceed in line with reasonable and highly feasible management improvement plans, such loans will not fall under the category of restructured loans or possibly bankrupt loans.

Of the possibly bankrupt borrowers and borrowers of restructured loans whose unsecured credit amount exceeds a certain amount, if the future cash flows from the collection of the principal and interest of the loans held by such borrowers can be reasonably estimated, reserve for possible loan losses are recorded using the estimation of future cash flows from the collection of the principal and interest based on management improvement plans, etc. as a main assumption, considering the actual management condition of the borrower. In addition, for certain possibly bankrupt borrowers, additional reserve for possible loan losses is recorded at an amount that is not expected to be recovered in the future.

As of March 31, 2023, the Company assumed that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future. Although such assumption that significant losses would not arise from the loans is not changed, the Company recorded reserve for possible loan losses, based on assumptions that credit risk is highly likely to increase in the future for debtors in specific industries that were still significantly impacted by the spread of COVID-19.

As of March 31, 2024, although COVID-19 was reclassified as Class 5, the Company records reserve for possible loan losses, taking the impact of previous years into account, based on assumptions that credit risk is still highly likely to materialize for debtors in specific industries.

c. Effects on the consolidated financial statements for the following fiscal year

Main assumptions used for calculating the amount of reserve for possible loan losses, such as expected loan losses based on the historical loan loss rate by debtor classification, debtor classification as of the fiscal year end, estimated recoverable amounts based on estimated disposal value of collateral and guarantees as well as the impact of COVID-19, involve uncertainties of significant estimates.

Main assumptions related to the estimation of reserve for possible loan losses are based on best available information as of the preparation of the consolidated financial statements, but they might affect the performances and financial position of the Group depending on factors such as significant changes in external environment, the deterioration of the management status of the borrowers, the fulfilment status of management improvement plans, a significant deviation of the expected amount of decline in collateral value compared to the assumption at the time of recording reserve for possible loan losses.

Accounting changes

Valuation method of available-for-sale securities

As for translation differences of available-for-sale securities denominated in foreign currencies, the Group previously accounted for the translation differences arising from foreign currency fluctuations as "Net unrealized holding gains (losses) on available-for-sale securities" and accounted for other differences as foreign exchange gains and losses. Effective from the year ended March 31, 2024, the Group has changed the accounting treatment to record all translation differences as "Net unrealized holding gains (losses) on available-for-sale securities."

The Group recognizes that it is beneficial to include securities denominated in foreign currencies for building a medium- to long-term securities investment portfolio, and that investments in foreign bonds denominated in yen may lead to increased profitability depending on market conditions. However, under the previous accounting treatment, the short-term exchange rate trends gave a large impact on operational results due to recent highly volatile foreign exchange rates, making it impossible to adopt a medium- to long-term strategy. Accordingly, aiming to establish a stable portfolio, the Group has changed the accounting policy after reviewing part of its investment policy from the year ended March 31, 2024.

This accounting policy change is not applied retroactively since the impact from this change is insignificant.

Unapplied new accounting standards

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, March 22, 2024)

(1) Overview

The standards and guidance prescribe the accounting category of income taxes when other comprehensive income is subject to taxation and the treatment of tax effect accounting for sale of subsidiaries' shares when the group taxation system is applied.

(2) Date of adoption

These standards and guidance are scheduled to be applied from the beginning of the year ending March 31, 2025.

(3) The effect of adopting the accounting standards, etc.

The effect of adopting the accounting standards, etc. is under evaluation.

Additional information

Transactions vesting treasury stocks through trust to directors, etc.

The Company and the Bank, which is a subsidiary of the Company, has introduced the Plan using a structure called a BIP (Board Incentive Plan) Trust for directors, etc. aiming at improvement of the mid- and long-term performance as well as an increase in the awareness of contributions to increasing corporate value.

(1) Outline

The Plan grants specified points to directors, etc. depending on the Director Share Payment Regulations. The Company's shares and cash in the amount of converted value of the Company's shares equivalent to the number of such points may be granted and paid through the trust at the time of retirement. The Company's shares to be granted to directors are acquired using cash trusted by the Company in advance.

(2) The Company's shares remaining in the trust

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying amount.
2. The carrying amount of the Company's shares remaining in the trust is ¥1,069 million and ¥1,652 million (\$11 million) at March 31, 2023 and 2024, respectively.
3. The number of the shares of the Company remaining in the trust is 1,545 thousand and 2,176 thousand shares at March 31, 2023 and 2024, respectively.

Transactions in which the Company's shares are issued to employees, etc. through a trust

The Company has introduced an employee incentive plan, the Employee Stock Ownership Plan ("ESOP") Trust, for the Group's employees. This plan aims to provide incentives for medium- to long-term stock price improvement, achieve performance targets, and enhance awareness of participating in management.

(1) Outline

The Company establishes a trust for employees, who are members of the "Hirogin Holdings For Employee Stock Ownership Plans" (hereinafter, the "Hirogin ESOP") and satisfy certain requirements, as beneficiaries. The trust will acquire the number of the Company's shares expected to be acquired by the Hirogin ESOP during the predetermined trust period. Thereafter, the trust sells the Company's shares to the Hirogin ESOP on a certain date each month. At the end of the trust, if there is any trust income due to an increase in the stock price, the money will be distributed to each beneficiary in proportion to the contribution ratio. In the event that a loss on sale is incurred due to a decline in the stock price and the liability for the trust assets remains, the Company will repay the Bank in a lump sum in accordance with the guarantee clause in the loan agreement. Thus, there will be no additional burden on the employees.

(2) The Company's shares remaining in the trust

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying amount.
2. The carrying amount of the Company's shares remaining in the trust is ¥2,274 million (\$15 million) at March 31, 2024.
3. The number of the shares of the Company remaining in the trust is 2,538 thousand shares at March 31, 2024.

(3) Carrying amount of borrowed money accounted for by applying the gross method.

The carrying amount of borrowed money accounted for by applying the gross method is ¥2,295 million (\$15 million) as of March 31, 2024.

4 Securities

- (1) Trading securities included in “Trading assets,” certificates of deposit with banks included in “Cash and due from banks,” and trust beneficiary rights included in “Monetary claims bought,” which are separately reported from “Securities” in the consolidated balance sheets, are included in this section.

Total amounts of equity securities or investments in capital of unconsolidated subsidiaries and affiliated companies included in “Securities” as of March 31, 2023 and 2024 are as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Equity securities	¥ 118	¥3,588	\$24
Investments in capital	4,670	4,888	32

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

a) Trading securities:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Amount of net unrealized gains included in the consolidated statement of income	¥(5)	¥0	\$0

b) Held-to-maturity debt securities:

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	¥ —	¥ —	¥—
Local government bonds	9,080	9,121	41
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	9,080	9,121	41
Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	¥9,080	¥9,121	¥41

March 31, 2024	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	¥24,484	¥24,581	¥ 96
Local government bonds	7,280	7,304	24
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	31,764	31,885	120

Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	22,230	22,148	(81)
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	22,230	22,148	(81)
Total	¥53,994	¥54,033	¥ 39

March 31, 2024	Millions of U.S. dollars		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	\$162	\$162	\$ 1
Local government bonds	48	48	0
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	210	211	1

Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	147	146	(1)
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	147	146	(1)
Total	\$357	\$357	\$ 0

c) Available-for-sale securities:

March 31, 2023	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Equity securities	¥ 91,902	¥ 50,301	¥ 41,601
Bonds:	127,063	126,262	801
National government bonds	10,089	9,993	95
Local government bonds	58,594	58,339	254
Corporate bonds	58,379	57,928	451
Others	60,515	57,856	2,658
Subtotal	279,482	234,419	45,062

Carrying amount not exceeding acquisition cost:			
Equity securities	13,012	13,948	(936)
Bonds:	902,700	924,898	(22,198)
National government bonds	421,117	435,215	(14,098)
Local government bonds	250,230	254,808	(4,578)
Corporate bonds	231,352	234,874	(3,522)
Others	382,224	416,717	(34,493)
Subtotal	1,297,937	1,355,565	(57,628)
Total	¥1,577,419	¥1,589,985	¥(12,566)

March 31, 2024	Millions of yen		
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 100,750	¥ 38,876	¥ 61,873
Bonds:	54,586	54,320	266
National government bonds	—	—	—
Local government bonds	27,601	27,521	80
Corporate bonds	26,984	26,798	186
Others	238,543	209,001	29,541
Subtotal	393,879	302,198	91,681

Carrying amount not exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	35,979	36,791	(812)
Bonds:	950,118	979,171	(29,053)
National government bonds	414,156	431,067	(16,911)
Local government bonds	271,568	277,746	(6,177)
Corporate bonds	264,392	270,357	(5,964)
Others	357,309	385,613	(28,304)
Subtotal	1,343,407	1,401,577	(58,170)
Total	¥1,737,286	¥1,703,775	¥ 33,510

March 31, 2024	Millions of U.S. dollars		
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	\$ 665	\$ 257	\$ 409
Bonds:	361	359	2
National government bonds	—	—	—
Local government bonds	182	182	1
Corporate bonds	178	177	1
Others	1,575	1,380	195
Subtotal	2,601	1,996	606

Carrying amount not exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	238	243	(5)
Bonds:	6,275	6,467	(192)
National government bonds	2,735	2,847	(112)
Local government bonds	1,794	1,834	(41)
Corporate bonds	1,746	1,786	(39)
Others	2,360	2,547	(187)
Subtotal	8,873	9,257	(384)
Total	\$11,474	\$11,253	\$ 221

d) Held-to-maturity debt securities sold

There were no held-to-maturity debt securities sold during the years ended March 31, 2023 and 2024.

