

2024

FINANCIAL REPORT

HOKKOKU FINANCIAL HOLDINGS
FINANCIAL REPORT

2024



HOKKOKU FINANCIAL HOLDINGS

Consolidated Balance Sheets

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

As of March 31,

| | 2024 | 2023 | 2024 |
|--|-----------------|-------------|---------------------------------------|
| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
| Assets: | | | |
| Cash and due from banks (Note 12) | ¥ 1,576,763 | ¥ 1,354,859 | \$ 10,413,868 |
| Call loans and bills bought | 166,000 | 141,000 | 1,096,360 |
| Monetary claims bought | 3,195 | 3,266 | 21,107 |
| Money held in trusts (Note 9) | 13,532 | 13,535 | 89,376 |
| Securities (Notes 6, 7, 8 and 14) | 1,488,459 | 1,468,300 | 9,830,651 |
| Loans and bills discounted (Notes 6 and 7) | 2,418,522 | 2,523,613 | 15,973,337 |
| Foreign exchanges (Note 6) | 6,344 | 11,684 | 41,905 |
| Lease receivables and investment in leased assets (Note 19) | 39,329 | 36,445 | 259,751 |
| Other assets (Notes 6 and 14) | 39,046 | 51,111 | 257,883 |
| Tangible fixed assets (Notes 11 and 13) | 37,903 | 32,102 | 250,335 |
| Intangible fixed assets | 10,269 | 8,539 | 67,828 |
| Deferred tax assets (Note 23) | 1,061 | 4,617 | 7,012 |
| Customers' liabilities for acceptances and guarantees (Note 6) | 18,166 | 17,282 | 119,981 |
| Reserve for possible loan losses | (59,943) | (62,631) | (395,900) |
| Total assets | ¥ 5,758,652 | ¥ 5,603,724 | \$ 38,033,499 |
| Liabilities: | | | |
| Deposits (Notes 7 and 14) | ¥ 4,679,694 | ¥ 4,360,798 | \$ 30,907,433 |
| Call money and bills sold (Note 14) | 423,297 | 532,156 | 2,795,703 |
| Guarantee deposit received under securities lending transactions (Note 14) | 318,639 | 360,955 | 2,104,484 |
| Borrowed money (Notes 7, 14 and 15) | 5,396 | 26,553 | 35,638 |
| Foreign exchanges | 1 | 3 | 8 |
| Bonds payable (Note 16) | 20,000 | 20,000 | 132,091 |
| Borrowed money from trust account (Note 17) | 167 | 164 | 1,107 |
| Other liabilities (Note 24) | 32,722 | 42,925 | 216,116 |
| Reserve for bonuses | 697 | 712 | 4,609 |
| Net defined benefit liability (Note 24) | 684 | 1,376 | 4,520 |
| Reserve for management board benefit trust | 410 | 410 | 2,710 |
| Reserve for reimbursement of deposits | 68 | 96 | 451 |
| Reserve for loss on refund of interest | 0 | 2 | 1 |
| Deferred tax liabilities (Note 23) | 4,506 | 1,185 | 29,760 |
| Deferred tax liability arising from revaluation of land (Note 11) | 1,244 | 1,411 | 8,219 |
| Acceptances and guarantees | 18,166 | 17,282 | 119,981 |
| Total liabilities | ¥ 5,505,697 | ¥ 5,366,036 | \$ 36,362,837 |
| Net assets: | | | |
| Common stock | ¥ 10,000 | ¥ 10,000 | \$ 66,045 |
| Capital surplus | 19,507 | 27,139 | 128,840 |
| Retained earnings | 195,209 | 188,428 | 1,289,277 |
| Treasury stock | (9,814) | (8,216) | (64,821) |
| Total shareholders' equity (Note 18) | 214,902 | 217,351 | 1,419,342 |
| Valuation differences on available-for-sale securities | 28,084 | 11,332 | 185,489 |
| Net deferred gains (losses) on hedging instruments | (35) | (2) | (233) |
| Land revaluation surplus (Note 11) | 1,986 | 2,296 | 13,119 |
| Remeasurements of defined benefit plans (Note 24) | (718) | (1,333) | (4,747) |
| Total accumulated other comprehensive income | 29,317 | 12,292 | 193,627 |
| Non-controlling interests | 8,735 | 8,044 | 57,691 |
| Total net assets | 252,954 | 237,688 | 1,670,662 |
| Total liabilities and net assets | ¥ 5,758,652 | ¥ 5,603,724 | \$ 38,033,499 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

Years ended March 31,

Income

Interest income on:

Interest on loans and discounts
Interest and dividends on securities
Other interest income

Total interest income

Trust fees

Fees and commissions

Other operating income

Other income (Note 20)

Total income

Expenses

Interest expenses on:

Deposits
Borrowings and rediscounts
Interest on bonds
Cash collateral received for securities lent
Other

Total interest expenses

Fees and commissions

Other operating expenses

General and administrative expenses (Note 20)

Other expenses (Note 20)

Total expenses

Special gains and losses (Note 21)

Profit before income taxes

Income taxes (Note 23):

Current
Deferred

Profit

Profit attributable to non-controlling interests

Profit attributable to owners of parent

| | 2024 | | 2023 | | 2024 | |
|--|-----------------|-----------|------|----------|------------------------------------|----------|
| | Millions of yen | | | | Thousands of U.S. dollars (Note 2) | |
| Interest income on: | ¥ | | ¥ | | \$ | |
| Interest on loans and discounts | | 24,841 | | 24,105 | | 164,067 |
| Interest and dividends on securities | | 15,596 | | 13,701 | | 103,008 |
| Other interest income | | 604 | | 511 | | 3,990 |
| Total interest income | | 41,042 | | 38,319 | | 271,066 |
| Trust fees | | 0 | | 0 | | 6 |
| Fees and commissions | | 9,983 | | 9,628 | | 65,937 |
| Other operating income | | 14,845 | | 15,897 | | 98,046 |
| Other income (Note 20) | | 24,967 | | 20,897 | | 164,901 |
| Total income | | 90,839 | | 84,743 | | 599,958 |
| Expenses | | | | | | |
| Interest expenses on: | | | | | | |
| Deposits | | 162 | | 103 | | 1,070 |
| Borrowings and rediscounts | | 2,055 | | 1,689 | | 13,574 |
| Interest on bonds | | 179 | | 179 | | 1,187 |
| Cash collateral received for securities lent | | 5,236 | | 2,169 | | 34,586 |
| Other | | 0 | | 7 | | 5 |
| Total interest expenses | | 7,634 | | 4,149 | | 50,423 |
| Fees and commissions | | 3,642 | | 3,517 | | 24,055 |
| Other operating expenses | | 25,230 | | 21,847 | | 166,637 |
| General and administrative expenses (Note 20) | | 33,764 | | 30,992 | | 222,999 |
| Other expenses (Note 20) | | 6,106 | | 8,187 | | 40,333 |
| Total expenses | | 76,378 | | 68,696 | | 504,448 |
| Special gains and losses (Note 21) | | (1,599) | | (1,484) | | (10,562) |
| Profit before income taxes | | 12,862 | | 14,562 | | 84,948 |
| Income taxes (Note 23): | | | | | | |
| Current | | 3,587 | | 2,305 | | 23,694 |
| Deferred | | (826) | | 3,216 | | (5,455) |
| | | 2,761 | | 5,522 | | 18,239 |
| Profit | | 10,100 | | 9,040 | | 66,709 |
| Profit attributable to non-controlling interests | | 1,045 | | 299 | | 6,902 |
| Profit attributable to owners of parent | ¥ | 9,055 | ¥ | 8,741 | \$ | 59,806 |
| Amounts per share (Note 26) | | | | | | |
| Net assets | ¥ | 10,533.34 | ¥ | 9,149.42 | \$ | 69.57 |
| Profit | | 378.34 | | 336.06 | | 2.50 |
| Profit - diluted | | 378.23 | | 336.05 | | 2.50 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

