



Annual Securities Report

“Yukashoken Hokokusho”

(Excerpt)

For the fiscal years ended March 31, 2024 and 2023

FIDEA Holdings Co. Ltd.
and Subsidiaries

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets:			
Cash and due from banks (Notes 12, 22 and 26)	¥ 306,340	¥ 316,923	\$ 2,023,381
Monetary claims bought (Note 26)	3,831	4,016	25,303
Trading account securities (Notes 5 and 26)	748	606	4,940
Money held in trust (Note 26)	58,690	57,981	387,648
Securities (Notes 5, 6, 8, 12, 14 and 26)	732,875	660,141	4,840,653
Loans and bills discounted (Notes 7, 8, 12, 25 and 26)	1,867,032	1,892,149	12,331,783
Foreign exchange assets (Note 8)	1,258	1,529	8,309
Lease receivables and investments in leases	8,557	6,250	56,519
Tangible fixed assets (Note 9):			
Buildings	11,169	11,901	73,771
Land	7,214	7,246	47,648
Lease assets	7	11	46
Construction in progress	-	1	-
Other tangible fixed assets	2,229	2,156	14,722
Intangible fixed assets:			
Software	1,580	1,708	10,435
Goodwill	-	14	-
Other intangible fixed assets	132	137	871
Defined benefit asset (Note 13)	2,569	1,299	16,968
Deferred tax assets (Note 23)	3,553	4,346	23,467
Customers' liabilities for acceptances and guarantees (Notes 8 and 25)	19,359	19,065	127,866
Other assets (Notes 8 and 12)	47,191	46,203	311,697
Allowance for loan losses (Notes 4 and 26)	(13,679)	(13,841)	(90,350)
Total assets	¥ 3,060,664	¥ 3,019,852	\$ 20,215,746

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Liabilities:			
Deposits (Note 26)	¥ 2,713,241	¥ 2,663,710	\$ 17,921,010
Negotiable certificates of deposit (Note 26)	49,753	63,680	328,619
Payables under securities lending transactions (Notes 12 and 26)	88,768	41,651	586,314
Borrowed money (Notes 11, 12 and 26)	87,700	116,000	579,260
Foreign exchange liabilities	40	44	264
Provision for bonuses for directors and other officers	42	42	277
Defined benefit liability (Note 13)	472	750	3,117
Provision for reimbursement of deposits	22	58	145
Provision for contingent loss	429	386	2,833
Deferred tax liabilities (Notes 6 and 23)	14	12	92
Deferred tax liabilities for land revaluation (Note 10)	382	385	2,523
Acceptances and guarantees	19,359	19,065	127,866
Other liabilities (Note 11)	14,612	23,441	96,512
Total liabilities	2,974,839	2,929,230	19,648,870
Net assets (Note 15):			
Common stock	18,000	18,000	118,890
Capital surplus	18,167	18,161	119,993
Retained earnings	57,665	57,858	380,878
Treasury stock	(63)	(105)	(416)
Total shareholders' equity	93,769	93,914	619,346
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 6)	(10,668)	(4,458)	(70,462)
Deferred loss on hedges	413	(206)	2,727
Revaluation reserve for land (Note 10)	866	850	5,719
Remeasurements of defined benefit plans	1,288	412	8,507
Total accumulated other comprehensive income	(8,099)	(3,402)	(53,494)
Non-controlling interests	155	109	1,023
Total net assets	85,824	90,621	566,869
Total liabilities and net assets	¥ 3,060,664	¥ 3,019,852	\$ 20,215,746

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income (Note 17):			
Interest income:			
Interest on loans and discounts	¥ 19,081	¥ 17,859	\$ 126,030
Interest and dividends on securities	9,448	14,282	62,404
Other	113	223	746
Fees and commissions	9,055	8,628	59,808
Other operating income	5,685	7,539	37,549
Other income	6,561	2,903	43,335
Total income	<u>49,946</u>	<u>51,437</u>	<u>329,894</u>
Expenses:			
Interest expenses:			
Interest on deposits	165	116	1,089
Interest on payables under securities lending transactions	45	168	297
Interest on borrowings and rediscounts	0	0	0
Other	851	156	5,620
Fees and commissions	3,185	3,365	21,036
Other operating expenses	11,859	13,803	78,328
General and administrative expenses (Note 18)	23,884	24,253	157,754
Provision of allowance for loan losses (Note 4)	3,109	1,800	20,535
Other expenses (Notes 19 and 20)	3,746	3,244	24,742
Total expenses	<u>46,847</u>	<u>46,908</u>	<u>309,425</u>
Income before income taxes	<u>3,099</u>	<u>4,528</u>	<u>20,468</u>
Income taxes (Note 23):			
Current	1,135	997	7,496
Deferred	740	249	4,887
Total income taxes	<u>1,875</u>	<u>1,247</u>	<u>12,384</u>
Net income	<u>1,223</u>	<u>3,281</u>	<u>8,077</u>
Net income attributable to non-controlling interests	<u>44</u>	<u>15</u>	<u>290</u>
Net income attributable to owners of parent	<u>¥ 1,178</u>	<u>¥ 3,266</u>	<u>\$ 7,780</u>
		Yen	U.S. dollars
Per share of common stock (Note 28):			
Basic net income	¥ 65.20	¥ 179.19	\$ 0.43
Cash dividends applicable to the year	75.00	75.00	0.49

Note: Diluted net income is not shown since there are no dilutive shares.

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income	¥ 1,223	¥ 3,281	\$ 8,077
Other comprehensive income (Note 21):			
Unrealized gain (loss) on available-for-sale securities	(6,208)	(14,776)	(41,003)
Deferred gain (loss) on hedges	619	(2)	4,088
Remeasurements of defined benefit plans	876	(9)	5,785
Total other comprehensive income	<u>(4,712)</u>	<u>(14,788)</u>	<u>(31,122)</u>
Comprehensive income	<u>¥ (3,489)</u>	<u>¥ (11,506)</u>	<u>\$ (23,044)</u>
Total comprehensive income attributable to:			
Owners of parent	¥ (3,534)	¥ (11,521)	\$ (23,342)
Non-controlling interests	45	14	297

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries
**Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2024 and 2023**

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred loss on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2022	¥ 18,000	¥ 23,550	¥ 55,942	¥ (24)	¥ 97,468	¥ 10,317	¥ (203)	¥ 914	¥ 421	¥ 11,449	¥ 314	¥ 109,233
Cash dividends			(1,414)		(1,414)							(1,414)
Net income attributable to owners of parent			3,266		3,266							3,266
Acquisition of treasury stock				(5,553)	(5,553)							(5,553)
Sale of treasury stock		0		54	55							55
Cancellation of treasury stock		(5,418)		5,418	-							-
Change due to purchase of treasury stock of consolidated subsidiaries		28			28							28
Reversal of revaluation reserve for land			64		64							64
Net changes of items other than shareholders' equity						(14,775)	(2)	(64)	(9)	(14,851)	(205)	(15,057)
Balance as of March 31, 2023	18,000	18,161	57,858	(105)	93,914	(4,458)	(206)	850	412	(3,402)	109	90,621
Cash dividends			(1,355)		(1,355)							(1,355)
Net income attributable to owners of parent			1,178		1,178							1,178
Acquisition of treasury stock				(12)	(12)							(12)
Sale of treasury stock		6		53	59							59
Reversal of revaluation reserve for land			(16)		(16)							(16)
Net changes of items other than shareholders' equity						(6,210)	619	16	876	(4,697)	45	(4,652)
Balance as of March 31, 2024	¥ 18,000	¥ 18,167	¥ 57,665	¥ (63)	¥ 93,769	¥ (10,668)	¥ 413	¥ 866	¥ 1,288	¥ (8,099)	¥ 155	¥ 85,824

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred loss on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2023	\$ 118,890	\$ 119,953	\$ 382,153	\$ (693)	\$ 620,303	\$ (29,445)	\$ (1,360)	\$ 5,614	\$ 2,721	\$ (22,470)	\$ 719	\$ 598,553
Cash dividends			(8,949)		(8,949)							(8,949)
Net income attributable to owners of parent			7,780		7,780							7,780
Acquisition of treasury stock				(79)	(79)							(79)
Sale of treasury stock		39		350	389							389
Reversal of revaluation reserve for land			(105)		(105)							(105)
Net changes of items other than shareholders' equity						(41,017)	4,088	105	5,785	(31,023)	297	(30,726)
Balance as of March 31, 2024	\$ 118,890	\$ 119,993	\$ 380,878	\$ (416)	\$ 619,346	\$ (70,462)	\$ 2,727	\$ 5,719	\$ 8,507	\$ (53,494)	\$ 1,023	\$ 566,869

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Operating activities:			
Income before income taxes	¥ 3,099	¥ 4,528	\$ 20,468
Adjustments for:			
Income taxes—refund (paid)	387	(2,628)	2,556
Depreciation and amortization	1,875	1,920	12,384
Loss on impairment—fixed assets	263	480	1,737
Amortization of goodwill	14	29	92
Change in allowance for loan losses	(161)	247	(1,063)
Change in provision for bonuses for directors and other officers	-	(2)	-
Change in defined benefit asset	49	(197)	323
Change in defined benefit liability	(289)	42	(1,908)
Change in provision for reimbursement of deposits	(36)	(68)	(237)
Change in provision for contingent loss	43	(73)	284
Interest income	(28,643)	(32,365)	(189,187)
Interest expenses	1,063	441	7,021
Loss on securities—net	620	4,946	4,095
Gain on money held in trust—net	131	(338)	865
Foreign exchange gain—net	(10)	(7)	(66)
Loss on sale and disposal of fixed assets—net	205	533	1,354
Net change in loans and bills discounted	25,117	(180,009)	165,898
Net change in deposits	49,531	6,747	327,153
Net change in negotiable certificates of deposit	(13,926)	8,812	(91,981)
Net change in trading account securities	(142)	(16)	(937)
Net change in borrowed money, excluding subordinated borrowings	(28,300)	(227,800)	(186,922)
Net change in due from banks, excluding due from Bank of Japan	1,071	(1,828)	7,073
Net change in call loans and bills bought	184	(204)	1,215
Net change in payables under securities lending transactions	47,116	(11,173)	311,202
Net change in foreign exchange assets	271	433	1,789
Net change in foreign exchange liabilities	(3)	(14)	(19)
Net change in lease receivables and investments in leases	(2,306)	(1,158)	(15,231)
Interest received	28,147	32,386	185,911
Interest paid	(925)	(382)	(6,109)
Other—net	(16,921)	(7,820)	(111,763)
Total adjustments	64,427	(409,067)	425,541
Net cash provided by (used in) operating activities — (Forward)	¥ 67,526	¥ (404,539)	\$ 446,010

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net cash provided by (used in) operating activities — (Forward)	¥ 67,526	¥ (404,539)	\$ 446,010
Investing activities:			
Purchase of securities	(427,644)	(504,010)	(2,824,597)
Proceeds from sale of securities	230,971	317,768	1,525,568
Proceeds from maturity of securities	123,521	193,459	815,858
Increase in money held in trust	(1,000)	(7,000)	(6,605)
Decrease in money held in trust	-	981	-
Purchase of tangible fixed assets	(886)	(616)	(5,852)
Proceeds from sale of tangible fixed assets	133	662	878
Purchase of intangible fixed assets	(609)	(331)	(4,022)
Net cash provided by investing activities	<u>(75,514)</u>	<u>913</u>	<u>(498,771)</u>
Financing activities:			
Repayment of lease obligations	(166)	(80)	(1,096)
Dividends paid	(1,354)	(1,411)	(8,943)
Purchase of treasury stock	(12)	(5,553)	(79)
Proceeds from sale of treasury stock	-	0	-
Purchase of treasury stock of subsidiaries	-	(191)	-
Net cash used in financing activities	<u>(1,533)</u>	<u>(7,235)</u>	<u>(10,125)</u>
Effect of exchange rate change on cash and cash equivalents	<u>10</u>	<u>7</u>	<u>66</u>
Net increase (decrease) in cash and cash equivalents	(9,511)	(410,854)	(62,820)
Cash and cash equivalents at the beginning of year	<u>312,037</u>	<u>722,891</u>	<u>2,061,010</u>
Cash and cash equivalents at the end of year (Note 22)	<u>¥ 302,525</u>	<u>¥ 312,037</u>	<u>\$ 1,998,183</u>

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2024 and 2023

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the “Company”) is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. (“Shonai”) and The Hokuto Bank, Ltd. (“Hokuto”) on October 1, 2009 by way of a transfer of shares.