(3) Available-for-sale securities sold during the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2023			
Equity securities	¥ 8,902	¥2,008	¥ 125
Bonds:	210,084	3,832	3,243
National government bonds	208,012	3,832	3,205
Local government bonds	—	—	—
Corporate bonds	2,072	0	38
Others	354,271	2,855	19,065
Total	¥573,258	¥8,696	¥22,434

	Millions of yen		
March 31, 2024	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	¥ 37,827	¥ 7,999	¥ 44
Bonds:	79,324	5,067	4,881
National government bonds	76,047	5,067	4,828
Local government bonds	—	—	—
Corporate bonds	3,277	—	53
Others	106,539	3,254	5,192
Total	¥223,692	¥16,320	¥10,118

	Millions of U.S. dollars		
March 31, 2024	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	\$ 250	\$ 53	\$ 0
Bonds:	524	33	32
National government bonds	502	33	32
Local government bonds	—	—	—
Corporate bonds	22	—	0
Others	704	21	34
Total	\$1,477	\$108	\$67

(4) Securities whose holding purpose was reclassified
There were no securities whose holding purpose was reclassified during the years ended March 31, 2023 and 2024.

(5) Impairment of securities

Impairment losses in an amount of ¥5,314 million on equity securities and ¥49 million (\$0 million) on bonds were recognized for the years ended March 31, 2023 and 2024, respectively.

(6) Net unrealized holding gains (losses) on available-for-sale securities and other money held in trust at March 31, 2023 and 2024 consisted of the following:

	Millions of yen		Millions of U.S. dollars
March 31	2023	2024	2024
Net unrealized holding gains (losses):			
Available-for-sale securities	¥(12,566)	¥33,510	\$ 221
Other money held in trust	(578)	307	2
	(13,144)	33,818	223
Deferred tax assets	16,750	15,326	101
Deferred tax liabilities	(12,108)	(25,196)	(166)
Net unrealized holding gains (losses) on available-for-sale securities	¥ (8,502)	¥23,949	\$ 158

5 Money held in trust

(1) Money held in trust classified as trading purpose

There was no money held in trust classified as trading purpose at March 31, 2023 and 2024.

(2) Money held in trust classified as held-to-maturity

There was no money held in trust classified as held-to-maturity at March 31, 2023 and 2024.

(3) Other money held in trust

Millions of yen					
March 31, 2023	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥40,200	¥40,779	¥(578)	¥ 86	¥664

Millions of yen					
March 31, 2024	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥24,787	¥24,479	¥ 307	¥307	¥ —

Millions of U.S. dollars					
March 31, 2024	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$164	\$162	\$2	\$2	\$—

Notes: 1. The carrying amount is calculated using market prices at the fiscal year-end.

2. "Unrealized gain" and "Unrealized loss" are breakdowns of "Net unrealized gain (loss)."

The principal amount of money held in trust with a contract for replacement of losses at March 31, 2023 and 2024 is ¥21,349 million and ¥19,962 million (\$132 million), respectively.

6 Loans and bills discounted

(1) Non-performing loans

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

Loans are defined as corporate bonds included in "Securities" in the consolidated balance sheet (limited to those for which the whole or part of the redemption of the principal and payment of interest is guaranteed and the issuance of such corporate bonds is through private placement of the securities (as provided for in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act)), loans, foreign exchanges, those which are included in the accounts of accrued interest and temporary payments under other assets, customers' liabilities for acceptances and guarantees, etc.

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 6,955	¥ 7,367	\$ 49
Risk loans	48,306	56,320	372
Delinquent loans past due over three months	1,909	1,977	13
Restructured loans	28,977	33,383	220
Total	¥86,150	¥99,048	\$654

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to reasons such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, petition for rehabilitation proceedings.

Risk loans are loans for which it is highly unlikely to be able to collect the principal and interest according to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not gone bankrupt, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings.

Delinquent loans past due over three months are loans on which the payment of principal and/or interest is past due for three months or more from the due date, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings, or risk loans.

Restructured loans are loans on which terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, providing a grace period for the payment of principal or interest, or loan forgiveness, and which are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for possible loan losses.

(2) Bills discounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign bills of exchange purchased without restrictions, and their total face amounts were ¥16,597million and ¥16,898 million (\$112 million) at March 31, 2023 and 2024, respectively.

7 Assets pledged

At March 31, 2023 and 2024, the following assets were pledged as collateral for certain liabilities of the Group.

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Securities	¥ 865,727	¥1,100,416	\$ 7,268
Loans and bills discounted	981,578	958,560	6,331
Other assets	1,313	1,650	11
Total	¥1,848,620	¥2,060,627	\$13,610

The collateral was pledged to secure:

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Deposits	¥ 1,704	¥ 1,634	\$ 11
Payables under repurchase agreements	130,533	196,778	1,300
Deposits received for bonds lending/borrowing transactions	402,712	301,697	1,993
Borrowed money	957,119	1,316,894	8,698

In addition, securities and other assets not included in the above schedules were pledged as collateral for operating transactions, such as exchange settlements.

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Securities	¥ 2,143	¥ 1,207	\$ 8
Other assets	50,000	50,000	330

Other assets include the following:

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Deposits for financial instruments	¥27,976	¥34,675	\$229
Security deposits	2,037	2,007	13
Deposits for future trading	540	521	3

Of the securities received as collateral under transactions with repurchase agreement, those which the Group holds rights of sales or rehypothecation at its discretion amounted to ¥17,604 million and ¥28,051 million (\$185 million) at March 31, 2023 and 2024, respectively.

Bills rediscounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24), and the total face amount of foreign exchanges purchased, etc. that have been delivered was ¥4 million and ¥2 million (\$0 million) at March 31, 2023 and 2024, respectively.

8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the consolidated subsidiaries engaged in the banking business lend to customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits totaled ¥1,836,913 million and ¥1,825,298 million (\$12,055 million) relating to these contracts at March 31, 2023 and 2024, respectively. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,726,243 million and ¥1,716,154 million (\$11,334 million) at March 31, 2023 and 2024, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that consolidated subsidiaries engaged in the banking business refuse customers’ applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of contracts, the consolidated subsidiaries engaged in the banking business obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the consolidated subsidiaries engaged in the banking business perform periodic review of the customers’ business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

9 Borrowed money and lease obligations

The weighted average interest rate on the term-end balance of borrowed money maturing in November 2058 was 0.02%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations included in “Other liabilities” within five years at March 31, 2024 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
2025	¥225,640	\$72	¥1,490	\$0
2026	89,393	69	590	0
2027	330,791	66	2,185	0
2028	693,558	65	4,581	0
2029	3,260	35	22	0

10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in "Securities" was ¥47,645 million and ¥51,306 million (\$339 million) at March 31, 2023 and 2024, respectively.

11 Net assets

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Companies Act of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March 31, 2024 include the amount representing the year-end cash dividend of ¥5,866 million (\$39 million), ¥19.00 (\$0.13) per share, which was approved at the Board of Directors' meeting held on May 13, 2024.

12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥27,143 million and ¥27,272 million (\$180 million) for the years ended March 31, 2023 and 2024, respectively.

13 Other expenses

Other expenses for the years ended March 31, 2023 and 2024 include the following:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Loss on sales of equity securities, etc.	¥ 131	¥ 1,859	\$12
Provision for reserve for reimbursement of deposits	—	1,827	12
Impairment losses on equity securities, etc.	5,355	966	6
Write-off of loans	-	858	6
Loss on sales of loans, etc.	572	300	2
Provision for possible loan losses	1,923	13,907	92
Loss on disposal of fixed assets	335	204	1
Impairment losses on fixed assets	228	1,110	7
Provision of reserve for financial instruments transaction liabilities	—	10	0

14 Supplementary cash flow information

Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2023 and 2024 was as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Cash and due from banks	¥2,188,107	¥2,839,819	\$18,756
Foreign currency deposits with banks	(33,154)	(36,781)	(243)
Cash and cash equivalents	¥2,154,953	¥2,803,038	\$18,513

15 Lease transactions

Finance leases

Tangible fixed assets in lease assets mainly consisted of branches. The depreciation method of lease assets is shown in "3. Significant accounting policies."