Years ended March 31,

Profit

Other comprehensive income (Note 22)

Valuation differences on available-for-sale securities
Net deferred gains (losses) on hedging instruments
Remeasurements of defined benefit plans (Note 24)

Total other comprehensive income

Comprehensive income

Total comprehensive income attributable to:

Owners of parent
Non-controlling interests

| | 2024 | | 2023 | | 2024 | |
|--|-----------------|--------|------|----------|------------------------------------|---------|
| | Millions of yen | | | | Thousands of U.S. dollars (Note 2) | |
| Profit | ¥ | 10,100 | ¥ | 9,040 | \$ | 66,709 |
| Other comprehensive income (Note 22) | | | | | | |
| Valuation differences on available-for-sale securities | | 16,385 | | (25,269) | | 108,219 |
| Net deferred gains (losses) on hedging instruments | | (32) | | (118) | | (216) |
| Remeasurements of defined benefit plans (Note 24) | | 614 | | 133 | | 4,060 |
| Total other comprehensive income | | 16,967 | | (25,254) | | 112,063 |
| Comprehensive income | ¥ | 27,067 | ¥ | (16,213) | \$ | 178,772 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of parent | ¥ | 26,389 | ¥ | (16,562) | \$ | 174,290 |
| Non-controlling interests | | 678 | | 348 | | 4,482 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

| | Millions of yen | | | | |
|---|----------------------|-----------------|-------------------|----------------|-----------|
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance as of March 31, 2022 | ¥ 10,000 | ¥ 29,727 | ¥ 182,357 | ¥ (3,124) | ¥ 218,960 |
| Cash dividends | — | — | (2,670) | — | (2,670) |
| Profit attributable to owners of parent | — | — | 8,741 | — | 8,741 |
| Repurchase of treasury stock | — | — | — | (8,081) | (8,081) |
| Disposal of treasury stock | — | (25) | — | 427 | 401 |
| Cancellation of treasury stock | — | (2,562) | — | 2,562 | — |
| Reversal of land revaluation surplus | — | — | 0 | — | 0 |
| Net changes in items other than shareholders' equity | — | — | — | — | — |
| Total changes during the year | — | (2,588) | 6,070 | (5,091) | (1,609) |
| Balance as of March 31, 2023 | ¥ 10,000 | ¥ 27,139 | ¥ 188,428 | ¥ (8,216) | ¥ 217,351 |
| Cash dividends | — | — | (2,583) | — | (2,583) |
| Profit attributable to owners of parent | — | — | 9,055 | — | 9,055 |
| Repurchase of treasury stock | — | — | — | (9,925) | (9,925) |
| Disposal of treasury stock | — | (56) | — | 645 | 588 |
| Cancellation of treasury stock | — | (7,682) | — | 7,682 | — |
| Reversal of land revaluation surplus | — | — | 309 | — | 309 |
| Change due to business combination | — | 97 | — | — | 97 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | 9 | — | — | 9 |
| Net changes in items other than shareholders' equity | — | — | — | — | — |
| Total changes during the year | — | (7,631) | 6,781 | (1,597) | (2,448) |
| Balance as of March 31, 2024 | ¥ 10,000 | ¥ 19,507 | ¥ 195,209 | ¥ (9,814) | ¥ 214,902 |

| | Millions of yen | | | | | | |
|---|--|--|--------------------------|---|--|---------------------------|------------------|
| | Accumulated other comprehensive income | | | | | | |
| | Valuation differences on available-for-sale securities | Net deferred gains (losses) on hedging instruments | Land revaluation surplus | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance as of March 31, 2022 | ¥ 36,652 | ¥ 115 | ¥ 2,296 | ¥ (1,467) | ¥ 37,597 | ¥ 7,701 | ¥ 264,258 |
| Cash dividends | — | — | — | — | — | — | (2,670) |
| Profit attributable to owners of parent | — | — | — | — | — | — | 8,741 |
| Repurchase of treasury stock | — | — | — | — | — | — | (8,081) |
| Disposal of treasury stock | — | — | — | — | — | — | 401 |
| Cancellation of treasury stock | — | — | — | — | — | — | — |
| Reversal of land revaluation surplus | — | — | — | — | — | — | 0 |
| Net changes in items other than shareholders' equity | (25,319) | (118) | (0) | 133 | (25,304) | 343 | (24,960) |
| Total changes during the year | (25,319) | (118) | (0) | 133 | (25,304) | 343 | (26,569) |
| Balance as of March 31, 2023 | ¥ 11,332 | ¥ (2) | ¥ 2,296 | ¥ (1,333) | ¥ 12,292 | ¥ 8,044 | ¥ 237,688 |
| Cash dividends | — | — | — | — | — | — | (2,583) |
| Profit attributable to owners of parent | — | — | — | — | — | — | 9,055 |
| Repurchase of treasury stock | — | — | — | — | — | — | (9,925) |
| Disposal of treasury stock | — | — | — | — | — | — | 588 |
| Cancellation of treasury stock | — | — | — | — | — | — | — |
| Reversal of land revaluation surplus | — | — | — | — | — | — | 309 |
| Change due to business combination | — | — | — | — | — | — | 97 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | — | — | — | — | — | 9 |
| Net changes in items other than shareholders' equity | 16,752 | (32) | (309) | 614 | 17,024 | 690 | 17,714 |
| Total changes during the year | 16,752 | (32) | (309) | 614 | 17,024 | 690 | 15,266 |
| Balance as of March 31, 2024 | ¥ 28,084 | ¥ (35) | ¥ 1,986 | ¥ (718) | ¥ 29,317 | ¥ 8,735 | ¥ 252,954 |

See accompanying notes to consolidated financial statements.

| Thousands of U.S. dollars (Note 2) | | | | | |
|---|--------------|-----------------|-------------------|----------------|--------------|
| Shareholders' equity | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance as of March 31, 2023 | \$ 66,045 | \$ 179,244 | \$ 1,244,490 | \$ (54,267) | \$ 1,435,513 |
| Cash dividends | — | — | (17,064) | — | (17,064) |
| Profit attributable to owners of parent | — | — | 59,806 | — | 59,806 |
| Repurchase of treasury stock | — | — | — | (65,556) | (65,556) |
| Disposal of treasury stock | — | (370) | — | 4,260 | 3,889 |
| Cancellation of treasury stock | — | (50,742) | — | 50,742 | — |
| Reversal of land revaluation surplus | — | — | 2,045 | — | 2,045 |
| Change due to business combination | — | 644 | — | — | 644 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | 64 | — | — | 64 |
| Net changes in items other than shareholders' equity | — | — | — | — | — |
| Total changes during the year | — | (50,403) | 44,786 | (10,553) | (16,171) |
| Balance as of March 31, 2024 | \$ 66,045 | \$ 128,840 | \$ 1,289,277 | \$ (64,821) | \$ 1,419,342 |

| Thousands of U.S. dollars (Note 2) | | | | | | | |
|---|--|--|--------------------------|---|--|---------------------------|------------------|
| Accumulated other comprehensive income | | | | | | | |
| | Valuation differences on available-for-sale securities | Net deferred gains (losses) on hedging instruments | Land revaluation surplus | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance as of March 31, 2023 | \$ 74,849 | \$ (16) | \$ 15,164 | \$ (8,807) | \$ 81,189 | \$ 53,130 | \$ 1,569,833 |
| Cash dividends | — | — | — | — | — | — | (17,064) |
| Profit attributable to owners of parent | — | — | — | — | — | — | 59,806 |
| Repurchase of treasury stock | — | — | — | — | — | — | (65,556) |
| Disposal of treasury stock | — | — | — | — | — | — | 3,889 |
| Cancellation of treasury stock | — | — | — | — | — | — | — |
| Reversal of land revaluation surplus | — | — | — | — | — | — | 2,045 |
| Change due to business combination | — | — | — | — | — | — | 644 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | — | — | — | — | — | 64 |
| Net changes in items other than shareholders' equity | 110,640 | (216) | (2,045) | 4,060 | 112,438 | 4,561 | 116,999 |
| Total changes during the year | 110,640 | (216) | (2,045) | 4,060 | 112,438 | 4,561 | 100,828 |
| Balance as of March 31, 2024 | \$ 185,489 | \$ (233) | \$ 13,119 | \$ (4,747) | \$ 193,627 | \$ 57,691 | \$ 1,670,662 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