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

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

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures to the nearest million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥151.40 = U.S.\$1.00, the exchange rate prevailing on March 31, 2024. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 6 subsidiaries (collectively the “Group”) as of March 31, 2024 and 2023.

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The Company has 4 unconsolidated subsidiaries as of March 31, 2024 and 2023.

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

The excess of the acquisition cost over the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as “goodwill” and is amortized by the straight-line method over a period of five years. Insignificant amounts of goodwill are fully charged to income in the fiscal year when it is incurred.

The balance sheet dates of all 6 subsidiaries are March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control are accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date, and cost of trading account securities sold is determined principally using the moving-average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving-average method. Available-for-sale securities are stated at fair value. Cost of sale of these available-for-sale securities is principally determined using the moving-average method. Equity securities without market prices are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Securities held in money trusts

Securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Group, except for lease assets, is calculated by the straight-line method. The principal useful lives are as follows:

Buildings	5 to 50 years
Others	4 to 20 years

The Group leases automated teller machines, etc. under finance lease arrangements as a lessee.

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise with no residual value.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally five years) determined by the Group.

(7) Allowance for loan losses

Allowance for loan losses is provided by the consolidated banking subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards.

- (i) For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings (the “bankrupt borrowers”), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation (the “virtually bankrupt borrowers”), an allowance is generally provided based on the carrying amount of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For collateralized and guaranteed claims on the bankrupt borrowers or virtually bankrupt borrowers of Hokuto and its certain consolidated subsidiaries, the amount of claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of outstanding claims. These write-offs amounted to ¥14,381 million (\$94,986 thousand) and ¥13,148 million for the years ended March 31, 2024 and 2023, respectively.

- (ii) For claims on borrowers who are not currently bankrupt but are likely to become bankrupt (the “potentially bankrupt borrowers”), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees (hereinafter the “unsecured amount”). In particular,

- a. For the unsecured amount, an allowance is provided based on the expected loan loss over the next three years. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over three years, with necessary adjustments such as future projections.
 - b. Of claims on above borrowers, as to claims on borrowers with certain amounts or more of the unsecured amount, the allowance estimated based on the expected loan loss as described in the preceding paragraph is individually reviewed if the allowance is sufficient. Then as necessary, a collectible amount reasonably estimated based on the borrower's financial status is deducted from the unsecured amount to provide the amount of the allowance.
- (iii) For claims on borrowers with restructured loans, etc., an allowance is provided based on the expected loan loss over the next three years. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over three years, with necessary adjustments such as future projections.
 - (iv) For other claims, an allowance is provided based on the expected loan loss over the next one year. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over one year, with necessary adjustments such as future projections.
 - (v) Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment, and then the assessment results are audited by the Asset Audit Department which is independent from the Asset Assessment Department.

(8) Provision for bonuses for directors and other officers

Provision for bonuses for directors and other officers is provided for the payment of bonuses to directors and other officers at an estimated amount attributed to the current fiscal year.

(9) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(10) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a

(11) Retirement benefits

The benefit formula method is used as a method of attributing expected retirement benefits to each period in calculating retirement benefit obligation.

Past service costs are amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees when such past service costs occur.

Actuarial gains and losses are amortized from the year following the year in which the gains and losses occur by the straight-line method over a certain period of 10 to 13 years within the average remaining years of service of the eligible employees when such actuarial gains and losses occur.

Certain consolidated subsidiaries adopt the simplified method in calculating defined benefit liability and retirement benefit expenses. Under this method, the severance payment amount required at the fiscal year-end for voluntary termination is deemed as retirement benefit obligations.

(12) Recognition of significant revenue and expenses

Major performance obligations in major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries are providing services through deposits and loans operations, foreign exchange operations, securities-related operations, agency operations, custody/safe deposits operations and other.

As to fees and commissions from ATM services, direct debit services (deposits and loans operations), domestic and overseas remittance services (foreign exchange operations), underwriting public and corporate bonds (securities-related operations) and sale of investment trusts and insurances (agency operations), a performance obligation is satisfied and the revenue is recognized at a point in time when a transaction occurs or a related service is provided. As to fees and commissions from services, such as safe-deposit box fees (custody/safe deposit operations), for which a performance obligation is satisfied over the period in which the related service is provided, the revenue is recognized over the relevant period.

(13) Foreign currency translation

The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

For the translation difference of debt securities out of available-for-sale securities denominated in foreign currencies, the translation difference related to changes in fair value is recognized as unrealized gain or loss and other differences are recognized as foreign exchange gain or loss under other operating income or expenses.

(14) Hedge accounting

Interest rate risk hedging

With respect to the hedge accounting for the interest rate risk arising from financial assets and liabilities of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gain or loss on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Committee Practical Guideline No. 24 (March 17, 2022). With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and bills discounted and hedging instruments such as interest rate swaps after grouping these items by definite remaining maturity. With respect to hedging transactions to offset fluctuations of market price of fixed-rate debt securities classified as available-for-sale securities, hedged items are identified by each type of debt securities and interest rate swaps are designated as hedging instruments. Since significant conditions concerning hedged items and hedging instruments are substantially identical, the hedge is deemed highly effective and the assessment for the effectiveness is omitted. With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange risk hedging

With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gain or loss on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Committee Practical Guideline No. 25 (October 8, 2020). Hedge effectiveness is assessed by comparing the amount of monetary assets and liabilities denominated in foreign currencies as underlying hedged items with the corresponding foreign-currency amount of the respective hedging instruments such as currency swaps and foreign exchange swaps entered into in order to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies.

In addition, in order to hedge foreign exchange risk of available-for-sale securities denominated in foreign currencies except for debt securities, the fair value hedge is applied as portfolio hedging on the condition that liabilities of spot and forward foreign exchange contracts exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

Equity price fluctuation risk hedging

With respect to hedge accounting for the equity price fluctuation risk arising from equity securities out of available-for-sale securities held by the consolidated banking subsidiaries, the Group applies deferral hedge accounting for equity forward contracts and others as hedging instruments.

Hedge effectiveness is assessed by periodically comparing the aggregate amounts of price fluctuations or changes in cash flows of underlying hedged items with those of corresponding hedging instruments, in principle, for the period from the beginning of the hedge and the point in time of evaluating hedge effectiveness. However, if the material conditions of the hedged item and the hedging instrument are consistent and it is obvious that the hedge is highly effective, the assessment for the effectiveness is omitted.

(15) Cash and cash equivalents

In preparing the consolidated statements of cash flows, of cash and due from banks in the consolidated balance sheets, cash and due from Bank of Japan (“BoJ”) are considered to be cash and cash equivalents.

(16) Accounting treatments and procedures applied in cases where relevant accounting standards are unclear

- (i) Regarding gain or loss on cancellation or redemption of investment trusts, when an aggregate amount on investment trusts as a whole including interim distributions is a gain, the gain is recognized as interest and dividends on securities under interest income, and when it is a loss, the loss is recognized as loss on redemption of bonds under other operating expenses.
- (ii) Expenses for the restricted stock compensation for the Company’s directors (excluding outside directors and members of the Auditing Committee) and executive officers and the consolidated banking subsidiaries’ directors (excluding outside directors and members of the Audit and Supervisory Committee) and executive officers are measured at fair value of the Company’s share on the grant date. The expenses are recognized as personnel expenses (general and administrative expenses) over the eligible service period.

4. Significant Accounting Estimates

The following summarizes items that are recognized in the current fiscal year’s consolidated financial statements based on the accounting estimates and such estimates may give significant impacts on the consolidated financial statements in the following fiscal year.

(1) Allowance for loan losses

- (i) Amount recognized in the consolidated financial statements in the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Allowance for loan losses	¥ 13,679	¥ 13,841	\$ 90,350

- (ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

a. Estimation method

It is described in Note “3. Significant Accounting Policies, (7) Allowance for loan losses.”

b. Major assumptions

For estimating the allowance, it is particularly important to determine the borrower classification.

Major assumptions used for determining the borrower classification are “outlook for future performance of borrowers,” which the Company assesses by each individual borrower based on the evaluation of each borrower’s ability to earn income, after comprehensively evaluating the qualitative and quantitative information collected, including each borrower’s management performance, financial status, lending terms, repayment status, and formulation and progress of a management improvement plan.

c. Impact on the consolidated financial statements in the following fiscal year

Since the major assumptions: “outlook for future performance of borrowers” involve uncertainty, there is a risk to have a significant impact on determining the borrower classification if any changes occur in the status of borrowers or the future economic environment. When the borrower classification changes, there is a possibility that the allowance for loan losses in the consolidated financial statements in the following fiscal year may increase or decrease.

March 31, 2024	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Available-for-sale securities:			
Equity securities	\$ 125,574	\$ 78,494	\$ 47,080
Debt securities:	436,545	430,937	5,607
Japanese government bonds	33,645	33,183	462
Municipal bonds	147,318	145,521	1,789
Corporate bonds	255,574	252,219	3,348
Other	609,068	542,787	66,274
Subtotal	\$ 1,171,202	\$ 1,052,225	\$ 118,969
Securities whose carrying amount does not exceed their acquisition cost:			
Available-for-sale securities:			
Equity securities	\$ 24,907	\$ 26,321	\$ (1,413)
Debt securities:	2,564,914	2,663,190	(98,276)
Japanese government bonds	1,066,281	1,107,575	(41,287)
Municipal bonds	965,785	999,544	(33,758)
Corporate bonds	532,840	556,063	(23,223)
Other	1,048,454	1,138,738	(90,284)
Subtotal	\$ 3,638,282	\$ 3,828,256	\$ (189,973)
Total	\$ 4,809,484	\$ 4,880,488	\$ (71,003)

As of March 31, 2024 and 2023, ¥477 million (\$3,150 thousand) and ¥500 million of capital investment in unconsolidated subsidiaries were included in the balance of securities, respectively. Further, as of March 31, 2024, ¥18,454 million (\$121,889 thousand) of securities lent under secured loan agreement (securities lending transactions secured by collateral securities) is included in Japanese government bonds in securities.