Operating leases

Future minimum lease payments on operating leases which were not cancelable at March 31, 2023 and 2024 were as follows:

As lessee:

Not applicable

As lessor:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Due within 1 year	¥ 522	¥1,123	\$ 7
Due after 1 year	896	1,674	11
Total	¥1,419	¥2,798	\$18

16 Derivative transactions

Derivative transactions to which hedge accounting is not applied:

Contracted amount (including notional principal amount), fair value and unrealized gains or losses of financial derivatives at March 31, 2023 and 2024 were as follows:

Interest related:

March 31, 2023	Type	Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥165,395	¥153,536	¥(2,582)	¥(2,582)
	Receive variable, pay fixed	165,395	153,536	3,995	3,995
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	3,150	3,150	(36)	27
	Buy	3,150	3,150	35	(0)
	Total	¥ —	¥ —	¥ 1,411	¥ 1,440

		Millions of yen			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥146,735	¥125,882	¥(2,649)	¥(2,649)
	Receive variable, pay fixed	146,735	125,882	3,845	3,845
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	3,083	3,083	(54)	47
	Buy	3,083	3,083	54	(13)
	Total	¥ —	¥ —	¥ 1,196	¥ 1,230

		Millions of U.S. dollars			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$969	\$831	\$(17)	\$(17)
	Receive variable, pay fixed	969	831	25	25
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	20	20	(0)	0
	Buy	20	20	0	(0)
	Total	\$ —	\$ —	\$ 8	\$ 8

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Currency related:

		Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
March 31, 2023	Type				
	Currency swaps	¥1,142,503	¥846,060	¥ (155)	¥ 789
	Forward foreign exchange contracts:				
	Sell	124,008	34,483	(2,392)	(2,392)
	Buy	97,607	33,890	3,368	3,368
	Currency options:				
	Sell	239,953	164,164	(8,131)	1,703
	Buy	239,953	164,164	8,048	(446)
	Total	¥ —	¥ —	¥ 737	¥ 3,022

		Millions of yen			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
			Over one year		
	Currency swaps	¥755,215	¥645,759	¥ 21	¥ 1,182
	Forward foreign exchange contracts:				
	Sell	115,378	42,329	(6,944)	(6,944)
	Buy	89,159	41,094	8,026	8,026
	Currency options:				
	Sell	200,662	123,472	(4,990)	2,042
	Buy	200,662	123,472	4,989	(1,111)
	Total	¥ —	¥ —	¥ 1,102	¥ 3,195

		Millions of U.S. dollars			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Currency swaps	\$4,988	\$4,265	\$ 0	\$ 8
	Forward foreign exchange contracts:				
	Sell	762	280	(46)	(46)
	Buy	589	271	53	53
	Currency options:				
	Sell	1,325	815	(33)	13
	Buy	1,325	815	33	(7)
	Total	\$ —	\$ —	\$ 7	\$ 21

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Others:

		Millions of yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,220	¥—	¥(46)	¥—
	Buy	6,220	—	46	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of yen			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
	OTC				
	Sell	¥6,770	¥—	¥(51)	¥—
	Buy	6,770	—	51	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of U.S. dollars			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivative:				
	OTC				
	Sell	\$45	\$—	\$ (0)	\$—
	Buy	45	—	0	—
	Total	\$—	\$—	\$—	\$—

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2023 and 2024 were as follows:

Interest related:

March 31, 2023			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	¥ 62,367	¥ 62,367	¥2,873
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted	41,422	40,422	Note 2
	Total		¥ —	¥ —	¥2,873

March 31, 2024			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	¥200,000	¥200,000	¥714
	Total		¥ —	¥ —	¥714

March 31, 2024			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	\$ 1,321	\$ 1,321	\$5
	Total		\$ —	\$ —	\$5

Notes: 1. As for interest rate swaps shown above, deferred hedge accounting is applied in accordance with JICPA Industry Audit Committee Practical Guideline No. 24.
2. Interest rate swaps which meet specific matching criteria at March 31, 2023 are accounted for as a component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in "22. Financial instruments and related disclosures."

Currency related:

March 31, 2023			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥189,774	¥180,928	¥(21,201)
	Forward foreign exchange contracts		313,409	411	(4,644)
	Total		¥ —	¥ —	¥(25,846)

March 31, 2024			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥224,484	¥166,318	¥(36,249)
	Forward foreign exchange contracts		386,678	—	1,376
	Total		¥ —	¥ —	¥(34,872)

March 31, 2024			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	\$ 1,483	\$ 1,098	\$ (239)
	Forward foreign exchange contracts		2,554	—	9
	Total		\$ —	\$ —	\$ (230)

Note: The Bank has applied the deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25).

17 Employees' severance and retirement benefits

1. Overview of retirement benefit plans

Consolidated subsidiaries engaged in the banking business adopt funded or unfunded defined benefit plans and defined contribution plans in order to provide for the employees' retirement benefits. Under the defined benefit pension plans, all of which are funded, lump-sum or annuity payments are provided to employees based on their job position and length of service. Under the lump-sum retirement benefit plans, all of which are funded as a result of the establishment of the retirement benefit trust, lump-sum payments are provided to employees as retirement benefits based on their job position and length of service.

Other consolidated subsidiaries mainly adopt lump-sum payment plans, all of which are unfunded.

2. Defined benefit plans

Changes in projected benefit obligation during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Projected benefit obligation at beginning of the year	¥42,652	¥41,686	\$275
Service costs during the year	1,131	1,104	7
Interest cost on projected benefit obligation	16	16	0
Actuarial differences incurred	408	(1,296)	(9)
Benefits paid	(2,665)	(2,687)	(18)
Other	142	139	1
Projected benefit obligation at end of the year	¥41,686	¥38,963	\$257

Changes in plan assets during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Plan assets at beginning of the year	¥100,119	¥115,557	\$ 763
Expected return on plan assets	4,004	4,581	30
Actuarial differences incurred	8,772	(1,160)	(8)
Contribution by the business owner (Note)	4,506	6,280	41
Benefits paid	(1,944)	(1,972)	(13)
Partial return of equity securities of retirement benefit trust	—	(33,876)	(224)
Other	98	95	1
Plan assets at end of the year	¥115,557	¥ 89,504	\$ 591

Note: Note: For the years ended March 31, 2023 and 2024, the Company made a contribution to cover risks that may arise in the future.

The adjustment of the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit assets

At March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Funded projected benefit obligation	¥ 40,976	¥ 38,267	\$ 253
Plan assets	(115,557)	(89,504)	(591)
	(74,580)	(51,236)	(338)
Unfunded projected benefit obligation	709	695	5
Net on consolidated balance sheets	¥ (73,871)	¥(50,540)	\$(334)

At March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net defined benefit liability	¥ 709	¥ 695	\$ 5
Net defined benefit asset	(74,580)	(51,236)	(338)
Net on consolidated balance sheets	¥(73,871)	¥(50,540)	\$(334)

Components of severance and retirement benefit expenses

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Service costs—benefits earned during the year	¥ 1,131	¥ 1,104	\$ 7
Interest cost on projected benefit obligation	16	16	0
Expected return on plan assets	(4,004)	(4,581)	(30)
Amortization of actuarial differences	(1,139)	(2,309)	(15)
Severance and retirement benefit expenses calculated by simplified method	43	44	0
Gain on return of retirement benefit trust (Note)	—	(6,423)	(42)
Severance and retirement benefit expenses	¥(3,952)	¥(12,147)	\$(80)

Note: Gain on return of retirement benefit trust is recorded under "Other income."

Components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Actuarial differences	¥7,224	¥(8,596)	\$(57)

Components of remeasurements of accumulated defined benefit plans in accumulated other comprehensive income (before tax)

At March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Unrecognized actuarial differences	¥(15,161)	¥(6,564)	\$(43)

Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2023 and 2024 is as follows:

	2023	2024
Debt securities	1.7%	13.3%
Equity securities	70.7	60.7
Cash and due from banks	0.1	0.2
Other	27.5	25.8
Plan assets at end of the year	100.0%	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans by 33.0% (60.3% in 2023) and the retirement benefit trust established for lump-sum payment plans by 25.7% (14.8% in 2023) at March 31, 2024.

In order to determine the long-term expected return on plan assets, the Group takes into consideration the current and anticipated allocation of plan assets and long-term rate of return on a diverse set of assets that comprise the plan assets.

Major assumptions for actuarial computation for the years ended March 31, 2023 and 2024 are as follows:

	2023	2024
Discount rate	0.2%	1.2%
Rates of expected return on plan assets	4.0%	4.0%
Expected salary increase rate	2.9%	3.1%

Defined contribution pension plan

The amount required to be contributed to the defined contribution pension plan of the Company's consolidated subsidiaries was ¥289 million and ¥280 million (\$2 million) for the years ended March 31, 2023 and 2024, respectively.

18 Income taxes

Income taxes in the consolidated statement of income consist of corporation tax, inhabitant tax and enterprise tax.

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

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Deferred tax assets:			
Reserve for possible loan losses	¥ 18,818	¥ 21,154	\$ 140
Net unrealized holding losses on available-for-sale securities	4,641	—	—
Write-down of securities	663	971	6
Depreciation	969	970	6
Other	3,256	5,052	33
Subtotal of deferred tax assets	28,349	28,148	186
Valuation allowance for total temporary differences deductible in future periods	(1,266)	(1,181)	(8)
Subtotal of valuation allowance	(1,266)	(1,181)	(8)
Total deferred tax assets	27,082	26,966	178
Deferred tax liabilities:			
Net defined benefit assets	(20,262)	(17,337)	(115)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(2,771)	(2,370)	(16)
Net unrealized holding gains (losses) on available-for-sale securities	—	(9,869)	(65)
Other	(1,574)	(595)	(4)
Total deferred tax liabilities	(24,609)	(30,172)	(199)
Net deferred tax assets (liabilities)	¥ 2,473	¥ (3,205)	\$ (21)

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2023 and 2024 has been omitted, since the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

19 Revenue recognition

Information about disaggregation of revenue from contracts with customers is presented in Note 20 "Segment information."