Years ended March 31,

| | 2024 | | 2023 | | 2022 |
|---|-----------------|-------------|---------------------------|-------------|---------------|
| | Millions of yen | | Thousands of U.S. dollars | | (Note 2) |
| | ¥ | | ¥ | | \$ |
| Cash flows from operating activities: | | | | | |
| Profit before income taxes | | 12,862 | | 14,562 | 84,948 |
| Adjustments to reconcile profit before income taxes to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | | 4,021 | | 4,190 | 26,562 |
| Loss on impairment | | 1,009 | | 93 | 6,670 |
| Amortization of goodwill | | 53 | | — | 353 |
| Increase (decrease) in reserve for possible loan losses | | (2,688) | | 782 | (17,756) |
| Increase (decrease) in reserve for bonuses | | (14) | | (35) | (97) |
| Increase (decrease) in net defined benefit liability | | (692) | | (1,021) | (4,571) |
| Increase (decrease) in reserve for management board benefit trust | | — | | (86) | — |
| Increase (decrease) in reserve for reimbursement of deposits | | (28) | | (30) | (187) |
| Increase (decrease) in reserve for losses on refund of interest | | (2) | | (17) | (15) |
| Accrued interest and dividend income | | (41,042) | | (38,319) | (271,066) |
| Accrued interest expenses | | 7,634 | | 4,149 | 50,423 |
| Losses (gains) on securities, net | | (12,474) | | (11,325) | (82,390) |
| Losses (gains) on money trusts | | 3 | | (6) | 21 |
| Foreign exchange losses (gains), net | | (23,712) | | (19,204) | (156,612) |
| Losses (gains) on disposal of tangible fixed assets | | 284 | | 640 | 1,879 |
| Net decrease (increase) in loans and bills discounted | | 105,090 | | 61,648 | 694,079 |
| Net increase (decrease) in deposits | | 318,895 | | 102,598 | 2,106,172 |
| Net increase (decrease) in borrowed money (excluding subordinated borrowings) | | (21,157) | | (129,432) | (139,738) |
| Net decrease (increase) in due from banks (excluding of Due from the Bank of Japan) | | 791 | | (3,700) | 5,227 |
| Net decrease (increase) in call loans and others | | (24,929) | | (76,214) | (164,649) |
| Net increase (decrease) in call money and others | | (108,858) | | (86,668) | (718,968) |
| Net increase (decrease) in guarantee deposit received under securities lending transactions | | (42,315) | | 47,458 | (279,479) |
| Net decrease (increase) in foreign exchange assets | | 5,339 | | (545) | 35,263 |
| Net increase (decrease) in foreign exchange liabilities | | (2) | | 1 | (13) |
| Net decrease (increase) in lease receivables and investment in leased assets | | (3,004) | | (1,672) | (19,843) |
| Net decrease (increase) in cash collateral paid for financial instruments | | (303) | | 3,387 | (2,001) |
| Net increase (decrease) in borrowed money from trust account | | 3 | | 9 | 23 |
| Interest and dividends received | | 24,807 | | 24,471 | 163,846 |
| Interest paid | | (7,796) | | (3,955) | (51,492) |
| Other, net | | (9,838) | | (12,827) | (64,977) |
| Subtotal | | 181,935 | | (121,068) | 1,201,608 |
| Income taxes refund | | 3,535 | | 1,315 | 23,351 |
| Income taxes paid, net of refund | | (1,817) | | (9,196) | (12,003) |
| Net cash provided by (used in) operating activities | | 183,653 | | (128,949) | 1,212,956 |
| Cash flows from investing activities: | | | | | |
| Purchase of securities | | (300,791) | | (489,726) | (1,986,603) |
| Proceeds from sale of securities | | 255,012 | | 298,613 | 1,684,254 |
| Proceeds from redemption of securities | | 91,619 | | 60,669 | 605,111 |
| Interests and dividends received on investments | | 18,522 | | 17,125 | 122,332 |
| Purchase of tangible fixed assets | | (9,334) | | (2,477) | (61,652) |
| Purchase of intangible fixed assets | | (2,742) | | (2,569) | (18,115) |
| Proceeds from sale of tangible fixed assets | | 99 | | 1,000 | 658 |
| Payments for asset retirement obligations | | (31) | | — | (205) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | | (947) | | — | (6,259) |
| Net cash provided by (used in) investing activities | | 51,406 | | (117,364) | 339,520 |
| Cash flows from financing activities: | | | | | |
| Cash dividends paid | | (2,579) | | (2,673) | (17,035) |
| Cash dividends paid to non-controlling interests | | (5) | | (5) | (35) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | | (11) | | — | (77) |
| Repurchase of treasury stock | | (9,925) | | (8,081) | (65,556) |
| Proceeds from sale of treasury stock | | — | | 340 | — |
| Net cash provided by (used in) financing activities | | (12,522) | | (10,420) | (82,704) |
| Effect of exchange rate changes on cash and cash equivalents | | 9 | | 21 | 60 |
| Net increase (decrease) in cash and cash equivalents | | 222,547 | | (256,712) | 1,469,833 |
| Cash and cash equivalents at beginning of year | | 1,348,008 | | 1,604,721 | 8,903,038 |
| Cash and cash equivalents at end of year (Note 12) | | ¥ 1,570,556 | | ¥ 1,348,008 | \$ 10,372,871 |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries For the years ended March 31, 2024 and 2023

1. Basis of Presentation

Hokkoku Financial Holdings, Inc. (the "Company") is a holding company established on October 1, 2021, by transforming the Hokkoku Bank, Ltd. (the "Bank") and its consolidated subsidiaries into a holding company structure.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (collectively the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information. As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. U.S. Dollar Amounts

The Company maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥151.41 = U.S. \$1.00, the rate of exchange in effect on March 31, 2024 has been used in conversion. The conversion should not be construed as a meaning that yen could be converted into U.S. dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

As of and for the year ended March 31, 2024, the accompanying consolidated financial statements include the accounts of the Company and its 11 subsidiaries: the Bank, the Hokkoku General Leasing Co., Ltd., the Hokkoku Credit Service Co., Ltd., the Hokkoku Credit Guarantee Co., Ltd., the COREZO, Ltd., the Hokkoku Servicer, Ltd., Digital Value Co., Ltd., the FDAIco, Ltd. (formerly, the FD Advisory, Ltd.), the CC Innovation, Ltd., the BPO Management, Ltd. and the QR Investment, Ltd.

In the year ended March 31 2024, the FD Advisory, Ltd., a consolidated subsidiary of the Company, merged with ALCOLAB, Ltd. with the FD Advisory Ltd. as a surviving company, and has changed its business name to the FDAIco, Ltd. Please see Note.25 "Business Combination" for details.

All significant inter-company receivables and payables and transactions have been eliminated in consolidation.

The fiscal year-end of the consolidated subsidiaries is March 31.

The Company does not treat the following two companies as subsidiaries while holding more than half of their voting rights: Kudo Kogyo Co., Ltd. and HIDA Holdings Co., Ltd. The investment was made by the Company's consolidated subsidiary which engages in the investment business for the purpose of investment development instead of controlling the companies; thus, they are not treated as subsidiaries.