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

March 31, 2024	Millions of yen		
	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 21,276	¥ 4,513	¥ 622
Debt securities:	26,176	66	74
Japanese government bonds	26,176	66	74
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	184,393	2,658	5,692
Total	¥ 231,846	¥ 7,237	¥ 6,389

March 31, 2023	Millions of yen		
	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 21,437	¥ 1,885	¥ 991
Debt securities:	104,120	1,670	1,074
Japanese government bonds	69,442	454	815
Municipal bonds	34,122	1,165	258
Corporate bonds	556	50	-
Other	188,562	1,468	8,119
Total	¥ 314,119	¥ 5,024	¥ 10,185

March 31, 2024	Thousands of U.S. dollars		
	Sales proceeds	Realized gain	Realized loss
Equity securities	\$ 140,528	\$ 29,808	\$ 4,108
Debt securities:	172,892	435	488
Japanese government bonds	172,892	435	488
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	1,217,919	17,556	37,595
Total	<u>\$ 1,531,347</u>	<u>\$ 47,800</u>	<u>\$ 42,199</u>

Write-down of securities

Non-trading securities, with the exception of equity securities without market prices or investments in partnerships, whose fair value significantly declined compared with their acquisition cost and is not considered to be able to recover their acquisition cost, are written down to their respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

For the year ended March 31, 2024, no available-for sale securities were written down. For the year ended March 31, 2023, ¥34 million of available-for sale securities were written down. Of which, equity securities were ¥34 million.

The criteria for determining whether the fair value is “significantly declined” are as follows:

- (1) If the fair value as of the balance sheet date declines 50% or more compared to the acquisition cost, the difference is recognized as write-down of securities.
- (2) If the fair value as of the balance sheet date declines by 30% or more but less than 50% compared to the acquisition cost, write-down of securities is recognized for the securities which meets criteria of the Group after considering the financial condition of the issuer and past trend of the market value for a certain period.

6. Unrealized Gain (Loss) on Available-for-Sale Securities

Unrealized gain (loss) on available-for-sale securities at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrealized gain (loss):			
Available-for-sale securities	¥ (10,750)	¥ (3,889)	\$ (71,003)
Deferred tax liabilities	96	(554)	634
Unrealized gain (loss) on available-for-sale securities before adjustments by equity interest:	(10,653)	(4,444)	(70,363)
Non-controlling interests	(14)	(13)	(92)
Unrealized gain (loss) on available-for-sale securities	<u>¥ (10,668)</u>	<u>¥ (4,458)</u>	<u>\$ (70,462)</u>

7. Bills Discounted

Bills discounted are accounted for as financial transactions rather than as purchased bills in accordance with JICPA Industry Committee Practical Guideline No. 24 (March 17, 2022). The Group has the right to sell or pledge (repledge) such bills without any restrictions. These include commercial bills discounted. The total face value of such financial transactions at March 31, 2024 and 2023 amounted to ¥2,930 million (\$19,352 thousand) and ¥2,499 million, respectively.

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥288,274 million (\$1,904,055 thousand) and ¥298,319 million at March 31, 2024 and 2023, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥260,991 million (\$1,723,850 thousand) and ¥280,781 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments of the consolidated subsidiaries. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, such as a change in financial situation and preservation of claims. At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms and conditions of the contracts and/or requiring additional collateral or guarantees.

8. Claims to Be Disclosed Under the Financial Revitalization Act and the Banking Act

Claims to be disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions (the "Financial Revitalization Act") are included in:

- corporate bonds (limited to those principal and interest are fully or partially secured and issued under private placements as permitted in Article 2, paragraph 3 of the Financial Instruments and Exchange Act) under "Securities,"
- "Loans and bills discounted,"
- "Foreign exchange assets,"
- Accrued interest and suspense payments under "Other assets,"
- "Customers' liabilities for acceptances and guarantees" and
- securities when such securities are lending (limited to those under loan for use contracts or lease contracts).

The following table summarizes claims to be disclosed under the Financial Revitalization Act and the Banking Act.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Claims against bankrupt or quasi-bankrupt obligors	¥ 7,718	¥ 8,683	\$ 50,977
Doubtful claims	31,789	27,189	209,966
Claims past due for three months or more	-	-	-
Restructured claims	838	891	5,535
Total	¥ 40,345	¥ 36,764	\$ 266,479

Claims against bankrupt or quasi-bankrupt obligors present loans to obligors in bankruptcy procedures, including commencement of bankruptcy proceedings, reorganization proceedings and rehabilitation proceedings, and other relevant claims.

Doubtful claims present loans, other than claims against bankrupt or quasi-bankrupt obligors, for which the obligors have not yet entered into bankruptcy, but their financial conditions and business performance have deteriorated, and therefore, it is highly probable that the principal and interest cannot be collected in accordance with contracts. Claims past due for three months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the day after the due date, and which are not classified as "claims against bankrupt or quasi-bankrupt obligors" or "doubtful claims."

Restructured claims are loans which have been restructured to facilitate or support the reconstruction of obligors who are experiencing financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the obligors (such as reducing the rate of interest, suspending the payment of principal/interest, forgiving debt, etc.) and loans which are not classified in any of the above categories.

The amounts of claims are before deducting allowance for loan losses.

9. Tangible Fixed Assets

At March 31, 2024 and 2023, accumulated depreciation of tangible fixed assets was ¥29,672 million (\$195,984 thousand) and ¥29,179 million, respectively.

The amounts of advanced depreciation by reduction of carrying amount of assets as of and for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance as of the fiscal year-end	¥ 957	¥ 957	\$ 6,321
Amount applicable for the year	-	-	-

10. Revaluation of Land

In accordance with the “Act on Revaluation of Land” (Act No. 34 of March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying amount at the time of revaluation, net of income taxes corresponding to the excess which are recognized as “Deferred tax liabilities for land revaluation,” is stated as “Revaluation reserve for land” under net assets.

Date of revaluation: September 30, 1999

The method of revaluation of asset set forth in Article 3, paragraph 3 of the “Act on Revaluation of Land”:

Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3 of the “Order for Enforcement of Act on Revaluation of Land” (the “Ordinance”) (Cabinet Order No. 119 of March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent real estate appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair value of land used for business operations revalued pursuant to Article 10 of the “Act on Revaluation of Land” and carrying amount after revaluation of the relevant land at March 31, 2024 and 2023 was ¥790 million (\$5,217 thousand) and ¥858 million, respectively.

11. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	Maturity
	2024	2023	2024	(%)	
Borrowed money	¥ 87,700	¥ 116,000	\$ 579,260	0.00	Jul. 2024 through Jun. 2026
Current portion of lease obligations	226	90	1,492	1.86	-
Lease obligations, less current portion	729	292	4,815	2.17	Aug. 2025 through Feb. 2031

Notes: (1) Average interest rate is calculated based on the interests and the balances as of the balance sheet date by the weighted average method.

(2) Of lease obligations, sublease obligations are accounted for at the amount equivalent to interest portion included in total lease payments. Thus, such obligations are excluded from calculating the average interest rate of lease obligations.

(3) Annual maturities of borrowed money and lease obligations within five years at March 31, 2024 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 77,900	¥ 4,900	¥ 4,900	¥ -	¥ -
Lease obligations	226	222	214	177	81

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	\$ 514,531	\$ 32,364	\$ 32,364	\$ -	\$ -
Lease obligations	1,492	1,466	1,413	1,169	535

Note: Lease obligations are included in “Other liabilities” in the accompanying consolidated balance sheet.

12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Securities	¥ 176,763	¥ 157,783	\$ 1,167,523

The liabilities secured by the above pledged assets at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Payables under securities lending transactions	¥ 88,768	¥ 41,651	\$ 586,314
Borrowed money	87,700	116,000	579,260

In addition to the pledged assets listed above, the following assets are pledged as collateral of domestic exchange transactions or as margins on futures contracts at March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Securities	¥ 113,995	¥ 99,397	\$ 752,939
Cash and due from banks	8	8	52
Other assets	33,082	32,000	218,507

Note: Other assets include guarantee deposits in the amount of ¥308 million (\$2,034 thousand) and ¥294 million at March 31, 2024 and 2023, respectively.

13. Retirement Benefit Plans

The Company and its consolidated banking subsidiaries have a defined contribution plan as well as a corporate pension plan and a lump-sum payment plan, as defined benefit plans. In addition, additional retirement allowance may be paid to employees when they retire. Further, a retirement benefit trust is established for the lump-sum payment plan of consolidated banking subsidiaries of the Company.

Each retirement benefit plan has adopted the point system under which certain points are given based on the functional classes and titles and employees are entitled to lump-sum payments based on the accumulated points at the time of the termination multiplied by unit price by point.

Certain consolidated subsidiaries other than the consolidated banking subsidiaries have lump-sum payment plans as defined benefit pension plans, and adopt the simplified method in calculating defined benefit liability and retirement benefit expenses.

Defined benefit pension plans

(1) Reconciliation between retirement benefit obligations at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligations at beginning of year	¥ 10,381	¥ 11,264	\$ 68,566
Service costs	375	393	2,476
Interest costs	44	27	290
Actuarial gains and losses arising during year	(260)	(390)	(1,717)
Retirement benefits paid	(798)	(913)	(5,270)
Retirement benefit obligations at end of year	<u>¥ 9,741</u>	<u>¥ 10,381</u>	<u>\$ 64,339</u>

(2) Reconciliation between plan assets at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Plan assets at beginning of year	¥ 10,930	¥ 11,700	\$ 72,192
Expected return on plan assets	163	175	1,076
Actuarial gains and losses	1,221	(268)	8,064
Contribution from employer	92	92	607
Retirement benefits paid	(569)	(769)	(3,758)
Plan assets at end of year	<u>¥ 11,838</u>	<u>¥ 10,930</u>	<u>\$ 78,190</u>

Note: Retirement benefit trust is included in plan assets.

(3) Reconciliation between retirement benefit obligations and plan assets at end of year and defined benefit liability and defined benefit asset on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded retirement benefit obligation	¥ 9,526	¥ 10,159	\$ 62,919
Plan assets	(11,838)	(10,930)	(78,190)
	(2,312)	(770)	(15,270)
Unfunded retirement benefit obligation	215	221	1,420
Net balance of liability and asset recorded on the consolidated balance sheets	<u>¥ (2,096)</u>	<u>¥ (549)</u>	<u>\$ (13,844)</u>

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Defined benefit liability	¥ 472	¥ 750	\$ 3,117
Defined benefit asset	(2,569)	(1,299)	(16,968)
Net balance of liability and asset recorded on the consolidated balance sheets	<u>¥ (2,096)</u>	<u>¥ (549)</u>	<u>\$ (13,844)</u>

Note: Retirement benefit trust is included in plan assets.

(4) Retirement benefit expenses and components thereof

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service costs	¥ 375	¥ 393	\$ 2,476
Interest costs	44	27	290
Expected return on plan assets	(163)	(175)	(1,076)
Amortization of actuarial gains and losses	42	53	277
Amortization of past service costs	(217)	(217)	(1,433)
Other	18	18	118
Retirement benefit expenses on defined benefit plans	¥ 99	¥ 100	\$ 653

Note: Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively included in "Service costs."

(5) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Past service costs	¥ (217)	¥ (217)	\$ (1,433)
Actuarial gains and losses	1,525	175	10,072
Total	¥ 1,307	¥ (41)	\$ 8,632

(6) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized past service costs	¥ (217)	¥ (435)	\$ (1,433)
Unrecognized actuarial gains and losses	(1,662)	(137)	(10,977)
Total	¥ (1,879)	¥ (572)	\$ (12,410)

(7) Components of plan assets

(i) Percentages to total plan by major category are as follows:

	2024	2023
Debt securities	32.3%	34.6%
Equity securities	25.6	26.8
Cash and deposits	3.9	3.5
Call loans	0.0	0.0
General account	6.2	6.7
Other	32.0	28.4
Total	100.0%	100.0%

Note: 36.8% and 36.8% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan as of March 31, 2024 and 2023, respectively.