20 Segment information

a. Overview of reportable segments

The reportable segment of the Group consists of "Banking business" operated by The Hiroshima Bank, Ltd. and "Leasing business" operated by Hirogin Lease Co., Ltd.

b. Basis of measurement for reportable revenue, segment profit or loss, segment assets, segment liabilities and other items

The accounting methods used for the reportable segments are the same as those used for the preparation of the consolidated financial statements. Profit of reportable segments is based on ordinary profit. Intersegment revenue is based on the actual transaction price.

c. Information about reportable revenue, segment profit or loss, segment assets, segment liabilities and other items and disaggregation of revenue

Millions of yen								
2023								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	¥ 22,575	¥ —	¥ 22,575	¥ 12,028	¥ 34,603	¥ (4,828)	¥ 29,775	
Other revenue	106,463	22,276	128,740	22,143	150,883	(20,424)	130,458	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Revenue from external customers	¥ 126,442	¥21,969	¥ 148,411	¥ 11,823	¥ 160,234	¥ —	¥ 160,234	
Intersegment revenue	2,597	307	2,904	22,348	25,252	(25,252)	—	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Segment profit	16,445	928	17,374	18,636	36,011	(17,230)	18,780	
Segment assets	11,432,524	80,732	11,513,257	504,422	12,017,680	(521,653)	11,496,027	
Segment liabilities	10,984,650	73,677	11,058,327	25,376	11,083,704	(86,281)	10,997,422	
Other items:								
Depreciation	¥ 5,382	¥ 523	¥ 5,906	¥ 212	¥ 6,118	¥ (6)	¥ 6,111	
Interest income	88,257	0	88,258	16,083	104,341	(17,229)	87,112	
Interest expense	20,795	209	21,005	39	21,044	(208)	20,835	

Notes: 1. "Ordinary revenue" corresponds to net sales of general companies.

2. The "Other" category represents business segments not included in any of the reportable segments, including financial instrument trading business, receivables management and collection business, IT related business, etc.

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(17,230) million includes intersegment elimination of ¥(17,095) million and amortization of goodwill of ¥(135) million.

(2) "Adjustment" of "Segment assets" in the amount of ¥(521,653) million represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(86,281) million represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(6) million represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(17,229) million represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(208) million represents intersegment elimination.

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

Millions of yen							
2024							
	Reportable segment			Other	Total	Adjustments	Consolidated
	Banking business	Leasing business	Total				
Ordinary revenue:							
Revenue from contracts with customers	¥ 23,503	¥ —	¥ 23,503	¥ 14,864	¥ 38,367	¥ (5,567)	¥ 32,800
Other revenue	130,713	22,405	153,118	24,020	177,139	(23,868)	153,270
Total	¥ 154,216	¥22,405	¥ 176,622	¥ 38,884	¥ 215,506	¥ (29,435)	¥ 186,071
Revenue from external customers	¥ 151,569	¥22,113	¥ 173,682	¥ 12,388	¥ 186,071	¥ —	¥ 186,071
Intersegment revenue	2,647	292	2,939	26,495	29,435	(29,435)	—
Total	¥ 154,216	¥22,405	¥ 176,622	¥ 38,884	¥ 215,506	¥ (29,435)	¥ 186,071
Segment profit	31,487	1,042	32,530	22,302	54,833	(20,682)	34,151
Segment assets	12,720,169	88,988	12,809,158	522,447	13,331,605	(541,223)	12,790,381
Segment liabilities	12,234,566	81,201	12,315,767	39,238	12,355,006	(99,874)	12,255,132
Other items:							
Depreciation	¥ 5,736	¥ 666	¥ 6,403	¥ 184	¥ 6,587	¥ (20)	¥ 6,566
Interest income	107,666	0	107,667	19,534	127,201	(20,706)	106,494
Interest expense	33,500	252	33,752	46	33,798	(217)	33,581

Millions of U.S. dollars							
2024							
	Reportable segment			Other	Total	Adjustments	Consolidated
	Banking business	Leasing business	Total				
Ordinary revenue:							
Revenue from contracts with customers	\$ 155	\$ —	\$ 155	\$ 98	\$ 253	\$ (37)	\$ 217
Other revenue	863	148	1,011	159	1,170	(158)	1,012
Total	\$ 1,019	\$148	\$ 1,167	\$ 257	\$ 1,423	\$ (194)	\$ 1,229
Revenue from external customers	\$ 1,001	\$146	\$ 1,147	\$ 82	\$ 1,229	\$ —	\$ 1,229
Intersegment revenue	17	2	19	175	194	(194)	—
Total	\$ 1,019	\$148	\$ 1,167	\$ 257	\$ 1,423	\$ (194)	\$ 1,229
Segment profit	208	7	215	147	362	(137)	226
Segment assets	84,011	588	84,599	3,451	88,050	(3,575)	84,475
Segment liabilities	80,804	536	81,341	259	81,600	(660)	80,940
Other items:							
Depreciation	\$ 38	\$ 4	\$ 42	\$ 1	\$ 44	\$ (0)	\$ 43
Interest income	711	0	711	129	840	(137)	703
Interest expense	221	2	223	0	223	(1)	222

Notes: 1. "Ordinary revenue" corresponds to net sales of general companies.

2. The "Other" category represents business segments not included in any of the reportable segments, including financial instrument trading business, receivables management and collection business, IT related business, etc.

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(20,682) million (\$ (137) million) includes intersegment elimination of ¥(20,547) million (\$ (136) million) and amortization of goodwill of ¥(135) million (\$ (1) million).

(2) "Adjustment" of "Segment assets" in the amount of ¥(541,223) million (\$ (3,575) million) represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(99,874) million (\$ (660) million) represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(20) million (\$ (0) million) represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(20,706) million (\$ (137) million) represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(217) million (\$ (1) million) represents intersegment elimination.

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

Income by service

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Ordinary revenue from external customers:			
Lending	¥ 67,563	¥ 82,350	\$ 544
Investment in securities	26,112	37,484	248
Fees and commissions	33,262	36,233	239
Leasing	21,955	22,079	146
Other	11,340	7,922	52
Total	¥160,234	¥186,071	\$1,229

Note: "Ordinary revenue" corresponds to net sales of general companies.

Information on the amortization and unamortized portion of goodwill by reportable segment

	Millions of yen				
	2023				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥—	¥ 88	¥ 88	¥ 52	¥140
Unamortized balance at year-end	—	265	265	161	426

	Millions of yen				
	2024				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥—	¥ 88	¥ 88	¥ 52	¥140
Unamortized balance at year-end	—	176	176	109	286

	Millions of U.S. dollars				
	2024				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	\$—	\$1	\$1	\$0	\$1
Unamortized balance at year-end	—	1	1	1	2

Note: "Other" represents amounts of IT related business and worker dispatch business.

21 Related party transactions

Information about related party transactions for the years ended March 31, 2023 and 2024 is omitted since they are immaterial.

22 Financial instruments and related disclosures

1. Status of financial instruments

(1) Policy for financial instruments

The Group conducts financial services such as financial instruments transactions, credit guarantees, leasing and credit card services, with banking as their core activity. Among these businesses, core banking business include fund procurement through deposit-taking and fund management through loans and investment security portfolios. The financial assets and liabilities of the Group are subject to asset liability management ("ALM," comprehensive management of assets and liabilities) in such a way as to prevent adverse impact from interest rate, foreign exchange and market value fluctuation.

(2) Nature and extent of risk arising from financial instruments

Loans and bills discounted are primarily provided to domestic customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of equity securities, bonds and investment trusts held by the Group for the purposes of holding to maturity, pure investment, as well as for the development of regional society and the enhancement of corporate value over the medium to long term.

They are exposed to risk of fluctuation in interest rates and prices in the bond/stock markets and in addition, credit risk arising from downgrading of the issuer's credit rating. Borrowed money, corporate bonds and commercial papers are exposed to liquidity risk, the risk that the Group is unable to meet its obligations as they fall due.

The Group enters into the following derivative transactions, such as currency swaps and forward foreign exchange contracts to meet the financial needs of customers and interest rate swaps for the purpose of optimizing ALM. As part of optimizing ALM, the Group uses hedge accounting, specifying derivatives such as interest rate swaps as hedging instruments, and loans as hedged items.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of sustaining losses due to reduction or loss of value of assets due to deteriorating credit circumstances at a borrower.

The Group controls credit risk appropriately in accordance with the "Group Credit Risk Management Rule" which provides the basic policy for credit risk management.

In addition, the Company has in place "internal rating systems" and "self-assessment systems" to objectively identify the credit risk associated with loans, etc., monitors the credit risk management status of the Group companies and credit concentration risk of the whole Group, accurately assesses the credit risk of individual debtors and portfolios, and provides guidance and advice to the Group companies as necessary.

Market risk management

(i) Market risk management system

Market risk is the risk that the Group might suffer from losses on the value of assets arising from the fluctuations in interest rates, prices of securities, foreign exchange rates and other various market risk factors.

The Group controls market risk appropriately in accordance with the "Group Market Risk Management Rule" which provides the basic policy for market risk management.

Furthermore, the Group controls market risk including interest rates by working to improve and strengthen ALM involving not only securities, but also deposits and loans, so as to stabilize earnings.