The following 10 subsidiaries are not consolidated, nor accounted for by the equity method, as the assets, contribution of their income and retained earnings are considered immaterial and do not have a material impact on the consolidated financial statements if excluded from the scope of consolidation, and their non-consolidation will not prevent reasonable judgments regarding the Group's financial position and operating results: Ishikawa Small Business Revitalization No. 2 Fund Investment Limited Liability Partnership, Ishikawa Small Business Revitalization No. 3 Fund Investment Limited Liability Partnership, QR Fund Investment Limited Partnership, QR No. 2 Fund Investment Limited Partnership, QR No. 3 Fund Investment Limited Partnership, Thai CC Innovation Co., Ltd., CC Innovation Vietnam Co., Ltd., CC Innovation Singapore Pte. Ltd. Shenzhen CC Innovation, Ltd., and Noto Reconstruction Support Co., Ltd.

Similarly, there are four associates that are not accounted for by the equity method as profit or loss (for the holding interest), retained earnings (for the holding interest) and accumulated other

comprehensive income (for the holding interest), etc. are considered immaterial and do not have a material impact on the consolidated financial statements if excluded from the scope of the equity method. The major associates are as follows: Oku-Noto SDGs Investment Limited Partnership, QRI Growth Support Reconstruction Fund Investment Limited Partnership and Hokuriku Region Venture Investment Limited Partnership.

The Company does not treat the following company as an associate while holding 20% or more and 50% or less of its voting rights: thinkrun Holdings Co., Ltd. The investment was made by the Company's consolidated subsidiary which engages in the investment business for the purpose of investment development instead of exercising significant influence over the company; thus, it is not treated as an associate.

b. Trading account securities

Trading account securities are stated at fair value at end of year, and the related cost of sale is determined using the moving average method.

c. Securities

Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving average method. Stocks of unconsolidated subsidiaries which are not accounted for by the equity method are stated at cost using the moving average method. Available-for-sale securities are stated at fair value based on market prices at the balance sheet date (related cost of sale is determined using the moving average method). However, equity securities without market prices are stated at cost using the moving average method.

The valuation differences on available-for-sale securities are included directly in net assets.

For translation differences of available-for-sale securities (bonds) denominated in foreign currencies, the translation differences related to changes in fair value are recognized as valuation differences and other differences are recognized as foreign exchange gains or losses. Securities managed as assets held in trust in money trust, whose primary purpose is to invest in securities, are stated at fair value.

d. Derivative financial instruments

Derivatives are stated at fair value.

e. Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank being a consolidated subsidiary of the Company, is computed by the declining-balance method. The useful lives are summarized as follows.

| | |
|-----------|----------------|
| Buildings | 10 to 50 years |
| Others | 3 to 20 years |

Depreciation of tangible fixed assets of other consolidated subsidiaries other than the Bank is computed primarily by the declining-balance method over the estimated useful lives of the respective assets.

f. Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of internal use software are capitalized and amortized by the straight-line method primarily over a useful life, determined by consolidated subsidiaries, of 5 to 10 years.

g. Reserve for possible loan losses

The reserve for possible loan losses of the Bank being a consolidated subsidiary of the Company, is provided as detailed below in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amount expected to be collected by the realization of collateral, or as a result of the execution of a guarantee.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt ("debtors at a risk of bankruptcy"), a reserve is provided according to the amount considered necessary for the

claims, net of the amount expected to be collected by the realization of collateral, or as a result of the execution of guarantee, based on an overall debt servicing capacity assessment of the debtor. In addition, for claims to debtors with large exposure exceeding certain amount or debtors at a risk of bankruptcy, including restructured claims, which it is possible to reasonably estimate cash flows from collection of principal and receipt of interest, a reserve is provided according to the difference between the amount of related cash flows discounted by the original contract interest rate before restructuring the loans and their carrying value (estimated cash flow method).

For other claims, the Bank classifies debtors into groups based on relationship with debtors, understanding of debtors' business (business feasibility), as well as debtors' financial information. For each group, the Bank estimates the probability of default using the Bank's past default experience over one year or three years. In addition, in order to take into account economic fluctuation factors, the expected rate of loan losses calculated with reference to the long-term average rate of default is also used for the calculation of the probability of default.

All claims are assessed by the Bank's business sections (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Bank's internal audit department, which is independent of the Bank's business sections, subsequently conducts audits of such assessments.

At consolidated subsidiaries other than the Bank, reserves for general claims are provided at an amount estimated based on the actual historical rate of loan losses and reserves for specific claims (from potentially bankrupt customers, etc.) are provided at an amount deemed to be uncollectible based on the respective assessments.

For collateralized or guaranteed claims to debtors who are legally or substantially bankrupt, the amount exceeding the estimated value of the collateral or guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The total amount of write-off was ¥23,205 million (\$153,260 thousand) and ¥23,327 million for the years ended March 31, 2024 and 2023.

h. Bonuses to employees

The reserve for bonuses to employees is provided at the estimated amount to be attributed to the current fiscal year.

i. Reserve for management board benefit trust

The reserve for management board benefit trust is recorded at an estimated amount of obligation to be required for delivery of its shares through the trust to directors and executive officers of the Bank being a consolidated subsidiary of the Company, based on its internal rules.

j. Reserve for reimbursement of deposits

The reserve for reimbursement of deposits is recorded at an estimated amount to be required to reimburse the customers' claims on the derecognized inactive deposit accounts.

k. Reserve for loss on refund of interest

The reserve for loss on refund of interest is recorded by a certain consolidated subsidiary to provide for the customers' claims to refund the interest exceeding the maximum limit of interest rate stipulated by the Interest Rate Restriction Act based on the past experience of refund.

l. Retirement benefit plans

In calculating retirement benefit obligations, the benefit formula basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year. Treatments of prior service cost and actuarial gains or losses are as follows:

Prior service cost is amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred.

Actuarial gains or losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) that falls within the average remaining years of service of the employees.

m. Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated into Japanese yen equivalents primarily using the exchange rate prevailing at the balance sheet date.

n. Revenue recognition

(1) Revenue recognition for finance leases

Sale and cost of sale are recognized at the time of the receipt of lease payments.

(2) Recognition of dividends on stocks included in interest and dividends on securities

Dividends on stocks resulting from appropriation of other retained earnings (limited to cash to be distributed as dividends), which are approved by resolutions of meetings of shareholders, the Board of Directors or other decision-making bodies of issuing companies, are recognized in the fiscal year to which the effective date of the respective dividend belongs.

However, dividends are recognized in the fiscal year in which the payments are received, when the payments are made within the period normally required after the effective date.

(3) Recognition of revenue from contracts with customers

Revenue from contracts with customers is recognized at a point in time when a promised good or service is transferred to a customer, at the amount assumed to be received in exchange for the good or service. As to the third-party's point program participated by certain consolidated subsidiaries, the amount assumed to be used is recognized as the amount to be collected on behalf of third-party, and deducted from fees and commissions.

p. Hedge accounting

Hedging interest rate risk

The Group applied the deferral method to account for financial instruments that hedge the interest rate risk on financial assets and liabilities, as provided in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 24, March 17, 2022). The hedge effectiveness is assessed by grouping and specifying hedged items including deposits and loans and hedging instruments including interest rate swaps by a certain period.

Hedging foreign exchange risk

The Group applies the deferral method to account for derivative instruments that hedge the foreign exchange risk on various foreign-currency financial assets and liabilities, as provided in the "Treatment for Accounting and Auditing with Regard to Accounting for Foreign Currency Transactions in Banking Industry" (The Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 25, October 8, 2020). The hedge effectiveness of these currency-swap transactions, FX swap transactions and similar instruments to hedge the foreign exchange risks of foreign-currency financial assets or liabilities is assessed by comparing the foreign currency position of the hedged assets or liabilities with that of the hedging instruments.

q. Goodwill

Goodwill is amortized by the straight-line method over a reasonable number of years within 20 years, on a case-by-case basis

r. Consumption taxes

Nondeductible consumption taxes levied on the purchase of premises and equipment are charged to income when incurred.

s. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

t. Accounting treatments and procedures adopted in cases where relevant accounting standards are unclear

Gains or losses on cancellation of investment trusts are aggregated by individual issue, then the gains are recognized as interest and dividends on securities under interest income and the losses are recognized as other operating expenses.