(ii) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(8) Actuarial assumptions at end of year

	2024	2023
Discount rate	0.53% - 0.92%	0.31% - 0.63%
Expected long-term rate of return on plan assets	1.50%	1.50%
Expected rate of salary increase	2.10% - 2.40%	2.10% - 2.40%

Defined contribution pension plans

The amounts to be contributed to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥153 million (\$1,010 thousand) and ¥157 million as of March 31, 2024 and 2023, respectively.

14. Contingent Liabilities

Guarantee liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in “Securities” amounted to ¥36,116 million (\$238,546 thousand) and ¥31,603 million at March 31, 2024 and 2023, respectively.

15. Shareholders' Equity

Japanese banks are required to comply with the Banking Act and the Companies Act. The Companies Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Companies Act also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the bank can distribute as dividends is calculated based on the non-consolidated financial statements of the bank and in accordance with the Companies Act.

Movements in common stock, preferred stock and treasury stock during the years ended March 31, 2024 and 2023 are summarized as follows:

	Number of shares (in thousands)				Ref.
	April 1, 2023	Increase	Decrease	March 31, 2024	
Issued shares:					
Common stock	18,142	-	-	18,142	
Total	18,142	-	-	18,142	
Treasury stock:					
Common stock	81	8	41	48	(1), (2)
Total	81	8	41	48	

Notes: (1) Increase in number of treasury stock of common stock is due to 7 thousand shares of request for purchase of less than one unit and 0 thousand shares of acquisition of the restricted stock for free.

(2) Decrease in number of treasury stock of common stock is due to sale of shares as the restricted stock compensation.

	Number of shares (in thousands)				Ref.
	April 1, 2022	Increase	Decrease	March 31, 2023	
Issued shares:					
Common stock	18,142	-	-	18,142	
Preferred stock class B	1,250	-	1,250	-	
Total	19,392	-	1,250	18,142	
Treasury stock:					
Common stock	17	107	42	81	(2), (3)
Preferred stock class B	-	1,250	1,250	-	
Total	17	1,357	1,292	81	

- Notes: (1) Decrease in number of issued shares of preferred stock class B is due to 1,250 thousand shares of cancellation of treasury stock.
- (2) Increase in number of treasury stock of common stock is due to 100 thousand shares of market purchase and 7 thousand shares of request for purchase of less than one unit.
- (3) Decrease in number of treasury stock of common stock is due to 42 thousand shares of sale as the restricted stock compensation and 0 thousand shares of request for sale of less than one unit.
- (4) Increase in number of treasury stock of preferred stock class B is due to 1,250 thousand shares of acquisition based on the resolution at the Board of Directors' meeting held on February 24, 2023. Decrease of 1,250 thousand shares is due to cancellation.

16. Stock Compensation

The restricted stock compensation plan

The Company has the restricted stock compensation plan for directors (excluding outside directors and members of the Auditing Committee) and executive officers of the Company (collectively, the "Directors, etc. of the Company") and the directors (excluding outside directors and members of the Audit and Supervisory Committee) and executive officers of the Company's banking subsidiaries (collectively, the "Directors, etc. of the Company's banking subsidiaries").

- (1) Amount and account name of the restricted stock compensation

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Personnel expenses				
(General and administrative expenses)	¥ 58	¥ 41	\$	383

- (2) Outline of the restricted stock compensation

	Granted in July 2022
Grantee (allottee)	Director of the Company: two (Note1) Executive officer of the Company: seven Director of the Company's banking subsidiaries: 12 (Note 2) Executive officer of the Company's banking subsidiaries: 12
Class and number of shares	Common stock of the Company: 42,600 shares
Date of grant	July 21, 2022
Eligible service period	The period from the date of ordinary general meetings of shareholders of the Company and the Company's banking subsidiaries held in 2022 to the date of ordinary general meetings of shareholders of the Company and the Company's banking subsidiaries scheduled to be held in 2023.
Restriction period	The period from August 10, 2022, the date of sale of the Company's shares, to the date on which the allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries.
Conditions for lifting	The Company shall lift the restriction on transfer of all allotted shares held by an allottee as of the expiration of the restriction period on the condition that the allottee continues to be the Directors, etc. of the Company or the Company's banking subsidiaries from the commencement date of the restriction period to the date of the first ordinary general meeting of shareholders of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the date of the first ordinary general meeting of shareholders of the applicable banking subsidiary). However, if the allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries, for good reasons approved by the Compensation Committee of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the Board of Director of the applicable banking subsidiary), by the day before the first ordinary general meeting of shareholders of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the day before the

	first ordinary general meeting of shareholders of the applicable banking subsidiary) after the commencement date of the restriction period, the transfer restriction of the allotted shares shall be lifted, as of the time immediately following the resignation, with respect to the allotted shares determined as follows: the number of months from July 2022 to the month including the day on which the allottee resigns from the position of the Directors, etc. of the Company or the Company's banking subsidiaries, divided by 12, multiplied by the number of the allotted shares held by the allottee as of such time (any fraction less than one share resulting from the calculation shall be rounded down).
Fair value on the grant date	¥1,289 (\$8,513)

Notes: (1) Outside Directors and members of the Auditing Committee are excluded.

(2) Outside Directors and members of the Audit and Supervisory Committee are excluded.

	Granted in July 2023
Grantee (allottee)	Director of the Company: three (Note 1) Executive officer of the Company: seven Director of the Company's banking subsidiaries: 9 (Note 2) Executive officer of the Company's banking subsidiaries: 17
Class and number of shares	Common stock of the Company: 41,500 shares
Date of grant	July 20, 2023
Eligible service period	The period from the date of ordinary general meetings of shareholders of the Company and the Company's banking subsidiaries held in 2023 to the date of ordinary general meetings of shareholders of the Company and the Company's banking subsidiaries scheduled to be held in 2024.
Restriction period	The period from August 18, 2023, the date of sale of the Company's shares, to the date on which the allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries.
Conditions for lifting	The Company shall lift the restriction on transfer of all allotted shares held by an allottee as of the expiration of the restriction period on the condition that the allottee continues to be the Directors, etc. of the Company or the Company's banking subsidiaries from the commencement date of the restriction period to the date of the first ordinary general meeting of shareholders of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the date of the first ordinary general meeting of shareholders of the applicable banking subsidiary). However, if the allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries, for good reasons approved by the Compensation Committee of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the Board of Director of the applicable banking subsidiary), by the day before the first ordinary general meeting of shareholders of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the day before the first ordinary general meeting of shareholders of the applicable banking subsidiary) after the commencement date of the restriction period, the transfer restriction of the allotted shares shall be lifted, as of the time immediately following the resignation, with respect to the allotted shares determined as follows: the number of months from July 2023 to the month including the day on which the allottee resigns from the position of the Directors, etc. of the Company or the Company's banking subsidiaries, divided by 12, multiplied by the number of the allotted shares held by the allottee as of such time (any fraction less than one share resulting from the calculation shall be rounded down).
Fair value on the grant date	¥1,442 (\$9,524)

Notes: (1) Outside Directors and members of the Auditing Committee are excluded.

(2) Outside Directors and members of the Audit and Supervisory Committee are excluded.

(3) Changes in the number of the restricted stock

	Granted in July 2022	Granted in July 2023
	shares	
March 31, 2023 - outstanding	42,600	-
Granted	-	41,500
Acquired for free (Note)	150	-
Lifted	6,450	
March 31, 2024 - outstanding	36,000	41,500

Note: If an allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries, from the commencement date of the restriction period to the day before the first ordinary general meeting of shareholders of the Company (if an allottee is the Directors, etc. of the Company's banking subsidiaries, the day before the first ordinary general meeting of shareholders of the applicable banking subsidiary), the Company shall acquire allotted shares for free at the time of resignation, unless there is any good reason approved by the Compensation Committee (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the Board of Directors of the applicable banking subsidiary). Furthermore, if there are any allotted shares not lifted, in accordance with provisions in the aforementioned conditions for lifting, at the time that restriction period is expired (the "time of expiration"), the Company shall acquire such shares for free immediately after the time of expiration.

(4) Method to estimate fair value on the grant date

In order to avoid arbitrariness, the Company estimates the fair value to be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors' meeting in connection with the grant of the restricted stock.

17. Revenue Recognition

(1) Information on disaggregated revenue from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Fees and commissions:			
Deposits and loans operations	¥ 1,927	¥ 1,911	\$ 12,727
Foreign exchange operations	1,348	1,382	8,903
Securities-related operations	74	68	488
Agency operations	3,791	3,441	25,039
Custody/safe deposits operations	57	59	376
Other operations	1,305	1,242	8,619
Total	¥ 8,504	¥ 8,105	\$ 56,169
Other ordinary income	1,805	1,902	11,922
Ordinary income from contracts with customers	¥ 10,309	¥ 10,008	\$ 68,091
Ordinary income other than above (Note 1)	39,634	41,403	261,783
Ordinary income (Note 2)	¥ 49,944	¥ 51,411	\$ 329,881

Notes: (1) It mainly consists of transactions related to financial instruments included in the scope of ASBJ Statement No. 10 "Accounting Standard for Financial Instruments," lease transactions included in the scope of ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" and fees and commissions received on origination or acquisition of financial instruments.

(2) "Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

(2) Information on basis of revenue from contracts with customers

Information on basis of revenue from contracts with customers is omitted since it is described in Note "3. Significant Accounting Policies, (12) Recognition of significant revenue and expenses."

18. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2024 and 2023 included the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and allowances	¥ 10,357	¥ 10,718	\$ 68,408
Retirement benefit expenses	253	257	1,671
Outsourcing expenses	2,578	2,596	17,027

19. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Loss on sale of equity securities, etc.	¥ 2,152	¥ 1,400	\$ 14,214

20. Impairment Loss

For the years ended March 31, 2024 and 2023, with regard to assets from which cash flows declined due to decrease in income from operating activities, idle properties and assets which were determined to be sold, the Company recognized the impairment loss by writing off the carrying amount of each asset to its respective recoverable amount.

March 31, 2024

Category	Area	Main use	Description	Impairment loss	
				Millions of yen	Thousands of U.S. dollars
Business assets	Within Akita Prefecture	Banking office – four locations	Land and buildings	¥ 82	\$ 541
Business assets	Within Yamagata Prefecture	Banking office – six locations	Land and buildings	151	997
Corporate assets	Within Yamagata Prefecture	Corporate assets – one location	Buildings	30	198
Total				¥ 263	\$ 1,737

March 31, 2023

Category	Area	Main use	Description	Impairment loss	
				Millions of yen	
Business assets	Within Akita Prefecture	Banking office – four locations	Land and buildings	¥ 147	
Business assets	Within Yamagata Prefecture	Banking office – two locations	Land and buildings	119	
Corporate assets	Within Yamagata Prefecture	Corporate assets – three locations	Land and buildings	205	
Idle assets	Within Yamagata Prefecture	Idle assets – one location	Buildings	7	
Total				¥ 480	

Banking offices of consolidated subsidiaries in the banking business are grouped by office which is the minimum unit for management accounting purposes. Certain banking office group which operates in cooperation is considered as one unit, and banking offices located in the same building are also considered as one unit. For idle assets and assets held for sale, each asset is considered as the minimum unit. Head office, administrative centers and others are considered as corporate assets since they contribute to generate future cash flows of multiple assets or asset groups.