The Group, in order to strictly implement market risk management of the whole Group, limits the risk position, defines hedging policies as well as reporting and consultation rules in case of a decline in the asset value, and has in place a system for responding to the changes in the market promptly and stabilizing earnings. The status of compliance with the amount of limits is controlled on a daily basis along with position amounts, risk volume, profit and loss status, and other main data.

In addition, as a measure to comply with fair value accounting, the Group implements strict accounting treatments based on the classification by holding purpose and reflects the fluctuations of market prices appropriately in the financial statements.

With regard to trading accounts (for securities and off-balance-sheet transactions that target short-term gains on sales or purchases, and trading at the behest of customers), the Bank has set up designated trading accounts to strengthen the management of these accounts by conducting transparent accounting procedures based on fair value.

(ii) Quantitative information relating to market risk

(a) Financial products for trading purposes

The Group holds securities and derivative transactions including interest-rate and currency swaps for trading purpose.

To measure the amount of market risk, the Group adopts VaR (Value at Risk) using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: one day).

As of March 31, 2024, the entire VaR of the Group was ¥8 million (\$0 million) (¥10 million in 2023).

(b) Financial products held for other than trading purpose

The Group holds various products such as loans, securities, deposits, corporate bonds, and derivatives for other than trading purpose.

To measure the amount of market risk associated with these products, the Group adopts the VaR method using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: six months for strategic equity investments, three months for securities other than strategic equity investments, and one year for others).

The total VaR as of March 31, 2024 was ¥125,376 million (\$828 million) (¥108,871 million in 2023).

(c) VaR adequacy

The relationship between the VaR calculated with the model and actual gains and losses data is periodically back-tested. The Group has confirmed that the calculating model used for these measurements captures market risk with the necessary degree of accuracy.

However, because VaR is a method of measuring the amount of market risk in terms of the probability of a certain event happening based on past statistical variation, it cannot be used for assessing risk in a market environment characterized by abnormal change.

Management of liquidity risks related to fund procurement

Liquidity risk is the risk of incurring losses due to a decline in cash flow or being obliged to procure funds at interest rates that are markedly higher than usual due to an unexpected outflow of cash.

The Group controls liquidity risk appropriately in accordance with the “Group Liquidity Risk Management Rule” which provides the basic policy for liquidity risk management.

The Group controls liquid coverage ratio (LCR) to prepare for cash outflows in times of short-term stress. Moreover, to mitigate long-term fund procurement risks, the Bank manages the gap between low-liquidity loans and stable procurement.

The Group has a structure to conduct liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments is based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used.

Since the calculations of the reasonably calculated prices are implemented under certain conditions and assumptions, the result of calculations would differ if such calculations are made under different conditions and assumptions.

2. Fair value of financial instruments

Carrying amount, fair value and related difference are as follows. Equity securities, etc. which do not have a market price are not included in the table below (see (Note 1)). In addition, cash and due from banks, call loans and bills purchased, monetary claims bought, foreign exchanges (assets and liabilities), call money and bills sold, payables under repurchase agreements and deposits received for bonds lending/borrowing transactions are omitted since the fair value approximates the carrying amount because of short maturities.

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	¥ 1,345	¥ 1,345	¥ —
(2) Money held in trust	40,200	40,200	—
(3) Securities:			
Held-to-maturity debt securities	9,080	9,121	41
Available-for-sale securities* ²	1,561,285	1,561,285	—
(4) Loans and bills discounted	7,224,123		
Reserve for possible loan losses* ³	(36,878)		
Net	7,187,245	7,280,080	92,835
Total assets	¥ 8,799,156	¥ 8,892,033	¥92,876
(1) Deposits	¥ 9,252,256	¥ 9,252,435	¥ 179
(2) Borrowed money	1,013,860	1,012,019	(1,840)
Total liabilities	¥10,266,116	¥10,264,455	¥ (1,661)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	¥ 2,149	¥ 2,149	¥ —
Hedge accounting is applied* ⁵	(22,972)	(22,972)	—
Total derivative instruments	¥ (20,823)	¥ (20,823)	¥ —

March 31, 2024	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	¥ 1,294	¥ 1,294	¥ —
(2) Money held in trust	24,787	24,787	—
(3) Securities:			
Held-to-maturity debt securities	53,994	54,033	39
Available-for-sale securities* ²	1,716,302	1,716,302	—
(4) Loans and bills discounted	7,689,192		
Reserve for possible loan losses* ³	(48,366)		
Net	7,640,825	7,718,986	78,160
Total assets	¥ 9,437,203	¥ 9,515,403	¥78,200
(1) Deposits	¥ 9,362,190	¥ 9,362,353	¥ 163
(2) Borrowed money	1,377,528	1,374,027	(3,500)
Total liabilities	¥10,739,718	¥10,736,380	¥ (3,337)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	¥ 2,298	¥ 2,298	¥ —
Hedge accounting is applied* ⁵	(34,158)	(34,158)	—
Total derivative instruments	¥ (31,859)	¥ (31,859)	¥ —

March 31, 2024	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	\$ 9	\$ 9	\$ —
(2) Money held in trust	164	164	—
(3) Securities:			
Held-to-maturity debt securities	357	357	0
Available-for-sale securities* ²	11,335	11,335	—
(4) Loans and bills discounted	50,784		
Reserve for possible loan losses* ³	(319)		
Net	50,464	50,981	516
Total assets	\$62,329	\$62,845	\$516
(1) Deposits	\$61,833	\$61,834	\$ 1
(2) Borrowed money	9,098	9,075	(23)
Total liabilities	\$70,931	\$70,909	\$ (22)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	\$ 15	\$ 15	\$ —
Hedge accounting is applied* ⁵	(226)	(226)	—
Total derivative instruments	\$ (210)	\$ (210)	\$ —

*1. Derivative instruments are not included in trading assets.

*2. Available-for-sale securities include investment trusts whose standard value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Accounting Standard Implementation Guidance").

*3. The amounts only include the general reserve for possible loan losses and the specific reserve for possible loan losses provided to "Loans and bills discounted."

*4. Derivative instruments recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

*5. These instruments are interest rate swaps designated as hedging instruments to offset market fluctuations of loans, etc., which are hedged items, or to fix cash flows, and deferral hedge accounting is applied principally. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, March 17, 2022) is applied to these hedging relationships.

(Note 1) The carrying amount of equity securities, etc. which do not have a market price is as follows: These amounts are not included in "Available-for-sale securities" in the above table.

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Unlisted equity securities (*1) (*2)	¥5,796	¥8,337	\$55
Investments in partnerships (*3)	4,670	4,888	32
Other	0	0	0

(*1) Unlisted equity securities are not subject to fair value disclosure requirement in accordance with paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) The Company recognized an impairment loss in an amount of ¥40 million and ¥966 million (\$6 million) on unlisted equity securities for the years ended March 31, 2023 and 2024, respectively.

(*3) Investments in partnerships are investments in unconsolidated subsidiaries.

(Note 2) Maturity analysis for financial assets with contractual maturities at March 31, 2023 and 2024

At March 31, 2023	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	¥2,110,344	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	34,784	—	—	—	—	—
Monetary claims bought	8,682	—	—	—	—	—
Money held in trust	40,200	—	—	—	—	—
Securities	40,448	145,651	175,499	113,141	413,580	450,385
Held-to-maturity:	—	—	1,150	—	7,930	—
Local government bonds	—	—	1,150	—	7,930	—
Available-for-sale:	40,448	145,651	174,349	113,141	405,650	450,385
National government bonds	—	—	15,000	34,000	292,000	95,200
Local government bonds	4,590	53,300	81,920	43,835	77,744	51,000
Corporate bonds	17,132	69,388	50,784	19,653	5,870	128,810
Others	18,725	22,963	26,644	15,652	30,035	175,374
Loans and bills discounted*	1,133,914	652,738	830,004	650,766	887,858	2,283,532
Total	¥3,368,375	¥798,389	¥1,005,503	¥763,908	¥1,301,438	¥2,733,917

At March 31, 2024	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	¥2,772,608	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	50,355	—	—	—	—	—
Monetary claims bought	8,779	—	—	—	—	—
Money held in trust	24,787	—	—	—	—	—
Securities	76,584	145,700	201,231	250,408	343,381	491,699
Held-to-maturity:	—	—	6,830	—	47,680	—
National government bonds	—	—	—	—	25,000	—
Local government bonds	—	—	6,830	—	22,680	—
Available-for-sale:	76,584	145,700	194,401	250,408	295,701	491,699
National government bonds	—	—	23,000	153,000	192,500	55,200
Local government bonds	24,620	66,549	61,821	49,242	54,702	47,736
Corporate bonds	40,922	47,782	49,982	17,810	11,397	128,462
Others	11,041	31,368	59,598	30,354	37,102	260,299
Loans and bills discounted*	1,125,673	688,118	950,640	751,487	943,530	2,410,969
Total	¥4,058,788	¥833,819	¥1,151,871	¥1,001,895	¥1,286,911	¥2,902,668

At March 31, 2024	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	\$18,312	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	333	—	—	—	—	—
Monetary claims bought	58	—	—	—	—	—
Money held in trust	164	—	—	—	—	—
Securities	506	962	1,329	1,654	2,268	3,247
Held-to-maturity:	—	—	45	—	315	—
National government bonds	—	—	—	—	165	—
Local government bonds	—	—	45	—	150	—
Available-for-sale:	506	962	1,284	1,654	1,953	3,247
National government bonds	—	—	152	1,011	1,271	365
Local government bonds	163	440	408	325	361	315
Corporate bonds	270	316	330	118	75	848
Others	73	207	394	200	245	1,719
Loans and bills discounted*	7,435	4,545	6,279	4,963	6,232	15,923
Total	\$26,807	\$5,507	\$7,608	\$6,617	\$8,500	\$19,171

*Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers and loans to “possibly bankrupt” borrowers amounting to ¥53,880 million and ¥62,305 million (\$411 million), are not included in the above table as of March 31, 2023 and 2024, respectively. Loans that do not have contractual maturity, amounting to ¥731,429 million and ¥756,467 million (\$4,996 million), are not included either.