4. Significant Accounting Estimates

Reserve for possible loan losses is the item identified and recognized in the current fiscal year's consolidated financial statements based on the accounting estimates and may give significant impact on the consolidated financial statements of the following fiscal year.

a. Amounts recognized in the consolidated financial statements as of March 31, 2024 and 2023

| | 2024 | 2023 | 2024 |
|----------------------------------|-----------------|----------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars |
| Reserve for possible loan losses | ¥ 59,943 | ¥ 62,631 | \$ 395,900 |

b. Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

(1) Estimation method

The Bank being a consolidated subsidiary of the Company, determines the amount of reserve for possible loan losses based on the determination of judgments of debtor classification in accordance with the self-assessment of asset quality guidelines, and as stated in "3. Summary of Significant Accounting Policies, g. Reserve for possible loan losses."

(2) Key assumptions

Key assumptions include "outlook for future performance of credit recipients in determining debtor classification" and "impact of the 2024 Noto Peninsula Earthquake."

Outlook for future performance of credit recipients in determining debtor classification

In determining debtor classification, the Bank comprehensively evaluates credit recipients based on their financial position, future outlook, loan contract terms, transaction history and other qualitative information, etc. In particular, regarding the debtor's future outlook, such as their business improvement plan based on the expected future improvement of business performance and the expected establishment of future business improvement plan, the evaluation is made based on certain assumption.

Impact of the 2024 Noto Peninsula Earthquake

Since the 2024 Noto Peninsula Earthquake, the Group has been making efforts to recover from the disaster. However, it is expected to take a considerable period of time for economic activities in the disaster-stricken area to fully recover and the Bank assumes the situation will give a significant impact on the credit risk of credit recipients although the degree of impact will vary by credit recipients. For credit recipients located in the disaster-stricken area with their outstanding loans exceeding a certain amount, the Bank determined the debtor classification and recorded a reserve for possible loan losses based on available external and internal information as of March 31, 2024. For credit recipients located in the disaster-stricken area with their outstanding loans less than a certain amount, the Bank recorded a reserve for possible loan losses by making necessary adjustments to the expected ratio of loan losses.

(3) Impact on the consolidated financial statements in the following fiscal year

Since the aforementioned assumptions involve uncertainty, it may give a significant impact on the amount of reserve for possible loan losses in the consolidated financial statements of the following year if the economic environment and the status of debtors, or the impact of the 2024 Noto Peninsula Earthquake were to change in the following year.

5. Additional Information

(Management board benefit trust)

The Bank, a consolidated subsidiary of the Company, abolished the stock option plan for directors and executive officers (hereinafter "Officers") of the bank and has adopted a share-based payment plan, "management board benefit trust," (hereinafter the "Plan") to Officers.

a. Outline

The Plan is a share-based payment plan under which the Bank contributes capital to establish a trust (hereinafter the "Trust") and the Trust acquires the Company's shares. The Company's shares are provided to the respective Officers corresponding to the number of points granted to the respective Officers through the Trust. In principle, Officers will receive delivery of the Company's shares at the time of their retirement as Officers.

b. The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are recognized as treasury stock under shareholders' equity. The carrying value and the number of the shares are ¥500 million (\$3,303 thousand) and 105 thousand shares for the year ended March 31, 2024 and ¥500 million and 105 thousand shares for the year ended March 31, 2023, respectively.

6. 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") and the Banking Act are included in the following accounts in the consolidated balance sheets:

- corporate bonds (limited to those whose 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 exchanges,"
- 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:

| | 2024 | 2023 | 2024 |
|---|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Claims against bankrupt or quasi-bankrupt debtors | ¥ 30,639 | ¥ 29,654 | \$ 202,358 |
| Doubtful claims | 33,723 | 41,099 | 222,731 |
| Claims past due for three months or more | 1,121 | 1,381 | 7,407 |
| Restructured claims | 3,977 | 2,187 | 26,272 |
| Total | ¥ 69,462 | ¥ 74,323 | \$ 458,769 |

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

Doubtful claims present loans, other than claims against bankrupt or quasi-bankrupt debtors, for which the borrowers 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 the contracts.

Claims past due for three months or more present loans whose principal or interest payments are three months or more past due, but are not classified as claims against bankrupt or quasi-bankrupt debtors and doubtful claims.

Restructured claims present loans on which certain concessions are granted to debtor, including reduction or waivers of interest, deferred payment of principal or interest and debt forgiveness.

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

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank being a consolidated subsidiary of the Company, has the right to sell or re-pledge the banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills and foreign exchange bought at a discount was ¥8,880 million (\$58,650 thousand) and ¥9,701 million as of March 31, 2024 and 2023, respectively.

Overdraft agreements and loan commitments are agreements under which the Group is obliged to extend loans up to a prearranged limit unless the customer is in breach of contract. The loan commitments not yet drawn down as of March 31, 2024 and 2023 totaled ¥362,375 million (\$2,393,337 thousand) and ¥378,685 million, respectively; ¥349,723 million (\$2,309,774 thousand) of which, as of March 31, 2024 (2023: ¥366,897 million), was related to agreements whose contractual terms were for one year or less or which were unconditionally cancelable at any time.

As the majority of these agreements expire without the right to make the loans being exercised, the undrawn commitment balance does not necessarily affect the future cash flows of the Company or of its consolidated subsidiaries. These agreements usually include clauses which stipulate that the Company and its consolidated subsidiaries have the right either to refuse the execution of the loans or to reduce the contractual commitments in cases where changes in the borrower's financial position are identified, protection them through credit enhancement is required or other unforeseen circumstances arise.

The Company and its consolidated subsidiaries take various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of entering into the agreements, monitoring a customer's business on a regular basis in accordance with established internal procedures, and modifying the loan commitment agreements when necessary.

7. Financial Instruments and Related Disclosures

Status of Financial Instruments

a. Policy on financial instruments

The Group provides financial services such as banking business and leasing business. Major banking business includes lending services, bills discounting and fund management through dealing and underwriting Japanese government bonds, municipal bonds and available-for-sale securities. On the other hand, funds are raised mainly by taking deposits and also by issuance of bonds, call money and others as needed.

The Group conducts asset and liability management (ALM) and manages the risks identifying various types of risk exposures associated with the banking business, since the Group holds financial assets and liabilities exposed to the market risk of fluctuation of interest rates. As part of risk management, the Group also utilizes derivative transactions.

b. Contents and risk of financial instruments

Financial assets held by the Group mainly consist of loans to corporate and individual customers which are exposed to credit risk arising from nonperformance of the customers. In addition, the loan balances are concentrated to Ishikawa prefecture where the head office of the Bank, a consolidated subsidiary of the Company, is located and accordingly, the changes in the economic circumstances of the region may have a great impact on the credit risk. Securities mainly consist of Japanese government bonds, municipal bonds, corporate bonds and equity securities that are classified as available-for-sale securities. These securities are exposed to credit risk of issuers and market risks of fluctuation in interest rates, market prices and foreign exchange rates for bonds denominated in foreign currencies.

On the other hand, financial liabilities consist of mainly deposits, call money and others. With respect to call money, the Company and the Bank may be forced to raise fund under unfavorable conditions and accordingly, significantly increase funding costs in case that fund raising capacity of the Company and the Bank significantly declined under certain circumstances such as significant deterioration of financial positions of the Company and the Bank, serious systemic risk of the financial system and downgrades of the credit rating of the Company and the Bank by external rating agencies.