The Company and consolidated subsidiaries in other than the banking business are grouped by entity as a general rule.

The recoverable amount of relevant asset group is measured at net selling price and calculated by deducting estimated costs to sell from the amount which properly reflects the fair market value such as real estate appraisal value or roadside land prices.

21. Other Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
			2024
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (6,166)	¥ (23,664)	\$ (40,726)
Reclassification adjustments	(693)	4,929	(4,577)
Before income tax effect	(6,860)	(18,735)	(45,310)
Income tax effect	651	3,959	4,299
Unrealized gain (loss) on available-for-sale securities	(6,208)	(14,776)	(41,003)
Deferred gain (loss) on hedges:			
Adjustments arising during the year	2,314	(3)	15,284
Reclassification adjustments	(1,422)	-	(9,392)
Before income tax effect	891	(3)	5,885
Income tax effect	(271)	1	(1,789)
Deferred gain (loss) on hedges	619	(2)	4,088
Remeasurements of defined benefit plans:			
Adjustments arising during the year	1,482	121	9,788
Reclassification adjustments	(174)	(163)	(1,149)
Before income tax effect	1,307	(41)	8,632
Income tax effect	(430)	32	(2,840)
Remeasurements of defined benefit plans	876	(9)	5,785
Total other comprehensive income	¥ (4,712)	¥ (14,788)	\$ (31,122)

22. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2024 and 2023 is summarized as follows:

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
			2024
Cash and due from banks	¥ 306,340	¥ 316,923	\$ 2,023,381
Due from banks (excluding due from BoJ)	(3,815)	(4,886)	(25,198)
Cash and cash equivalents	¥ 302,525	¥ 312,037	\$ 1,998,183

23. Income Taxes

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Allowance for loan losses	¥ 7,858	¥ 7,407	\$ 51,902
Unrealized gain (loss) on available-for-sale securities	3,299	1,750	21,789
Defined benefit liability	1,477	1,612	9,755
Depreciation	603	616	3,982
Write-down of securities	186	171	1,228
Tax loss carryforwards	152	503	1,003
Other	1,137	1,256	7,509
Gross deferred tax assets	14,715	13,319	97,192
Valuation allowance	(9,764)	(7,546)	(64,491)
Total deferred tax assets	¥ 4,951	¥ 5,772	\$ 32,701
Deferred tax liabilities:			
Unrealized gain (loss) on available-for-sale securities	¥ (14)	¥ (554)	\$ (92)
Other	(1,397)	(884)	(9,227)
Total deferred tax liabilities	(1,412)	(1,439)	(9,326)
Net deferred tax assets (liabilities)	¥ 3,539	¥ 4,333	\$ 23,375

Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2024 and 2023 is shown as below.

	2024	2023
Normal effective statutory tax rate	30.58%	30.58%
Non-deductible expenses such as entertainment expenses	0.90	0.46
Non-taxable income such as dividend income	(14.62)	(15.14)
Per capita inhabitant tax	1.50	1.03
Valuation allowance	24.44	(7.61)
Consolidation adjustments	13.15	16.52
Other	4.57	1.70
Actual effective tax rate	60.52%	27.54%

24. Segment Information

(1) Segment information

The Group has a single segment of banking business. Accordingly, segment information by reportable segment is omitted.

(2) Related information
Information by service

Millions of yen				
March 31, 2024	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 19,155	¥ 16,686	¥ 14,103	¥ 49,944

Millions of yen				
March 31, 2023	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 18,014	¥ 19,573	¥ 13,824	¥ 51,411

Thousands of U.S. dollars				
March 31, 2024	Lending	Securities investment	Other	Total
Ordinary income from external customers	\$ 126,519	\$ 110,211	\$ 93,150	\$ 329,881

Note: "Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

Geographic information

(i) Ordinary income

Information about ordinary income by geographic area for the years ended March 31, 2024 and 2023 is omitted as ordinary income from external customers in Japan was more than 90% of ordinary income in the consolidated statements of income.

(ii) Tangible fixed assets

Information about tangible fixed assets by geographic area as of March 31, 2024 and 2023 is omitted as tangible fixed assets in Japan was more than 90% of "Tangible fixed assets" in the consolidated balance sheets.

Information by major customer

Information by major customer for the years ended March 31, 2024 and 2023 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

25. Related Party Transactions

Transactions between the Company's consolidated subsidiaries and their directors and major shareholders as of March 31, 2024 and 2023 and for the years then ended are as follows:

2024									
Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2024
Companies, etc. whose voting rights are owned by the director (including the director of the consolidated subsidiaries) or his/her relatives	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥114 million (\$752 thousand)	Loans and bills discounted	¥273 million (\$1,803 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥1,048 million (\$6,922 thousand)	Loans and bills discounted	¥1,140 million (\$7,529 thousand)
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥540 million (\$3,566 thousand)	Loans and bills discounted	¥540 million (\$3,566 thousand)
	ROYAL CENTURY GOLF CLUB Note (3)	Akita city, Akita Pref.	¥20	Amusement	-	Lending	¥40 million (\$264 thousand)	Loans and bills discounted	¥40 million (\$264 thousand)
	Okuyama Boring Co., Ltd. Note (4)	Yokote city, Akita Pref.	¥40	Construction	0.0% directly held	Lending	¥882 million (\$5,825 thousand)	Loans and bills discounted	¥1,152 million (\$7,608 thousand)
	P.C. Cock Center Corporation Note (5)	Tsuruoka city, Yamagata Pref.	¥8	Road transport	-	Guarantee for liabilities	¥352 million (\$2,324 thousand)	Customers' liabilities for acceptances and guarantees	¥403 million (\$2,661 thousand)
	Hasebe Architect Corporation Note (6)	Shonai Cho, Yamagata Pref.	¥3	General constructor	-	Lending	¥20 million (\$132 thousand)	Loans and bills discounted	¥18 million (\$118 thousand)
2023									
Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2023
Companies, etc. whose voting rights are owned by the director (including the director of the consolidated subsidiaries) or his/her relatives	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥136 million	Loans and bills discounted	¥116 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥965 million	Loans and bills discounted	¥1,380 million
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥540 million	Loans and bills discounted	¥540 million
	ROYAL CENTURY GOLF CLUB Note (3)	Akita city, Akita Pref.	¥20	Amusement	-	Lending	¥40 million	Loans and bills discounted	¥40 million
	Okuyama Boring Co., Ltd. Note (4)	Yokote city, Akita Pref.	¥40	Construction	0.0% directly held	Lending	¥776 million	Loans and bills discounted	¥671 million
						Guarantee for liabilities	¥247 million	Customers' liabilities for acceptances and guarantees	¥311 million

- Notes: (1) Akita Kubota Co., Ltd. is a subsidiary of Ishii Shoji Co., Ltd. Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ishii Shoji Co., Ltd.
- (2) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, his relatives and Ishii Shoji Co., Ltd. own the majority of voting rights of Netz Toyota Akita Co., Ltd. Toyota Renta Lease Akita Co., Ltd. is a subsidiary of Netz Toyota Akita Co., Ltd.
- (3) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of ROYAL CENTURY GOLF CLUB.
- (4) Kazuhiko Okuyama, a director and a member of Audit and Supervisory Committee of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Okuyama Boring Co., Ltd.

- (5) Hikaru Adachi is a director and audit & supervisory board member of Hokuto which is a significant consolidated subsidiary of the Company. His relative owns the majority of voting rights of P.C. Cock Center Corporation.
- (6) Tsukasa Kondo is a director and audit & supervisory board member of Shonai which is a significant consolidated subsidiary of the Company. His relative owns the majority of voting rights of Hasebe Architect Corporation.
- (7) The transactions are with Hokuto and Shonai, which are significant consolidated subsidiaries of the Company, and the trading conditions and policies are the same as those of the transactions with general parties.
- (8) The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed for the years ended March 31, 2024 and 2023.

26. Financial Instruments and Related Disclosures

(1) Status of Financial Instruments

(i) Policy on financial instruments

The Group is engaged in financial information services centering on banking business such as deposit-taking and lending services for domestic corporate and individual customers and management of securities such as debt and equity securities and investment trusts. The Group accepts risk as long as it remains financially healthy and intends to improve its earning power in order to continue to conduct these services.

The Group holds financial assets and liabilities exposed to the fluctuation risk of interest rates. Accordingly, the Group conducts asset and liability management (ALM) and enters into derivative transactions, if necessary, in order to avoid adverse effect by the interest-rate fluctuation.

(ii) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans and bills discounted to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trusts and investments in partnerships, are held for the purposes of net investment and strategic investment. These financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.

Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts. The liquidity risk is also controlled by limiting the ratio of large deposit accounts to a certain level.

Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and futures of debt securities held as available-for-sale securities, options, etc. These derivatives are not entered into for speculative purpose but mainly for hedging purposes.

(iii) Risk management system for financial instruments

The Group has established the "Basic Policy on Risk Management" and various risk control rules and a system to conduct the risk management as follows:

a. Credit risk management:

In accordance with the "Credit Policy" and "Credit Risk Management Rule," for loans and bills discounted, a credit control system has been established and maintained, including credit review by individual contract, credit limit control, credit information control, internal ratings, retrospective control including self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management, etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings on a regular basis. Furthermore, the status of credit control is examined by the internal audit department.

b. Market risk management:

For market transactions, front office, middle office and back office, each of which is independent of others, are mutually controlled.

Interest rate risk management:

The Group manages the fluctuation risk of interest rates by ALM. In accordance with the “Market Risk Management Rule,” the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis, and the monitoring results are reported to the management meetings on a regular basis. In addition, the future countermeasures based on the analysis of current status are discussed.

Foreign exchange risk management:

The Group manages foreign exchange risk, in accordance with the “Market Risk Management Rule,” by establishing total positions and loss limits or entering into hedging activities.

Price fluctuation risk management:

The Group manages price fluctuation risk in accordance with “Market Risk Management Rule.” Risk exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department on a daily basis based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.

Derivative transactions:

With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness, and operation administration and conducts transactions under the management and control based on the handling rules.

Quantitative information about market risk:

Financial instruments not for trading purposes

The Group identifies and manages the market risk volume using VaR on a daily basis (monthly basis with regard to interest rate risk volume of deposits, loans and bills discounted, etc.), since the Group holds many financial instruments whose fair value fluctuates on a daily basis and such fluctuation amount is greater than other risk categories. The market risk volume of the Group is controlled as the total amounts of market risk volume of Shonai and Hokuto which are the subsidiaries.

Market risk volume of the banking business of the Group at March 31, 2024 and 2023 and for the years then ended was as follows:

	Billions of yen			
	2024			As of the fiscal year-end
Average	Maximum	Minimum		
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	35.2	39.6	31.1	31.1
Debt securities	14.2	16.8	10.7	10.7
Equity securities	3.7	5.4	2.6	4.6
Other	27.6	29.8	23.7	23.7
Billions of yen				
2023				As of the fiscal year-end
Average	Maximum	Minimum		
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	31.8	38.1	27.1	37.8
Debt securities	11.6	19.4	6.8	19.2
Equity securities	3.9	4.9	2.4	3.1
Other	23.0	29.7	19.1	29.7

Millions of U.S. dollars				
2024				
	Average	Maximum	Minimum	As of the fiscal year- end
Due from banks, loans and bills discounted and others	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Securities:	232.4	261.5	205.4	205.4
Debt securities	93.7	110.9	70.6	70.6
Equity securities	24.4	35.6	17.1	30.3
Other	182.2	196.8	156.5	156.5

(*1) VaR is measured in principle using the variance/co-variance method.