(Note 3) Maturity analysis for interest-bearing liabilities at March 31, 2023 and 2024

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2023						
Deposits*	¥ 9,052,709	¥171,900	¥ 20,989	¥ 5,858	¥ 798	¥ —
Call money and bills sold	50,000	—	—	—	—	—
Payables under repurchase agreements	130,533	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	402,712	—	—	—	—	—
Borrowed money	403,640	241,404	333,313	5,958	4,478	25,065
Total	¥10,039,595	¥413,305	¥354,302	¥11,817	¥5,276	¥25,065

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2024						
Deposits*	¥ 9,151,806	¥156,269	¥ 47,286	¥ 994	¥ 5,832	¥ —
Call money and bills sold	819,300	—	—	—	—	—
Payables under repurchase agreements	196,778	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	301,697	—	—	—	—	—
Borrowed money	225,640	420,185	696,819	5,487	4,242	25,153
Total	¥10,695,222	¥576,455	¥744,105	¥6,481	¥10,075	¥25,153

	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2024						
Deposits*	\$60,444	\$1,032	\$ 312	\$ 7	\$39	\$ —
Call money and bills sold	5,411	—	—	—	—	—
Payables under repurchase agreements	1,300	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	1,993	—	—	—	—	—
Borrowed money	1,490	2,775	4,602	36	28	166
Total	\$70,637	\$3,807	\$4,915	\$43	\$67	\$166

* Deposits on demand are included in "Less than 1 year."

3. Fair value information by level within the fair value hierarchy

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, fair value is categorized into the lowest level of priority in the fair value measurement among the levels to which each of these inputs belongs.

(1) Financial instruments measured at fair value

	Millions of yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 40,200	¥ —	¥ 40,200
Trading assets and securities				
Trading securities:				
National and local government bonds	118	1,227	—	1,345
Available-for-sale securities:				
National and local government bonds	431,206	308,824	—	740,031
Corporate bonds	—	235,321	54,411	289,732
Equity securities	104,915	—	—	104,915
Other	76,545	336,286	—	412,832
Derivatives:				
Interest related	—	8,050	—	8,050
Currency related	—	14,673	3,614	18,288
Other	—	—	46	46
Total assets	¥612,786	¥944,584	¥58,071	¥1,615,442
Derivatives:				
Interest related	¥ —	¥ 3,765	¥ —	¥ 3,765
Currency related	—	39,609	3,786	43,396
Other	—	—	46	46
Total liabilities	¥ —	¥ 43,375	¥ 3,833	¥ 47,208

	Millions of yen			
	Fair value			
March 31, 2024	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 24,787	¥ —	¥ 24,787
Trading assets and securities				
Trading securities:				
National and local government bonds	46	1,247	—	1,294
Available-for-sale securities:				
National and local government bonds	414,156	299,170	—	713,327
Corporate bonds	—	234,519	56,858	291,377
Equity securities	136,729	—	—	136,729
Other	137,271	423,205	—	560,476
Derivatives:				
Interest related	—	5,244	—	5,244
Currency related	—	15,511	658	16,169
Other	—	—	51	51
Total assets	¥688,204	¥1,003,684	¥57,567	¥1,749,456
Derivatives:				
Interest related	¥ —	¥ 3,333	¥ —	¥ 3,333
Currency related	—	49,279	660	49,940
Other	—	—	51	51
Total liabilities	¥ —	¥ 52,613	¥ 711	¥ 53,325

	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2024				
Money held in trust	\$ —	\$ 164	\$ —	\$ 164
Trading assets and securities				
Trading securities:				
National and local government bonds	0	8	—	9
Available-for-sale securities:				
National and local government bonds	2,735	1,976	—	4,711
Corporate bonds	—	1,549	376	1,924
Equity securities	903	—	—	903
Other	907	2,795	—	3,702
Derivatives:				
Interest related	—	35	—	35
Currency related	—	102	4	107
Other	—	—	0	0
Total assets	\$4,545	\$6,629	\$380	\$11,554
Derivatives:				
Interest related	\$ —	\$ 22	\$ —	\$22
Currency related	—	325	4	330
Other	—	—	0	0
Total liabilities	\$ —	\$ 347	\$ 5	\$ 352

(*1) Investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥3,990 million and ¥4,250 million (\$28 million) as of March 31, 2023 and 2024, respectively.

(*2) Investments in partnerships to which Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance is applied are not included in the above table. The carrying amount of such investments in partnerships recorded in the consolidated balance sheet is ¥9,782 million and ¥10,141 million (\$67 million) as of March 31, 2023 and 2024, respectively.

(*3) The carrying amount of derivatives to which hedge accounting is applied recorded in the consolidated balance sheet is ¥22,972 million and ¥34,158 million (\$226 million) as of March 31, 2023 and 2024, respectively.

(2) Financial instruments other than those measured at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	¥—	¥ 9,121	¥ —	¥ 9,121
Loans and bills discounted	—	—	7,280,080	7,280,080
Total assets	¥—	¥ 9,121	¥7,280,080	¥ 7,289,201
Deposits	¥—	¥ 9,252,435	¥ —	¥ 9,252,435
Borrowed money	—	1,002,454	9,565	1,012,019
Total liabilities	¥—	¥10,254,889	¥ 9,565	¥10,264,455

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2024				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	¥24,581	¥ 29,452	¥ —	¥ 54,033
Loans and bills discounted	—	—	7,718,986	7,718,986
Total assets	¥24,581	¥ 29,452	¥7,718,986	¥ 7,773,020
Deposits	¥ —	¥ 9,362,353	¥ —	¥ 9,362,353
Borrowed money	—	1,364,548	9,478	1,374,027
Total liabilities	¥ —	¥10,726,902	¥ 9,478	¥10,736,380

	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2024				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	\$ 162	\$ 195	\$ —	\$ 357
Loans and bills discounted	—	—	50,981	50,981
Total assets	\$ 162	\$ 195	\$ 50,981	\$ 51,338
Deposits	\$ —	\$ 61,834	\$ —	\$ 61,834
Borrowed money	—	9,012	63	9,075
Total liabilities	\$ —	\$ 70,847	\$ 63	\$ 70,909

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

Assets:

Money held in trust

The fair value of securities managed as trust assets in individually managed money held in trust whose primary purpose is to manage securities is based on the price at the exchange for equity securities, and on the price presented by the counterpart financial institutions or the price at the exchange for bonds, and is classified as Level 2 based on the level of the components. In addition, for money held in trust whose primary purpose is not to manage securities, the carrying amount is considered to be the fair value and classified as Level 2 since the contract terms is short and the fair value approximates the carrying amount.

Notes on money held in trust by holding purpose are described in Note 5 "Money held in trust."

Trading assets and securities

The fair value of trading assets and securities are classified as Level 1 if the unadjusted quoted price in the active market is available. Principally, listed equity securities, national government bonds and listed investment trusts are classified in this category.

The fair value based on the published quoted price of inactive markets is classified as Level 2. Principally, local government bonds, corporate bonds, and housing loan mortgage-backed securities are classified in this category. In addition, for investment trusts with no transaction prices in the market, the standard value is considered to be the fair value and classified as Level 2 if there are no material restrictions that would require compensation for the risk from market participants with respect to cancelation or repurchase requests.

The fair value of private placement bonds is determined by discounting the sum of the principal and interest at a discount rate reflecting risk factors such as credit risk, etc. by each category based on internal rating and period, and is classified as Level 3, since such discount rate is unobservable.

Loans and bills discounted

The fair value of loans and bills discounted is determined(*) by discounting future cash flows at an interest rate assumed in similar new loans by each category based on the type of

loans, type of loan interest, certain period, and internal rating.

(*) The fair value of long-term loans subject to exceptional treatment for interest rate swaps, etc. is determined by adding the fair value of interest rate swaps, etc. to the fair value of such long-term loans.

In addition, the fair value of claims against legally bankrupt, virtually bankrupt and possibly bankrupt borrowers approximates the amount obtained by deducting the amount of reserve for possible loans losses from the carrying amount on the fiscal closing date since bad debts are estimated based on the amount expected to be recoverable from collaterals, guarantees, etc. Accordingly, such amount is considered to be the fair value.

The fair value of loans whose payment due date is not set forth is assumed to approximate the carrying amount from a viewpoint of the estimated payment term, interest rate conditions, etc. Accordingly, the carrying amount is considered to be the fair value.

If the effects of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, and if not, as Level 2.

Liabilities:

Deposits

The fair value of demand deposits is considered to be the payment amount (carrying amount) when required on the fiscal closing date. In addition, the fair value of time deposits is determined as the present value discounting future cash flows categorized by the type of deposit instruments and certain period. The interest rate applicable when accepting new deposits is used as the discount rate. Such fair value is classified as Level 2.