Derivative transactions consist of hedging activities performed as part of ALM against market risks (interest rate risk and foreign exchange risk) associated with assets and liabilities held by the Group and transactions to respond to customers' diversified needs for hedging against the risks of customers. The Group applies hedge accounting for interest rate swaps and currency swaps employed by the Group for hedging purposes and periodically verifies the effectiveness of hedging activities to assess if the relationships between hedging instruments and hedged items including assets and liabilities are appropriate, and also if the market risks of interest rates and foreign exchange rates are offset by hedging instruments.

c. Risk management system for financial instruments

Credit risk management:

The Group has established and operates a credit control system including credit review by individual loan transaction, internal credit rating, self-assessment of asset quality, large exposure control, measurement of risk exposure and management of problem loans in accordance with credit risk management policies, credit policies, lending operation rules and credit risk control rules. These credit controls are performed by the credit review sections of the consolidated subsidiaries as well as each operating office and are periodically deliberated by and reported to the decision-making bodies including Board of Directors, where appropriate. In addition, the Audit Department audits the status of credit risk controls.

Credit risk associated with the issuers of securities and counterparty risk associated with treasury transactions and derivative transactions are controlled by periodically identifying credit information and the mark-to-market values by the Market Finance Division of the Bank being a consolidated subsidiary of the Company.

Market risk management:

(1) Interest rate risk management

The Group funds loans and securities mainly with deposits taken, but holds long-term and short-term interest rate gaps arising from the timing difference in the maturities repricing of deposits and loans. Accordingly, the Management Administration Division of the Group monitors the risk exposures by establishing risk limits based on the integrated risk control policy and integrated risk control rule and reports to the Group Strategic Committee and the Board of Directors. In addition, the Corporate Planning Department and Management Administration Division monitor the

interest rate risk based on the interest rate sensitivity analysis, gap analysis, ladder analysis as well as Interest Rate Risk in the Banking Book (IRRBB) approach and report to the Group Strategic Committee on a regular basis.

The Group also enters into interest rate swap contracts to hedge the interest rate fluctuation risk.

(2) Foreign exchange risk management

The Group holds, in part, foreign currency denominated assets and liabilities. These foreign currency denominated assets and liabilities are appropriately hedged using currency swaps and other methods, whereby their exposures to the foreign exchange risk are controlled.

(3) Price fluctuation risk management

The Group controls the price fluctuation risk associated with equity securities and investment trusts in accordance with the integrated risk management policies and procedures to control the exposures within the Group's risk tolerance while securing appropriate earnings. Among these, the Group established limits for transactions which require risk controls.

Moreover, the middle office of the Market Finance Division of the Bank being a consolidated subsidiary of the Company, in cooperation with the Management Administration Division responsible for risk management, monitors the risk exposures and verifies compliance with the limit. In addition, the Management Administration Division identifies, measures and analyzes those risks and conducts stress tests. Such information is reported to the Group Strategic Committee and the Board of Directors on a regular basis and where appropriate.

(4) Derivative transactions

With respect to derivative transactions, the internal rules have been established to define the authority and hedging policies, and the credit lines by counterparty have been determined. Front offices that enter into the contracts, back offices that conduct reconciliation procedures and control the credit lines and the divisions that assess the effectiveness of hedges are separated so that the internal control functions effectively.

(5) Quantitative information related to market risk

The financial instruments exposed to interest rate risk and price fluctuation risk such as stock price fluctuation risk include, among other things, "Loans and bills discounted," "Securities," "Deposits," and "Derivatives" recorded in the banking book. The Group uses the VaR model to measure market risk exposure of interest rate, stock and investment trust related instruments. Adopting the variance-covariance method (holding period: half a year, confidence level: 99.9%, observation period: 720 business days) in computing the VaR, the Group examines the correlation between interest rate risk and price fluctuation risk. Total market risk exposure of the Group was ¥72,131 million (\$476,396 thousand) and ¥45,660 million as of March 31, 2024 and 2023, respectively. The deposit internal models are applied to measure interest rate risk of liquid deposits held by the Bank being a consolidated subsidiary.

The back-testing is implemented to compare the model-based VaR with actual profit and loss for the securities held by the Group and it is confirmed that the measurement model in use captures the market risk with sufficient precision. However, the risk under certain abnormal market fluctuations may not be captured, since the VaR is measured based on the probability of occurrence in a normal distribution of historical market fluctuations. In addition, VaR is a statistical value computed based on assumptions and it is not intended to estimate maximum amount of losses.

d. Supplementary explanation on the fair value of financial instruments

Certain assumptions are adopted to determine the fair value of financial instruments. The said fair value may differ when different assumptions are adopted.

Fair value of financial instruments

The following table summarizes the carrying value, fair value and difference of financial instruments as of March 31, 2024 and 2023.

Note that unlisted equity securities without market prices and investments in partnerships are not included in the table (see Note 1 below).

For cash and due from banks, call loans and bills bought, foreign exchanges (assets/ liabilities), call money and bills sold and guarantee deposit received under securities lending transactions, the disclosure is omitted since their fair value approximates their carrying value due to short maturity. The disclosure is also omitted for insignificant items in the consolidate balance sheets.

| | March 31, 2024 | | |
|--|-----------------|-------------|------------|
| | Millions of yen | | |
| | Carrying value | Fair value | Difference |
| Securities: | | | |
| Available-for-sale securities | ¥ 1,449,392 | ¥ 1,449,392 | ¥ — |
| Loans | 2,418,522 | | |
| Reserve for possible loan losses (*1) | (58,337) | | |
| | 2,360,185 | 2,367,856 | 7,670 |
| Assets, total | 3,809,578 | 3,817,249 | 7,670 |
| Deposits | 4,679,694 | 4,679,532 | (162) |
| Borrowed money | 5,396 | 5,350 | (45) |
| Liabilities, total | 4,685,090 | 4,684,882 | (207) |
| Derivative transactions (*2) | | | |
| To which hedge accounting is not applied | (226) | (226) | — |
| To which hedge accounting is applied | (39) | (39) | — |
| Derivative transactions, total | (266) | (266) | — |

| | March 31, 2024 | | |
|--|----------------------------|--------------|------------|
| | Thousands of U. S. dollars | | |
| | Carrying value | Fair value | Difference |
| Securities: | | | |
| Available-for-sale securities | \$ 9,572,637 | \$ 9,572,637 | \$ — |
| Loans | 15,973,337 | | |
| Reserve for possible loan losses (*1) | (385,292) | | |
| | 15,588,044 | 15,638,706 | 50,662 |
| Assets, total | 25,160,681 | 25,211,344 | 50,662 |
| Deposits | 30,907,433 | 30,906,361 | (1,071) |
| Borrowed money | 35,638 | 35,337 | (300) |
| Liabilities, total | 30,943,071 | 30,941,698 | (1,372) |
| Derivative transactions (*2) | | | |
| To which hedge accounting is not applied | (1,497) | (1,497) | — |
| To which hedge accounting is applied | (262) | (262) | — |
| Derivative transactions, total | (1,760) | (1,760) | — |

| | March 31, 2023 | | |
|--|-----------------|-------------|------------|
| | Millions of yen | | |
| | Carrying value | Fair value | Difference |
| Securities: | | | |
| Available-for-sale securities | ¥ 1,448,587 | ¥ 1,448,587 | ¥ — |
| Loans | 2,523,613 | | |
| Reserve for possible loan losses (*1) | (60,945) | | |
| | 2,462,668 | 2,469,876 | 7,208 |
| Assets, total | 3,911,255 | 3,918,463 | 7,208 |
| Deposits | 4,360,798 | 4,360,802 | 3 |
| Borrowed money | 26,553 | 26,554 | 0 |
| Liabilities, total | 4,387,352 | 4,387,356 | 3 |
| Derivative transactions (*2) | | | |
| To which hedge accounting is not applied | 105 | 105 | — |
| To which hedge accounting is applied | (4) | (4) | — |
| Derivative transactions, total | 101 | 101 | — |

(*1) A general reserve for possible loan losses and a specific reserve for possible loan losses on loans are deducted.