(*2) Holding period is assumed to be 60 business days for higher market liquidity financial instruments such as Japanese government bonds, municipal bonds, listed equity securities (excluding strategic investments), etc., 250 business days for cross-holding shares of listed equity securities, and 125 or 250 business days for less market liquidity financial instruments, due from banks, loans and bills discounted, etc.

(*3) 99% is used for confidence interval, and 250 business days are used as extraction period of market data to measure volatility.

(*4) The total amount does not agree with the sum of the individual amounts since correlation between the risk factors of debt securities and equity securities is taken into account.

(*5) The current interest rate risk volume of deposits, loans and bills discounted, etc., represents decreasing interest rate risk, not increasing interest rate risk. The increasing interest rate risk is managed as internal control. Therefore, the interest rate risk volume of due from banks, loans and bills discounted and others is considered to be zero.

Within the Group, each banking subsidiary implements backtests comparing the VaR of one day holding period measured by the model and the actual loss, in order to verify the accuracy of the measurement model of the market risk volume concerning the VaR of securities.

The measurement model currently in use is deemed to capture the market risk on the reasonably accurate basis. However, the Group will take conservative actions as necessary when VaR is expected to increase due to an increase in volatility.

In implementing the risk management using the VaR, the following particular points are paid attention to:

- (a) Quantitative information such as VaR of market risk is determined based on the statistical assumptions and may result in a different value depending on the different assumptions and calculation methods.
- (b) Quantitative information such as VaR of market risk is a statistical value calculated based on the assumptions and not intended to estimate the maximum loss amount. Profit or loss is assumed to exceed VaR on the frequency corresponding to the confidence interval.
- (c) Future market conditions may differ significantly from the past.

Financial instruments for trading purposes are excluded from the scope of disclosure, since the outstanding balance at any banking subsidiary is very insignificant and the materiality of effect on the management is quite limited.

c. Liquidity risk management:

The Group sets limits on liquidity risk management and reports to the management meetings, monitoring the results on a daily basis in accordance with the “Liquidity Risk Management Rule.”

(iv) Supplementary explanation about fair value of financial instruments

As certain assumptions are used in calculating the fair value of financial instruments, the result of such calculation may vary if different assumptions are used.

(2) Fair value of financial instruments

The carrying amount, the fair value and their difference as of March 31, 2024 and 2023 were as follows. Note that equity securities without market prices or investments in partnerships are not included in the following table (See Note 1 below). In addition, the disclosure of carrying amount, fair value and difference is omitted for cash and due from banks, monetary claims bought, foreign exchange assets and liabilities and payables under securities lending transactions since their fair value approximates their carrying amount due to short maturities.

March 31, 2024	Millions of yen		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	¥ 748	¥ 748	¥ -
Money held in trust	58,690	58,690	-
Securities (*1):			
Available-for-sale securities	728,048	728,048	-
Loans and bills discounted:			
Allowance for loan losses (*2)	(13,392)		
	1,853,640	1,859,297	5,657
Assets, total	¥2,641,127	¥2,646,785	¥ 5,657
Deposits	¥2,713,241	¥2,713,216	¥ (25)
Negotiable certificates of deposit	49,753	49,753	-
Borrowed money	87,700	87,657	(42)
Liabilities, total	¥2,850,695	¥2,850,628	¥ (67)
Derivative transactions (*3):			
To which hedge accounting is not applied	¥ [135]	¥ [135]	¥ -
To which hedge accounting is applied	295	295	-
Derivative transactions, total	¥ 159	¥ 159	¥ -

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	¥ 606	¥ 606	¥ -
Money held in trust	57,981	57,981	-
Securities (*1):			
Available-for-sale securities	655,663	655,663	-
Loans and bills discounted:			
Allowance for loan losses (*2)	(13,400)		
	1,878,749	1,898,241	19,492
Assets, total	¥2,593,001	¥2,612,493	¥ 19,492
Deposits	¥2,663,710	¥2,663,712	¥ 1
Negotiable certificates of deposit	63,680	63,680	-
Borrowed money	116,000	115,956	(43)
Liabilities, total	¥2,843,390	¥2,843,349	¥ (41)
Derivative transactions (*3):			
To which hedge accounting is not applied	¥ [337]	¥ [337]	¥ -
To which hedge accounting is applied	236	236	-
Derivative transactions, total	¥ [100]	¥ [100]	¥ -

March 31, 2024	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	\$ 4,940	\$ 4,940	\$ -
Money held in trust	387,648	387,648	-
Securities (*1):			
Available-for-sale securities	4,808,771	4,808,771	-
Loans and bills discounted:	12,331,783		
Allowance for loan losses (*2)	(88,454)		
	12,243,328	12,280,693	37,364
Assets, total	\$17,444,696	\$17,482,067	\$ 37,364
Deposits	\$17,921,010	\$17,920,845	\$ (165)
Negotiable certificates of deposit	328,619	328,619	-
Borrowed money	579,260	578,976	(277)
Liabilities, total	\$18,828,896	\$18,828,454	\$ (442)
Derivative transactions (*3):			
To which hedge accounting is not applied	\$ [891]	\$ [891]	\$ -
To which hedge accounting is applied	1,948	1,948	-
Derivative transactions, total	\$ 1,050	\$ 1,050	\$ -

(*1) Securities include investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in paragraph 24-3 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021). There are no investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in paragraph 24-9.

(*2) General and specific allowances for loan losses corresponding to loans and bills discounted are deducted.

(*3) Assets and liabilities arising from derivative transactions are presented in net amounts, and net liabilities are shown in square parentheses.

(Note 1) For equity securities without market prices and investments in partnerships, their carrying amount is as follows. These financial instruments are not included in “Available-for-sale securities” of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unlisted equity securities (*1) (*2)	¥ 1,599	¥ 1,618	\$ 10,561
Investments in partnerships (*3)	3,227	2,859	21,314

(*1) The fair value of unlisted equity securities is not disclosed in accordance with paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

(*2) The Company recognized write-down of unlisted equity securities in an amount of ¥13 million (\$85 thousand) and ¥16 million for the years ended March 31, 2024 and 2023, respectively.

(*3) The fair value of investments in partnerships is not disclosed in accordance with paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2024

March 31, 2024	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 274,132	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	3,831	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	42,856	86,247	88,701	100,163	150,298	176,055
Japanese government bonds	5,000	2,000	-	34,000	66,750	63,500
Municipal bonds	20,814	30,976	32,508	29,496	25,207	33,965
Corporate bonds	7,654	21,312	17,582	6,735	550	68,524
Other	9,386	31,958	38,609	29,931	57,790	10,066
Loans and bills discounted (*2)	270,229	331,766	290,150	180,227	183,760	523,311
Total	¥ 591,049	¥ 418,013	¥ 378,851	¥ 280,391	¥ 334,058	¥ 699,367

March 31, 2024	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	\$ 1,810,647	\$ -	\$ -	\$ -	\$ -	\$ -
Monetary claims bought	25,303	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	283,064	569,663	585,871	661,578	992,721	1,162,846
Japanese government bonds	33,025	13,210	-	224,570	440,885	419,418
Municipal bonds	137,476	204,597	214,715	194,821	166,492	224,339
Corporate bonds	50,554	140,766	116,129	44,484	3,632	452,602
Other	61,994	211,083	255,013	197,694	381,704	66,486
Loans and bills discounted (*2)	1,784,867	2,191,321	1,916,446	1,190,402	1,213,738	3,456,479
Total	\$ 3,903,890	\$ 2,760,984	\$ 2,502,318	\$ 1,851,988	\$ 2,206,459	\$ 4,619,332

(*1) Due from banks without maturity is shown under “Due in one year or less.”

(*2) Loans and bills discounted as of March 31, 2024 do not include ¥36,954 million (\$244,081 thousand) of receivables such as those due from bankrupt, virtually bankrupt or potentially bankrupt borrowers since these are not certain when they can be collected or redeemed, and ¥50,632 million (\$334,425 thousand) of receivables without maturity.

(Note 3) Repayment schedule of bonds payable, borrowed money and other interest-bearing liabilities subsequent to March 31, 2024

March 31, 2024	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 2,394,102	¥ 82,667	¥ 15,006	¥ -	¥ -	¥ -
Negotiable certificates of deposit	49,753	-	-	-	-	-
Payables under securities lending transactions	88,768	-	-	-	-	-
Borrowed money	77,900	9,800	-	-	-	-
Total	¥ 2,610,524	¥ 92,467	¥ 15,006	¥ -	¥ -	¥ -

March 31, 2024	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	\$15,813,091	\$ 546,017	\$ 99,114	\$ -	\$ -	\$ -
Negotiable certificates of deposit	328,619	-	-	-	-	-
Payables under securities lending transactions	586,314	-	-	-	-	-
Borrowed money	514,531	64,729	-	-	-	-
Total	\$17,242,562	\$ 610,746	\$ 99,114	\$ -	\$ -	\$ -

(*) Demand deposits are shown under “Due in one year or less” of deposits.

(3) Fair value hierarchy of financial instruments

The Group classifies the fair value of financial instruments into three categories depending on whether inputs for a fair value measurement are observable or significant.

- Level 1 fair value: Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement
- Level 2 fair value: Fair value measured by using observable inputs other than those for Level 1
- Level 3 fair value: Fair value measured by using unobservable inputs

When multiple inputs of different categories are used in measuring fair value, the Group classifies the fair value into a category to which the lowest priority is assigned.

March 31, 2024	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ -	\$ 387,648	\$ -	\$ 387,648
Securities:				
Trading securities:				
Japanese government bonds, Municipal bonds	-	4,940	-	4,940
Available-for-sale securities				
Japanese government bonds, Municipal bonds	1,099,933	1,113,104	-	2,213,044
Corporate bonds	-	549,966	238,447	788,414
Equity securities	150,482	-	-	150,482
Foreign securities	7,635	184,980	-	192,615
Investment trusts	231,968	1,220,013	-	1,451,988
Derivative transactions:				
Interest rate related	-	13,447	-	13,447
Currency related	-	92	-	92
Assets, total	\$ 1,490,033	\$ 3,474,220	\$ 238,447	\$ 5,202,708
Derivative transactions:				
Interest rate related	\$ -	\$ 11,499	\$ -	\$ 11,499
Currency related	-	990	-	990
Liabilities, total	\$ -	\$ 12,490	\$ -	\$ 12,490

(*) In the above tables as of March 31, 2024 and 2023, securities do not include investment trusts whose net asset value is deemed as fair value by applying the treatments prescribed in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

The carrying amount of investment trusts for which the treatment prescribed in paragraph 24-3 is applied is ¥1,848 million (\$12,206 thousand) and ¥4,040 million as of March 31, 2024 and 2023, respectively.

There are no investment trusts for which the treatment prescribed in paragraph 24-9 is applied.