Borrowed money

The fair value of borrowed money is determined by discounting future cash flows at the interest rate assumed in similar new financing by type of financing. If the contract term is short, the carrying amount is considered to be the fair value since the fair value approximates the carrying amount.

If the effects of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, and if not, as Level 2.

Derivatives:

With respect to derivatives, if the unadjusted quoted price in the active market is available, the fair value is classified as Level 1, and principally, bond futures and interest rate futures are included in this category.

However, most of derivatives are traded over the counter and published quoted price does not exist, and accordingly, the fair value is determined using the valuation techniques such as the present value method or Black-Sholes model according to the type of deals and the period until maturity.

Main inputs used in such valuation techniques include interest rate, foreign exchange rate, volatility, etc. Furthermore, price adjustment based on counterparty credit risk and credit risk of consolidated subsidiaries engaged in the banking business is performed. If unobservable inputs are not used, or the effects of such inputs are not significant, the fair value is classified as Level 2. Plain-vanilla type interest rate swaps, foreign exchange forward contracts are included in this category. If significant unobservable inputs are used, the fair value is classified as Level 3 and currency related derivatives and other (such as earthquake derivatives, etc.) are included in this category.

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

(1) Quantitative information on significant unobservable inputs

At March 31, 2023

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.27%-8.09%	0.53%
Private placement bonds				

At March 31, 2024

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.31%-7.89%	0.68%
Private placement bonds				

(2) Reconciliation from the beginning balances to the ending balances and gains or losses on valuation included in profit or loss for the period

	Millions of yen	
	Securities: Available-for-sale securities Private placement bonds	Derivatives: Currency related (*3)
March 31, 2023		
Beginning balance	¥50,759	¥(124)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	18	(47)
Recorded in other comprehensive income (*2)	114	—
Net amount of purchases, sales, issuances, and settlements	3,517	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	54,411	(172)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(47)

	Millions of yen	
	Securities: Available-for-sale securities Private placement bonds	Derivatives: Currency related (*3)
March 31, 2024		
Beginning balance	¥54,411	¥(172)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	(49)	170
Recorded in other comprehensive income (*2)	(163)	—
Net amount of purchases, sales, issuances, and settlements	2,660	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	56,858	(1)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	170

March 31, 2024	Millions of U.S. dollars	
	Securities:	Derivatives:
	Available-for-sale securities Private placement bonds	Currency related (*3)
Beginning balance	\$359	\$(1)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	(0)	1
Recorded in other comprehensive income (*2)	(1)	—
Net amount of purchases, sales, issuances, and settlements	18	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	376	(0)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	1

(*1) Included in "Interest income," "Trading income" and "Other operating income" in the consolidated statement of income for the year ended March 31, 2023. Included in "Trading income" and "Other operating expenses" in the consolidated statement of income for the year ended March 31, 2024.

(*2) Included in "Net unrealized holding gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

(*3) Assets/liabilities and gains/losses arising from derivatives are presented in net amounts and net liabilities and net losses are presented with brackets.

(3) Description of valuation processes used for fair value measurements

The back office of the Group has established policies and procedures for measuring fair value and procedures for use of fair value assessment models. The middle office ensures appropriateness regarding whether such models, inputs used, and fair value resulting from the measurement are compliant with these policies and procedures. The back office determines the level of fair value based on the result of the confirmation. When quoted prices obtained from third parties are used as the fair value, the appropriateness of such prices is verified by appropriate methods such as valuation techniques used and identification of inputs.

(4) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

The discount rate is an adjustment rate for standard market interest rates such as TIBOR and swap rates and primarily comprises risk premium which is remuneration required by market participants on uncertainties of cash flows of financial instruments arising from credit risk. In general, a significant increase (decrease) in the discount rate will result in a significant decline (increase) in fair value.

23 Stock options

1. No stock option expense was recorded for the year ended March 31, 2024.

2. Outline, size and changes of stock options in the year ended March 31, 2024

(1) Outline of stock options

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 15,800	Common stock: 16,750	Common stock: 38,100
Date of rights granted	July 28, 2010	July 27, 2011	July 27, 2012
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 28, 2040	From October 1, 2020 to July 27, 2041	From October 1, 2020 to July 27, 2042
	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 22,650	Common stock: 25,650	Common stock: 18,000
Date of rights granted	July 25, 2013	July 30, 2014	July 31, 2015
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 25, 2043	From October 1, 2020 to July 30, 2044	From October 1, 2020 to July 31, 2045
	Hirogin Holdings, Inc. 7th stock options		
Persons to whom stock options are granted	Directors of the Bank: 2		
Type and number of shares	Common stock: 34,500		
Date of rights granted	July 29, 2016		
Condition for vesting	Not applicable		
Eligible service period	Not applicable		
Period for exercise of stock options	From October 1, 2020 to July 29, 2046		

Notes: 1. As the Company was incorporated through a sole-share transfer of the Bank, the Company's stock acquisition rights were granted to the holders of stock acquisition rights issued by the Bank.

2. The number of stock options is converted to the number of shares.

3. Date of rights granted refers to the initial date of rights granted by the Bank.

(2) Size and changes of stock options

a. Number of stock options (converted to number of shares) for the year ended March 31, 2024

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options	Hirogin Holdings, Inc. 7th stock options
Non-vested:							
Outstanding at April 1, 2023	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding at March 31, 2024	—	—	—	—	—	—	—
Vested:							
Outstanding at April 1, 2023	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2024	15,800	16,750	38,100	22,650	25,650	18,000	34,500

b. Price information for the year ended March 31, 2024

	Hirogin Holdings, Inc. 1st stock options		Hirogin Holdings, Inc. 2nd stock options		Hirogin Holdings, Inc. 3rd stock options		Hirogin Holdings, Inc. 4th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	4.31	644	4.25	446	2.95	820	5.42

	Hirogin Holdings, Inc. 5th stock options		Hirogin Holdings, Inc. 6th stock options		Hirogin Holdings, Inc. 7th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	6.04	1,346	8.89	654	4.32

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

24 Other comprehensive income

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

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net unrealized holding gains (losses) on available-for-sale securities:			
Amount arising during the period	¥(32,820)	¥ 54,372	\$359
Reclassification adjustments	18,554	(7,409)	(49)
Before adjustments for tax effect	(14,265)	46,963	310
Amount of tax effect	4,395	(14,511)	(96)
Net unrealized holding gains (losses) on available-for-sale securities	(9,869)	32,452	214
Net deferred gains (losses) on hedging instruments, net of tax:			
Amount arising during the period	(2,626)	(13,636)	(90)
Reclassification adjustments	6,368	10,465	69
Before adjustments for tax effect	3,742	(3,170)	(21)
Amount of tax effect	(1,160)	982	6
Net deferred gains (losses) on hedging instruments, net of tax	2,582	(2,187)	(14)
Remeasurements of defined benefit plans:			
Amount arising during the period	8,364	135	1
Reclassification adjustments	(1,139)	(8,732)	(58)
Before adjustments for tax effect	7,224	(8,596)	(57)
Amount of tax effect	(2,239)	2,665	18
Remeasurements of defined benefit plans	4,984	(5,931)	(39)
Total other comprehensive income	¥ (2,302)	¥ 24,332	\$161

25 Business combinations

(Merger between subsidiaries)

Hirogin Guarantee Co., Ltd., a subsidiary of the Company, absorbed Hirogin Card Service Co., Ltd., a subsidiary of the Company, on April 1, 2023.

1. Outline of transaction

(1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Guarantee Co., Ltd.

Its business: Credit guarantee business

Name of the acquired company:

Hirogin Card Service Co., Ltd.

Its business: Credit card business and credit guarantee

(2) Date of business combination

April 1, 2023

(3) Legal form of business combination

Absorption-type merger between Hirogin Guarantee Co., Ltd. as a surviving company and Hirogin Card Service Co., Ltd. as an absorbed company

(4) Name of company after business combination

Hirogin Credit Service Co., Ltd.

(5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

26 Per share information

Per share information at March 31, 2023 and 2024 for the years then ended is as follows:

	Yen		U.S. dollar
	2023	2024	2024
Net assets per share	¥1,603.30	¥1,760.62	\$11.63
Net income per share	40.25	90.35	0.60
Diluted net income per share	40.22	90.30	0.60

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net assets	¥498,604	¥535,249	\$3,535
Amounts to be deducted from net assets	262	269	2
(Of which, stock acquisition rights)	126	126	1
(Of which, non-controlling interests)	135	142	1
Net assets at March 31 attributable to common stock	¥498,342	¥534,979	\$3,533

	Number of shares (in thousands)	
	2023	2024
Number of shares of common stock at end of the year which was used to compute net assets per share	310,821	303,857

2. Net income per share and diluted net income per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net income per share:			
Net income attributable to owners of the parent	¥12,508	¥27,691	\$183
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥12,508	¥27,691	\$183

	Number of shares (in thousands)	
	2023	2024
Average number of shares of common stock outstanding during the year	310,772	306,484

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Diluted net income per share:			
Adjustment to net income attributable to owners of the parent	¥—	¥—	\$—

	Number of shares (in thousands)	
	2023	2024
Number of shares of common stock that increased during the year	171	171
(Of which, stock acquisition rights)	171	171

3. The Company's shares held by The Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account: 76,131 units and ESOP trust account: 76,905 units) are accounted for as treasury stock in the consolidated financial statements and, thus, such shares are not included in "Number of shares of common stock at end of the year which was used to compute net assets per share" and "Average number of shares of common stock outstanding during the year."