(*2) Derivative transactions recorded under other assets and other liabilities are presented on a net basis. Net liabilities are shown in square parentheses.

(Note 1) The following table summarizes equity securities without market prices and investments in partnerships. Note that these instruments are not included in available-for-sale securities in the table above.

| | 2024 | 2023 | 2024 |
|--------------------------------------|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| | Carrying value | | |
| Unlisted equity securities (*1) (*2) | ¥ 6,242 | ¥ 3,765 | \$ 41,227 |
| Investments in partnerships (*3) | 32,823 | 15,947 | 216,785 |
| Total | ¥ 39,065 | ¥ 19,712 | \$ 258,013 |

(*1) The fair value of unlisted equity securities is not disclosed pursuant to Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) The Group recognized loss on impairment of ¥35 million (\$237 thousand) and ¥308 million on unlisted equity securities for the years ended March 31, 2024 and 2023, respectively.

(*3) The fair value of investments in partnerships is not disclosed pursuant to Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Maturity of financial assets and securities with contractual maturities as of March 31, 2024 and 2023

| | 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 |
| Securities: | | | | | | |
| Available-for-sale securities with contractual maturities: | | | | | | |
| Japanese government bonds | — | — | — | — | 170,800 | 51,000 |
| Municipal bonds | 34,651 | 73,254 | 87,453 | 86,646 | 95,624 | — |
| Corporate bonds | 2,696 | 94,995 | 57,293 | 1,016 | 1,958 | 3,900 |
| Other | 6,857 | 28,181 | 12,603 | 35,077 | 52,108 | 20,038 |
| Loans (*) | 603,546 | 329,138 | 272,152 | 228,502 | 269,375 | 674,834 |
| Total | ¥ 647,751 | ¥ 525,569 | ¥ 429,502 | ¥ 351,242 | ¥ 589,866 | ¥ 749,773 |

| | 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 |
| Securities: | | | | | | |
| Available-for-sale securities with contractual maturities: | | | | | | |
| Japanese government bonds | — | — | — | — | 1,128,062 | 336,833 |
| Municipal bonds | 228,859 | 483,816 | 577,591 | 572,266 | 631,561 | — |
| Corporate bonds | 17,811 | 627,406 | 378,398 | 6,710 | 12,931 | 25,757 |
| Other | 45,287 | 186,124 | 83,239 | 231,673 | 344,152 | 132,343 |
| Loans (*) | 3,986,172 | 2,173,822 | 1,797,455 | 1,509,162 | 1,779,114 | 4,457,003 |
| Total | \$ 4,278,132 | \$ 3,471,169 | \$ 2,836,684 | \$ 2,319,813 | \$ 3,895,823 | \$ 4,951,938 |

| | March 31, 2023 | | | | | |
|--|-------------------------|--|--|--|---|---------------------|
| | 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 |
| Securities: | | | | | | |
| Available-for-sale securities with contractual maturities: | | | | | | |
| Japanese government bonds | — | — | — | — | 159,800 | 67,000 |
| Municipal bonds | 36,989 | 67,735 | 60,342 | 83,507 | 132,450 | 15 |
| Corporate bonds | 39,578 | 55,575 | 91,093 | 1,016 | 2,116 | 3,900 |
| Other | 10,945 | 47,529 | 38,426 | 34,653 | 68,110 | 11,048 |
| Loans (*) | 607,672 | 396,417 | 272,183 | 239,930 | 274,701 | 690,379 |
| Total | ¥ 695,186 | ¥ 567,257 | ¥ 462,045 | ¥ 359,106 | ¥ 637,178 | ¥ 772,342 |

(*) Loans to "legally bankrupt," "substantially bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid amounting to ¥29,287 million (\$193,432 thousand) and ¥29,790 are not included in the above as of March 31, 2024 and 2023, respectively.

Loans with no contractual maturities amounting to ¥11,684 million (\$77,173 thousand) and ¥12,537 are not included in the above as of March 31, 2024 and 2023, respectively.

(Note 3) Maturity of bonds and interest-bearing liabilities as of March 31, 2024 and 2023

| 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 (*) | ¥ 3,562,563 | ¥ 166,109 | ¥ 44,387 | ¥ — | ¥ — | ¥ — |
| Borrowed money | 68 | 27 | 5,300 | — | — | — |
| Total | ¥ 3,562,632 | ¥ 166,136 | ¥ 49,687 | ¥ — | ¥ — | ¥ — |

| 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 (*) | \$ 23,529,251 | \$ 1,097,084 | \$ 293,157 | \$ — | \$ — | \$ — |
| Borrowed money | 454 | 180 | 35,004 | — | — | — |
| Total | \$ 23,529,705 | \$ 1,097,264 | \$ 328,162 | \$ — | \$ — | \$ — |

| March 31, 2023 | | | | | | |
|-----------------|-------------------------|--|--|--|---|---------------------|
| 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 (*) | ¥ 3,490,436 | ¥ 198,281 | ¥ 43,553 | ¥ — | ¥ — | ¥ — |
| Borrowed money | 26,467 | 86 | — | — | — | — |
| Total | ¥ 3,516,904 | ¥ 198,368 | ¥ 43,553 | ¥ — | ¥ — | ¥ — |

(*) On-demand deposits are included under "Due in one year or less."

Fair value hierarchy of financial instruments

The fair value of financial instruments is classified 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 used for Level 1 fair value

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

The fair value is classified into a category to which the lowest priority is assigned for a fair value measurement.

(1) Financial instruments measured at fair value in the consolidated balance sheets

| March 31, 2024 | | | | |
|--|-----------|---------|---------|-----------|
| Millions of yen | | | | |
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Securities: | | | | |
| Available-for-sale securities: | | | | |
| Japanese government bonds | ¥ 233,819 | ¥ — | ¥ — | ¥ 233,819 |
| Municipal bonds | — | 371,537 | — | 371,537 |
| Government-guaranteed bonds | — | 396 | — | 396 |
| Public corporation bonds | — | 5,899 | — | 5,899 |
| Bank debentures | — | 84,809 | — | 84,809 |
| Industrial bonds | — | 66,189 | 3,659 | 69,849 |
| Equity securities | 131,451 | — | — | 131,451 |
| Foreign bonds | 77,125 | 67,679 | — | 144,805 |
| Others | 42,999 | 363,824 | — | 406,824 |
| Included in Assets, total | 485,396 | 960,336 | 3,659 | 1,449,392 |
| Derivative transactions (*): | | | | |
| Currency related | — | (226) | — | (226) |
| Interest rate related | — | (39) | — | (39) |
| Included in Derivative transactions, total | — | (266) | — | (266) |

| March 31, 2024 | | | | |
|--|-------------|-----------|---------|-------------|
| Thousands of U. S. dollars | | | | |
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Securities: | | | | |
| Available-for-sale securities: | | | | |
| Japanese government bonds | \$1,544,281 | \$ — | \$ — | \$1,544,281 |
| Municipal bonds | — | 2,453,853 | — | 2,453,853 |
| Government-guaranteed bonds | — | 2,616 | — | 2,616 |
| Public corporation bonds | — | 38,962 | — | 38,962 |
| Bank debenture bonds | — | 560,129 | — | 560,129 |
| Industrial bonds | — | 437,153 | 24,171 | 461,325 |
| Equity securities | 868,180 | — | — | 868,180 |
| Foreign bonds | 509,383 | 446,997 | — | 956,380 |
| Others | 283,996 | 2,402,909 | — | 2,686,906 |
| Included in Assets, total | 3,205,842 | 6,342,623 | 24,171 | 9,572,637 |
| Derivative transactions (*): | | | | |
| Currency related | — | (1,497) | — | (1,497) |
| Interest rate related | — | (262) | — | (262) |
| Included in Derivative transactions, total | — | (1,760) | — | (1,760) |