(ii) Financial instruments other than those measured at fair value in the consolidated balance sheets

March 31, 2024	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ -	¥ 223,506	¥ 1,635,790	¥ 1,859,297
Assets, total	¥ -	¥ 223,506	¥ 1,635,790	¥ 1,859,297
Deposits	¥ -	¥ 2,713,216	¥ -	¥ 2,713,216
Negotiable certificates of deposit	-	49,753	-	49,753
Borrowed money	-	87,657	-	87,657
Liabilities, total	¥ -	¥ 2,850,628	¥ -	¥ 2,850,628

March 31, 2023	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ -	¥ -	¥ 1,898,241	¥ 1,898,241
Assets, total	¥ -	¥ -	¥ 1,898,241	¥ 1,898,241
Deposits	¥ -	¥ 2,663,712	¥ -	¥ 2,663,712
Negotiable certificates of deposit	-	63,680	-	63,680
Borrowed money	-	115,956	-	115,956
Liabilities, total	¥ -	¥ 2,843,349	¥ -	¥ 2,843,349

March 31, 2024	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	\$ -	\$ 1,476,261	\$ 10,804,425	\$ 12,280,693
Assets, total	\$ -	\$ 1,476,261	\$ 10,804,425	\$ 12,280,693
Deposits	\$ -	\$ 17,920,845	\$ -	\$ 17,920,845
Negotiable certificates of deposit	-	328,619	-	328,619
Borrowed money	-	578,976	-	578,976
Liabilities, total	\$ -	\$ 18,828,454	\$ -	\$ 18,828,454

(Note 1) Explanation of valuation techniques and inputs used for fair value measurement

Assets

Money held in trust

For financial instruments that are invested as trust assets in an independently managed money trust with the primary purpose of managing securities, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value is classified into Level 3 when the impact from unobservable inputs is significant, otherwise it is classified into Level 2.

Trading securities and available-for-sale securities

Trading securities and available-for-sale securities for which unadjusted quoted prices in active markets are available are classified into Level 1 fair value. Such securities mainly include listed equity securities and Japanese government bonds.

Even if available quoted prices are used, securities are classified into Level 2 when the relevant markets are not active. Such securities mainly include municipal bonds and corporate bonds.

When quoted prices are not available, the fair value is measured by using valuation techniques such as the present value technique discounting future cash flows. The Group makes maximum use of observable inputs in the valuations. Inputs include TIBOR, government bond yield, conditional prepayment rates, credit spreads, probability of default, loss given default and others. When significant unobservable inputs are used, the fair value is classified into Level 3.

For investment trusts without transaction prices in the market, the net asset value is used as the fair value when there are no restrictions that are significant enough for market participants to require consideration for risk on cancellation or repurchase. They are classified into Level 2 fair value.

The footnote on securities by holding purposes is described in Note “5. Securities.”

Loans and bills discounted

For the loans and bills discounted with short remaining terms (within one year), the carrying amount is used as the fair value since the fair value approximates the carrying amount. For the loans and bills discounted without predetermined maturity because of characteristics such as the loans and bills discounted being limited within the amount of the pledged assets, the carrying amount is used as the fair value since the fair value is deemed to approximate the carrying amount considering the expected repayment term and interest rate conditions.

The fair value of loans and bills discounted with fixed interest rates, categorized by the type, internal rating and term to maturity, is calculated by discounting the total of principal and interest using credit spreads by credit rating and market interest rate.

The fair value of the loans and bills discounted with floating interest rates, categorized by the internal rating and term to maturity, is calculated by discounting the total of principal and interest, basically until the interest maturity date, using credit spreads by credit rating and market interest rate. Credit spreads are calculated by remaining term based on accumulated default rate by credit rating and loss rate.

For loans and bills discounted due from bankrupt, virtually bankrupt or potentially bankrupt borrowers, loan losses are estimated based on factors such as the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount net of the recorded amount of allowance for loan losses, such carrying amount is used as the fair value.

The fair value is classified into Level 3 when the impact from unobservable inputs is significant, otherwise it is classified into Level 2.

Liabilities

Deposits and Negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is used as the fair value. The fair value of time deposit is measured at the present value calculated by discounting future cash flows, grouping by certain maturity length. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining term is short (within one year), the carrying amount is used as the fair value since the fair value approximates the carrying amount. The said fair value is classified into Level 2.

Borrowed money

The fair value of borrowed money is measured by discounting the aggregate amount of principal and interest, categorized by the term to maturity, at market rates. For borrowed money whose remaining term is short (within one year), the carrying amount is used as the fair value since the fair value approximates the carrying amount. The said fair value is classified into Level 2.

Derivative transactions

For derivative transactions, the fair value measured by using unadjusted quoted prices in active markets is classified into Level 1, which includes those of bond futures and interest rate futures. However, the Group's derivative transactions are mostly over-the-counter ("OTC") transactions for which quoted prices are not available. Thus, the fair value is measured by using valuation techniques such as option pricing models or the present discounted value technique, depending on the type of transactions or the term to maturity. Major inputs used for the valuation techniques are interest rates, foreign exchange rates, volatilities and other. Adjustments are made to prices based on the credit risks of counterparties and the Group's banks. When unobservable inputs are not used or the impact is not significant, the fair value is classified into Level 2, and such transactions include interest rate swaps and foreign exchange forward contracts. When significant unobservable inputs are used, the fair value is classified into Level 3.

(Note 2) Information on Level 3 fair value, of financial instruments measured at fair value in the consolidated balance sheets

(1) Quantitative information on significant unobservable inputs

March 31, 2024	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities:				
Available-for-sale securities:				
Corporate bonds				
		Probability of default	0.07% - 100.00%	0.65%
	Private placement bonds	Loan recovery rate	0.00% - 26.56%	26.49%
<hr/>				
March 31, 2023	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities:				
Available-for-sale securities:				
Corporate bonds				
		Probability of default	0.06% - 100.00%	1.78%
	Private placement bonds	Loan recovery rate	0.00% - 24.10%	23.76%

(2) Reconciliation from beginning balance to ending balance and valuation gain or loss recognized for the years ended March 31, 2024 and 2023

Millions of yen								
March 31, 2024	Beginning of the year	Income or other comprehensive income (“OCI”) recognized for the current fiscal year		Purchase, sale, issuance and settlement, net	Reclassification to Level 3 (*2)	Reclassification from Level 3 (*3)	End of the year	Valuation gain (loss) (*4)
		Income	OCI (*1)					
Securities:								
Available-for-sale securities:								
Corporate bonds								
Private placement bonds								
	¥ 31,662	¥ -	¥ (73)	¥ 4,512	¥ -	¥ -	¥ 36,101	¥ -

Millions of yen								
March 31, 2023	Beginning of the year	Income or other comprehensive income (“OCI”) recognized for the current fiscal year		Purchase, sale, issuance and settlement, net	Reclassification to Level 3 (*2)	Reclassification from Level 3 (*3)	End of the year	Valuation gain (loss) (*4)
		Income	OCI (*1)					
Securities:								
Available-for-sale securities:								
Corporate bonds								
Private placement bonds								
	¥ 26,070	¥ -	¥ (41)	¥ 5,633	¥ -	¥ -	¥ 31,662	¥ -

Thousands of U.S. dollars								
March 31, 2024	Beginning of the year	Income or other comprehensive income (“OCI”) recognized for the current fiscal year		Purchase, sale, issuance and settlement, net	Reclassification to Level 3 (*2)	Reclassification from Level 3 (*3)	End of the year	Valuation gain (loss) (*4)
		Income	OCI (*1)					
Securities:								
Available-for-sale securities:								
Corporate bonds								
Private placement bonds								
	\$ 209,128	\$ -	\$ (482)	\$ 29,801	\$ -	\$ -	\$ 238,447	\$ -

(*1) The amount is included in “Unrealized gain (loss) on available-for-sale securities” of “Other comprehensive income” in the consolidated statements of comprehensive income.

(*2) It presents the reclassification from Level 2 fair value to Level 3 fair value. None for the years ended March 31, 2024 and 2023.

(*3) It presents the reclassification from Level 3 fair value to Level 2 fair value. None for the years ended March 31, 2024 and 2023.

(*4) It presents valuation gain (loss) of financial assets or liabilities held at the consolidated balance sheet date, out of income recognized for the current fiscal year.

(3) Fair value valuation procedures

Each division in charge performs a fair value measurement in accordance with the policies and procedures prepared by the risk management division of the Group. The measured fair value is verified by the independent valuation division for the reasonableness of inputs and valuation techniques used for the measurement and appropriateness of the level categories of the fair value. The verification result is reported to the risk management division every period, and thus, the Group ensures the appropriateness of the policies and procedures of the fair value measurement.

The fair value is measured using a valuation model that most appropriately reflects the nature, characteristics and risk of each asset. In case where quoted prices obtained from third parties are used, the Group verifies the reasonableness of the prices by confirming the valuation techniques and inputs used and by applying appropriate methods including comparison with the market prices of similar financial instruments.

(4) The impact on the fair value in case where any changes made to significant unobservable inputs

The significant unobservable inputs used in measuring the fair value of corporate bonds are probability of default and recovery ratio. Significant increase (decrease) in probability of default results in significant decline (rise) in the fair value, and significant increase (decrease) in recovery ratio. results in significant rise (decline) in the fair value. In general, changes in assumptions used for probability of default have reverse effects on assumptions used for recovery ratio.

(Note 3) Reconciliation of investment trusts for which the treatment prescribed in paragraph 24-3 are applied from beginning balance to ending balance

Millions of yen										
2024										
Beginning of the year	Income or other comprehensive income ("OCI") recognized for the current fiscal year		Purchase, sale and redemption, net	Net asset value deemed as fair value	Net asset value not deemed as fair value	End of the year	Valuation gain (loss) (*2)			
	Income	OCI (*1)								
¥ 4,040	¥ -	¥ (151)	¥ -	¥ -	¥ 2,040	¥ 1,848	¥ -			

Millions of yen										
2023										
Beginning of the year	Income or other comprehensive income ("OCI") recognized for the current fiscal year		Purchase, sale and redemption, net	Net asset value deemed as fair value	Net asset value not deemed as fair value	End of the year	Valuation gain (loss) (*2)			
	Income	OCI (*1)								
¥ 3,997	¥ -	¥ 42	¥ -	¥ 4,040	¥ -	¥ 4,040	¥ -			

Thousands of U.S. dollars										
2024										
Beginning of the year	Income or other comprehensive income ("OCI") recognized for the current fiscal year		Purchase, sale and redemption, net	Net asset value deemed as fair value	Net asset value not deemed as fair value	End of the year	Valuation gain (loss) (*2)			
	Income	OCI (*1)								
\$ 26,684	\$ -	\$ (997)	\$ -	\$ -	\$ 13,474	\$ 12,206	\$ -			

(*1) The amount is included in "Unrealized gain (loss) on available-for-sale securities" of "Other comprehensive income" in the consolidated statement of comprehensive income.

(*2) It presents valuation gain (loss) of investment trusts held at the consolidated balance sheet date, out of income recognized for the current fiscal year.

Breakdown of restrictions on cancellation or repurchase at the consolidated balance sheet date

Major restrictions on cancellation or repurchase	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
	Carrying amount		
For cancellation, a minimum of one month's prior notice is required.	¥ 1,848	¥ 4,040	\$ 12,206

27. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss by transaction type at the balance sheet date and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Interest rate related derivatives

There was no interest rate related derivative at March 31, 2024.