The number of shares of the treasury stock at March 31, 2023 and 2024 and the average number of shares of the treasury stock during the years were 1,545 thousand shares and 4,715 thousand shares, respectively and 1,595 thousand shares and 3,437 thousand shares, respectively.

27 Significant subsequent events

Not applicable.

Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.
As of March 31, 2023 and 2024

	Millions of yen		Millions of U.S. dollars (Note)
	2023	2024	2024
ASSETS			
Cash and due from banks	¥ 2,187,010	¥ 2,838,661	\$18,748
Call loans and bills purchased	34,784	50,355	333
Monetary claims bought	6,906	6,793	45
Trading assets	10,598	6,956	46
Money held in trust	29,600	10,487	69
Securities	1,581,536	1,779,230	11,751
Loans and bills discounted	7,275,335	7,745,781	51,158
Foreign exchanges	11,579	7,064	47
Other assets	111,995	116,239	768
Tangible fixed assets	104,912	106,294	702
Intangible fixed assets	10,172	12,818	85
Prepaid pension cost	59,419	44,671	295
Deferred tax assets	5,788	—	—
Customers' liabilities for acceptances and guarantees	40,008	43,744	289
Reserve for possible loan losses	(37,124)	(48,929)	(323)
Total assets	¥11,432,524	¥12,720,169	\$84,011
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥ 9,277,473	¥ 9,399,588	\$62,080
Call money	50,000	819,300	5,411
Payables under repurchase agreements	130,533	196,778	1,300
Deposits received for bonds lending/borrowing transactions	402,712	301,697	1,993
Trading liabilities	7,996	4,443	29
Borrowed money	1,002,041	1,360,488	8,985
Foreign exchanges	2,377	661	4
Due to trust account	51	56	0
Other liabilities	56,849	89,055	588
Reserve for reimbursement of deposits	437	1,827	12
Reserve for point loyalty programs	133	150	1
Reserve for stock payments	818	889	6
Deferred tax liabilities	—	2,985	20
Deferred tax liabilities for land revaluation reserve	13,215	12,899	85
Acceptances and guarantees	40,008	43,744	289
Total liabilities	¥10,984,650	¥12,234,566	\$80,804
Net Assets:			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 360
Issued – 312,370,921 shares in 2023 and 2024			
Capital surplus	30,634	30,634	202
Retained earnings	340,693	348,889	2,304
Total stockholders' equity	¥ 425,902	¥ 434,098	\$ 2,867
Net unrealized holding gains (losses) on available-for-sale securities	¥ (8,489)	¥ 23,931	\$ 158
Net deferred gains on hedging instruments	3,490	1,303	9
Land revaluation reserve	26,971	26,269	173
Total valuation and translation adjustments	¥ 21,972	¥ 51,504	\$ 340
Total net assets	¥ 447,874	¥ 485,602	\$ 3,207
Total liabilities and net assets	¥11,432,524	¥12,720,169	\$84,011

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Non-Consolidated Statements of Income

THE HIROSHIMA BANK, LTD.
Years ended March 31, 2023 and 2024

	Millions of yen		Millions of U.S. dollars (Note)
	2023	2024	2024
Income:			
Interest income:			
Interest on loans and discounts	¥ 67,714	¥ 82,751	\$ 547
Interest and dividends on securities	16,768	21,339	141
Other interest income	3,774	3,575	24
Trust fees	142	175	1
Fees and commissions	24,345	25,928	171
Trading income	1,497	1,328	9
Other operating income	8,954	7,206	48
Other income	5,881	19,031	126
Total income	¥129,078	¥161,337	\$1,066
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,804	¥ 4,107	\$ 27
Interest on borrowings and rediscounts	7,570	10,622	70
Other interest expenses	11,420	18,770	124
Fees and commissions	10,278	10,827	72
Other operating expenses	22,325	8,363	55
General and administrative expenses	51,520	51,111	338
Other expenses	8,230	20,221	134
Total expenses	¥113,151	¥124,024	\$ 819
Income before income taxes	¥ 15,927	¥ 37,312	\$ 246
Income taxes:			
Current income taxes	¥ (12)	¥ 15,849	\$ 105
Deferred income taxes	4,403	(5,063)	(33)
Total income taxes	¥ 4,390	¥ 10,786	\$ 71
Net income	¥ 11,536	¥ 26,525	\$ 175

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Major Shareholders

(As of March 31, 2024)

Shareholders	Number of shares (Thousand)	Ratio of the number of shares owned to the total number of shares issued (excluding treasury stock) (%)
Master Trust Bank of Japan, T.	36,642	11.86
Custody Bank of Japan, T.	21,708	7.03
Meiji Yasuda Life Insurance	8,204	2.65
Sompo Japan Insurance	7,500	2.42
CP Chemical Inc.	7,463	2.41
Sumitomo Life Ins.	6,038	1.95
Hirogin Holdings For Employee Stock Ownership Plans	5,904	1.91
The Bank of Fukuoka	5,500	1.78
Nippon Life Ins.	4,833	1.56
JP MORGAN CHASE BANK 385781	3,908	1.26

*1 Numbers of shares less than one thousand have been omitted.

*2 Percentage of shares issued is rounded down at the second decimal place.

*3 Shareholding ratio is calculated by deducting treasury stock (3,600 shares).

Stock Information

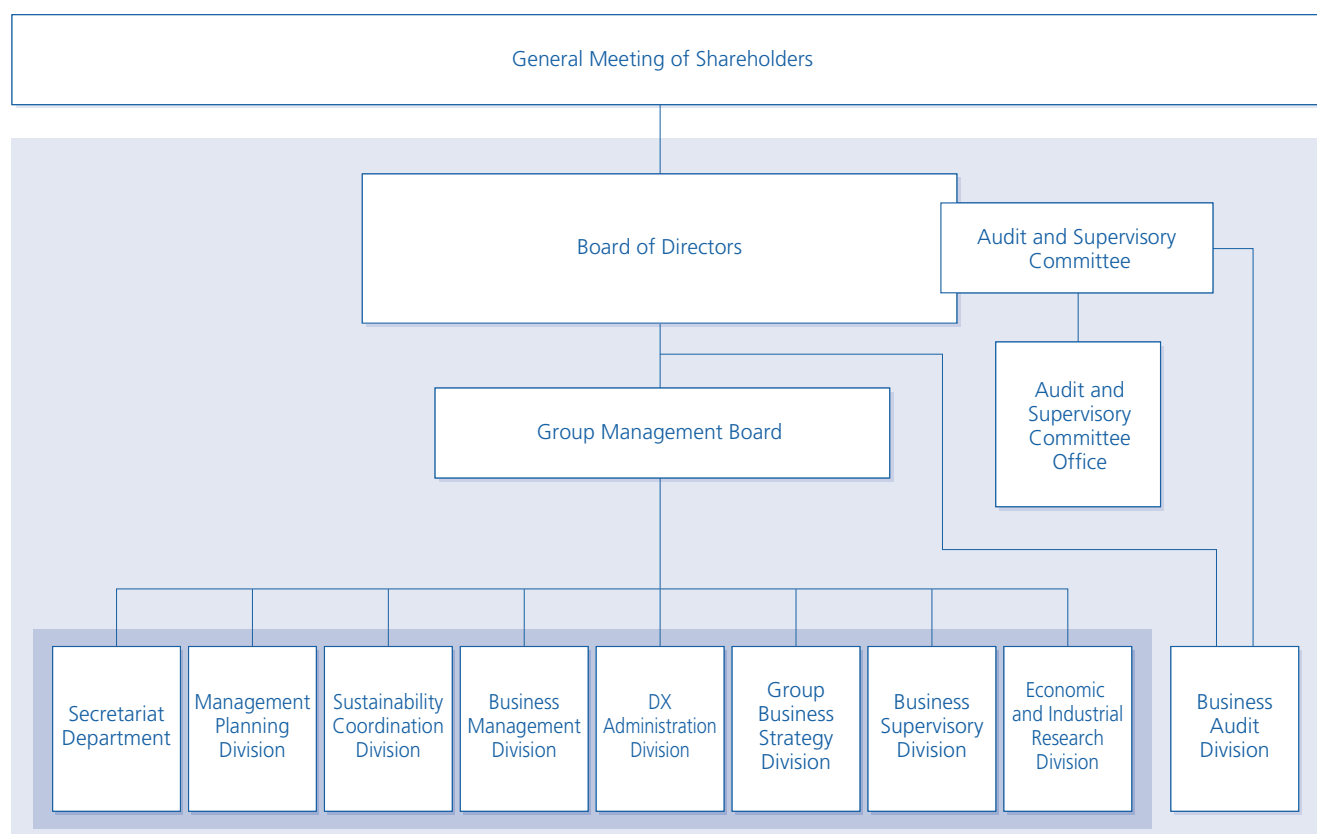
(As of March 31, 2024)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	308,770 thousand (excluding treasury stock (3,600 shares))
Number of Shareholders	100,289

Organization

HIROGIN HOLDINGS

(As of April 1, 2024)



Organization

HIROSHIMA BANK
(As of April 1, 2024)