Interest rate related derivatives at March 31, 2023 were as follows:

		Millions of yen			
		Contract amount		Fair value	Valuation gain (loss)
March 31, 2023		Total	Over one year		
OTC transactions:					
Interest rate swaps:					
	Receive floating / Pay fix	¥ 4,500	¥ 4,500	¥ 83	¥ 83
Total				¥ 83	¥ 83

Note: Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

Currency related derivatives

Currency related derivatives at March 31, 2024 and 2023 were as follows:

		Millions of yen			
		Contract amount		Fair value	Valuation gain (loss)
March 31, 2024		Total	Over one year		
OTC transactions:					
Forward foreign exchange contracts:					
	Sold	¥ 26,944	¥ -	¥ (135)	¥ (135)
Total				¥ (135)	¥ (135)

		Millions of yen			
		Contract amount		Fair value	Valuation gain (loss)
March 31, 2023		Total	Over one year		
OTC transactions:					
Forward foreign exchange contracts:					
	Sold	¥ 58,027	¥ -	¥ (462)	¥ (462)
	Bought	2,112	-	41	41
Total				¥ (420)	¥ (420)

		Thousands of U.S. dollars			
		Contract amount		Fair value	Valuation gain (loss)
March 31, 2024		Total	Over one year		
OTC transactions:					
Forward foreign exchange contracts:					
	Sold	\$ 177,965	\$ -	\$ (891)	\$ (891)
Total				\$ (891)	\$ (891)

Note: Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Interest rate related derivatives

Interest rate related derivatives at March 31, 2024 and 2023 were as follows:

March 31, 2024			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		¥ 143,185	¥143,185	¥ 295
Total					¥ 295

March 31, 2023			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		¥ 42,750	¥ 42,750	¥ 216
Total					¥ 216

March 31, 2024			Thousands of U.S. dollars		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		\$ 945,739	\$945,739	\$ 1,948
Total					\$ 1,948

Note: In principle, the deferred hedge accounting is applied in accordance with the JICPA Industry Committee Practical Guideline No. 24 (March 17, 2022).

Equity securities related derivatives

There was no equity securities related derivatives at March 31, 2024.

Equity securities related derivatives at March 31, 2023 were as follows:

March 31, 2023			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts:	Available-for-sale securities (Equity securities)			
	Sold		¥ 1,607	¥ -	¥ 20
Total					¥ 20

Note: In principle, the deferred hedge accounting is applied in accordance with the JICPA Industry Committee Practical Guideline No. 24 (March 17, 2022).

28. Amounts per Share

Amounts per share at March 31, 2024 and 2023 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2024	2023	2024
Net assets	¥ 4,734.81	¥ 5,011.71	\$ 31,273.51
Net income:			
Basic	65.20	179.19	430.64

Notes: (1) Diluted net income is not shown since there are no dilutive shares.

(2) Net income per share—basic for the years ended March 31, 2024 and 2023 was calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net income attributable to owners of parent —basic:	¥ 1,178	¥ 3,266	\$ 7,780
Amounts not attributed to common stock shareholders	-	29	-
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	-	-	-
O/W, interim dividends for preferred stock	-	29	-
Net income attributable to common stock owners of parent	¥ 1,178	¥ 3,237	\$ 7,780
Average outstanding number of shares of common stock (Unit: thousand shares)	18,082	18,064	

(3) Net assets per share at March 31, 2024 and 2023 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total net assets	¥ 85,824	¥ 90,621	\$ 566,869
Amounts deducted from total net assets:	155	109	1,023
O/W, payment for preferred stock	-	-	-
O/W, dividends for preferred stock	-	-	-
O/W, non-controlling interests	155	109	1,023
Net assets attributable to common stock as of March 31, 2024 and 2023	¥ 85,669	¥ 90,512	\$ 565,845
Number of shares of common stock as of March 31, 2024 and 2023 used to calculate net assets per share (Unit: thousand shares)	18,093	18,060	

29. Subsequent Events

None to report.

30. Non-Consolidated Financial Statements of Shonai Bank and Hokuto Bank as of March 31, 2024 and 2023 and for the Years Then Ended

The Shonai Bank, Ltd.

**Non-Consolidated Balance Sheets
March 31, 2024 and 2023**

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Cash and due from banks	¥ 104,256	¥ 148,972	\$ 688,612
Monetary claims bought	1,453	1,611	9,597
Trading account securities	414	414	2,734
Money held in trust	28,819	27,860	190,350
Securities	369,129	331,912	2,438,104
Loans and bills discounted	969,723	948,205	6,405,039
Foreign exchange assets	675	798	4,458
Tangible fixed assets:			
Buildings	7,109	7,598	46,955
Land	4,379	4,421	28,923
Lease assets	3	8	19
Other tangible fixed assets	899	989	5,937
Intangible fixed assets:			
Software	443	515	2,926
Other intangible fixed assets	65	65	429
Prepaid pension cost	312	182	2,060
Deferred tax assets	1,332	1,439	8,797
Customers' liabilities for acceptances and guarantees	6,575	5,843	43,428
Other assets	17,225	16,231	113,771
Allowance for loan losses	(6,094)	(7,021)	(40,250)
Total assets	<u>¥ 1,506,723</u>	<u>¥ 1,490,048</u>	<u>\$ 9,951,935</u>

(Continued)

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liabilities:			
Deposits	¥ 1,325,349	¥ 1,306,463	\$ 8,753,956
Negotiable certificates of deposit	41,388	47,304	273,368
Payables under securities lending transactions	37,001	14,976	244,392
Borrowed money	33,400	48,500	220,607
Foreign exchange liabilities	36	24	237
Provision for bonuses for directors and other officers	15	15	99
Provision for retirement benefits	71	148	468
Provision for reimbursement of deposits	4	14	26
Provision for contingent loss	194	227	1,281
Deferred tax liabilities for land revaluation	382	385	2,523
Acceptances and guarantees	6,575	5,843	43,428
Other liabilities	4,739	7,565	31,301
Total liabilities	1,449,159	1,431,467	9,571,723
Net assets:			
Common stock	8,500	8,500	56,142
Capital surplus	20,308	20,308	134,134
Retained earnings	27,434	27,471	181,202
Total shareholders' equity	56,242	56,280	371,479
Unrealized gain on available-for-sale securities	(211)	1,276	(1,393)
Deferred gain on hedges	667	174	4,405
Revaluation reserve for land	866	850	5,719
Total valuation and translation adjustments	1,321	2,301	8,725
Total net assets	57,564	58,581	380,211
Total liabilities and net assets	¥ 1,506,723	¥ 1,490,048	\$ 9,951,935

(Concluded)

The Shonai Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
			2024
Income:			
Interest income:			
Interest on loans and discounts	¥ 9,548	¥ 9,001	\$ 63,064
Interest and dividends on securities	4,701	7,548	31,050
Interest income on interest rate swaps	22	-	145
Other	44	100	290
Fees and commissions	4,126	3,888	27,252
Other operating income	689	2,148	4,550
Other income	2,328	1,691	15,376
Total income	<u>21,462</u>	<u>24,379</u>	<u>141,756</u>
Expenses:			
Interest expenses:			
Interest on deposits	139	82	918
Interest on negotiable certificates of deposit	1	1	6
Interest on payables under securities lending transactions	3	158	19
Interest on borrowings and rediscounts	0	0	0
Interest on interest rate swaps	413	111	2,727
Other	4	(0)	26
Fees and commissions	2,220	2,315	14,663
Other operating expenses	4,367	5,869	28,844
General and administrative expenses	11,174	11,434	73,804
Other expenses	1,836	2,550	12,126
Total expenses	<u>20,160</u>	<u>22,523</u>	<u>133,157</u>
Income before income taxes	<u>1,302</u>	<u>1,855</u>	<u>8,599</u>
Income taxes:			
Current	105	534	693
Deferred	541	(309)	3,573
Total income taxes	<u>646</u>	<u>224</u>	<u>4,266</u>
Net income	<u>¥ 656</u>	<u>¥ 1,630</u>	<u>\$ 4,332</u>

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2024 and 2023

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
			2024
Assets:			
Cash and due from banks	¥ 201,209	¥ 167,309	\$ 1,328,989
Monetary claims bought	944	967	6,235
Trading account securities	334	191	2,206
Money held in trust	29,871	30,121	197,298
Securities	363,652	328,120	2,401,928
Loans and bills discounted	915,197	959,900	6,044,894
Foreign exchange assets	582	731	3,844
Tangible fixed assets:			
Buildings	3,757	3,980	24,815
Land	5,577	5,608	36,836
Lease assets	7	14	46
Construction in progress	-	1	-
Other tangible fixed assets	1,057	996	6,981
Intangible fixed assets:			
Software	835	1,020	5,515
Other intangible fixed assets	61	61	402
Prepaid pension cost	586	521	3,870
Deferred tax assets	2,444	2,694	16,142
Customers' liabilities for acceptances and guarantees	12,800	13,237	84,544
Other assets	26,058	26,109	172,113
Allowance for loan losses	(6,031)	(5,246)	(39,834)
Total assets	<u>¥ 1,558,945</u>	<u>¥ 1,536,343</u>	<u>\$ 10,296,862</u>

(Continued)

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liabilities:			
Deposits	¥ 1,392,693	¥ 1,362,004	\$ 9,198,764
Negotiable certificates of deposit	8,365	16,375	55,250
Payables under securities lending transactions	51,767	26,675	341,922
Borrowed money	54,300	67,500	358,652
Foreign exchange liabilities	4	20	26
Provision for bonuses for directors and other officers	19	19	125
Provision for retirement benefits	291	290	1,922
Provision for reimbursement of deposits	17	44	112
Provision for contingent loss	235	159	1,552
Deferred tax liabilities for land revaluation	768	774	5,072
Acceptances and guarantees	12,800	13,237	84,544
Other liabilities	4,938	11,362	32,615
Total liabilities	1,526,201	1,498,464	10,080,587
Net assets:			
Common stock	12,500	12,500	82,562
Capital surplus	12,500	12,500	82,562
Retained earnings	16,867	17,392	111,406
Total shareholders' equity	41,867	42,392	276,532
Unrealized gain (loss) on available-for-sale securities	(10,471)	(5,748)	(69,161)
Deferred loss on hedges	(253)	(380)	(1,671)
Revaluation reserve for land	1,601	1,615	10,574
Total valuation and translation adjustments	(9,122)	(4,512)	(60,250)
Total net assets	32,744	37,879	216,274
Total liabilities and net assets	¥ 1,558,945	¥ 1,536,343	\$ 10,296,862

(Concluded)

The Hokuto Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
			2024
Income:			
Interest income:			
Interest on loans and discounts	¥ 9,599	¥ 8,919	\$ 63,401
Interest and dividends on securities	4,713	6,731	31,129
Interest income on interest rate swaps	9	-	59
Other	37	121	244
Fees and commissions	4,485	4,264	29,623
Other operating income	444	1,127	2,932
Other income	4,179	1,306	27,602
Total income	<u>23,468</u>	<u>22,471</u>	<u>155,006</u>
Expenses:			
Interest expenses:			
Interest on deposits	23	30	151
Interest on negotiable certificates of deposit	2	1	13
Interest on payables under securities lending transactions	42	10	277
Interest on borrowings and rediscounts	0	0	0
Interest on interest rate swaps	431	58	2,846
Other	0	(15)	0
Fees and commissions	1,346	1,468	8,890
Other operating expenses	4,166	4,882	27,516
General and administrative expenses	11,462	11,520	75,706
Other expenses	4,840	2,125	31,968
Total expenses	<u>22,316</u>	<u>20,082</u>	<u>147,397</u>
Income before income taxes	<u>1,151</u>	<u>2,389</u>	<u>7,602</u>
Income taxes:			
Current	822	292	5,429
Deferred	188	533	1,241
Total income taxes	<u>1,011</u>	<u>825</u>	<u>6,677</u>
Net income	<u>¥ 139</u>	<u>¥ 1,563</u>	<u>\$ 918</u>