| March 31, 2023 | | | | |
|--|-----------|---------|---------|-----------|
| Millions of yen | | | | |
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Securities: | | | | |
| Available-for-sale securities: | | | | |
| Japanese government bonds | ¥ 245,129 | ¥ — | ¥ — | ¥ 245,129 |
| Municipal bonds | — | 372,490 | — | 372,490 |
| Government-guaranteed bonds | — | 399 | — | 399 |
| Public corporation bonds | — | 6,027 | — | 6,027 |
| Bank debentures | — | 125,187 | — | 125,187 |
| Industrial bonds | — | 57,730 | 3,364 | 61,095 |
| Equity securities | 136,175 | — | — | 136,175 |
| Foreign equity securities | 2,617 | — | — | 2,617 |
| Foreign bonds | 65,598 | 132,928 | — | 198,527 |
| Others | 54,148 | 246,788 | — | 300,937 |
| Included in Assets, total | 503,670 | 941,552 | 3,364 | 1,448,587 |
| Derivative transactions (*): | | | | |
| Currency related | — | 105 | — | 105 |
| Interest rate related | — | (4) | — | (4) |
| Included in Derivative transactions, total | — | 101 | — | 101 |

(*) Derivative transactions accounted for as other assets or liabilities are shown collectively. Assets and liabilities generated from derivative transactions are stated in net, and net liabilities are shown in square parentheses.

(2) 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 | ¥ — | ¥ — | ¥ 2,367,856 | ¥ 2,367,856 |
| Included in Assets, total | — | — | 2,367,856 | 2,367,856 |
| Deposits | — | 4,679,532 | — | 4,679,532 |
| Borrowed money | — | 5,350 | — | 5,350 |
| Included in Liabilities, total | — | 4,684,882 | — | 4,684,882 |

| March 31, 2024 | | | | |
|--------------------------------|---------|------------|---------------|---------------|
| Thousands of U. S. dollars | | | | |
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Loans | \$ — | \$ — | \$ 15,638,706 | \$ 15,638,706 |
| Included in Assets, total | — | — | 15,638,706 | 15,638,706 |
| Deposits | — | 30,906,361 | — | 30,906,361 |
| Borrowed money | — | 35,337 | — | 35,337 |
| Included in Liabilities, total | — | 30,941,698 | — | 30,941,698 |

| March 31, 2023 | | | | |
|--------------------------------|---------|-----------|-------------|-------------|
| Millions of yen | | | | |
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Loans | ¥ — | ¥ — | ¥ 2,469,876 | ¥ 2,469,876 |
| Included in Assets, total | — | — | 2,469,876 | 2,469,876 |
| Deposits | — | 4,360,802 | — | 4,360,802 |
| Borrowed money | — | 26,554 | — | 26,554 |
| Included in Liabilities, total | — | 4,387,356 | — | 4,387,356 |

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

Assets

Securities:

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 government bonds issued by major countries.

Even if available quoted prices are used, securities are classified into Level 2 fair value when the relevant markets are not active. Such securities mainly include municipal bonds, corporate bonds as well as government bonds issued by countries other than major countries.

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. Observable inputs are used in the valuation to the maximum extent possible. Inputs include risk-free interest rates, credit spreads, probability of default. When unobservable inputs are not used for the measurement or those impact is insignificant, the fair value is classified into Level 2. When significant unobservable inputs are used, the fair value is classified into Level 3.

Loans:

The fair value of loans is measured by discounting the aggregate value of principal and interest at the market interest rate reflecting credit risks, etc. for each category based on type of loans, internal ratings and maturities. Loans with floating interest rates reflect the market interest rates in the short-term; thus, the carrying value is used as the fair value of those loans as the fair value approximates the carrying value, where the credit situation of the credit recipients does not vary significantly after executing the loans. For loans with a shorter remaining period (i.e., less than one year), the carrying value is used as the fair value as the fair value approximates the carrying value.

With respect to claims to “legally bankrupt” borrowers, “substantially bankrupt” borrowers and “likely to become bankrupt” borrowers, the fair value is measured at the discounted present value of estimated future cash flows or the discounted present value of estimated collectible amounts through collateral and guarantee. The said fair value is classified into Level 3 since the impact from unobservable inputs is significant.

Liabilities

Deposits:

With respect to on-demand deposits, the fair value is measured at the amount that is required to paid at the balance sheet date. The fair value of time deposits is measured at the discounted present value of future cash flows based on each category of certain period of time. Market rates are used to discount future cash flows. For deposits with a shorter remaining period (i.e., less than one year), the carrying value is presented as the fair value as the fair value approximates the carrying value. The said fair value is classified into Level 2.

Borrowed money:

The fair value of borrowed money is measured at the present value calculated by discounting the aggregate amount of principal and interest at the interest rate reflecting the remaining period of each borrowing and credit risk. Of which, the borrowed money with floating interest rates reflects the market interest rates in the short-term, and the credit status of the Group has not significantly been changed after the execution of borrowings; thus, the carrying value is presented as the fair value since it is deemed that the fair value approximates the carrying value. The said fair value is classified into Level 2.

Derivative transactions

Derivative transactions comprise interest rate related transactions (e.g., interest rate swaps) and currency related transactions (e.g., currency options, currency swaps) and the fair value of derivatives is measured at the value determined by the discounted present value or option pricing models.

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. When unobservable inputs are not used for the measurement or those impact is insignificant, the fair value is classified into Level 2. 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

| Fiscal year ended March 31, 2024 | | | | |
|----------------------------------|----------------------|---------------------------------|-----------------|----------------------------|
| | Valuation techniques | Significant unobservable inputs | Range of inputs | Weighted-average of inputs |
| Securities: | | | | |
| Available-for-sale securities | | | | |
| Industrial bonds | Present value | Probability of default | 0.18 – 1.28% | 0.77% |

| Fiscal year ended March 31, 2023 | | | | |
|----------------------------------|----------------------|---------------------------------|-----------------|----------------------------|
| | Valuation techniques | Significant unobservable inputs | Range of inputs | Weighted-average of inputs |
| Securities: | | | | |
| Available-for-sale securities | | | | |
| Industrial bonds | Present value | Probability of default | 0.30 – 1.53% | 1.07% |

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

| March 31, 2024 | | | | | | | |
|-------------------------------|------------------------------|---|--|-----------------------------|-------------------------------|------------------------|-------------------------------|
| Millions of yen | | | | | | | |
| | Balance at beginning of year | Profit or other comprehensive income (“OCI”) recognized for the current fiscal year Profit OCI (*1) | Purchase, sale, issuance and settlement, net | Reclassification to Level 3 | Reclassification from Level 3 | Balance at end of year | Valuation gains (losses) (*2) |
| Securities: | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Industrial bonds | ¥ 3,364 | ¥ — | ¥ 53 | ¥ 242 | ¥ — | ¥ 3,659 | ¥ — |
| Assets, total | ¥ 3,364 | ¥ — | ¥ 53 | ¥ 242 | ¥ — | ¥ 3,659 | ¥ — |

| March 31, 2024 | | | | | | | |
|-------------------------------|------------------------------|---|--|-----------------------------|-------------------------------|------------------------|-------------------------------|
| Thousands of U. S. dollars | | | | | | | |
| | Balance at beginning of year | Profit or other comprehensive income (“OCI”) recognized for the current fiscal year Profit OCI (*1) | Purchase, sale, issuance and settlement, net | Reclassification to Level 3 | Reclassification from Level 3 | Balance at end of year | Valuation gains (losses) (*2) |
| Securities: | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Industrial bonds | \$ 22,222 | \$ — | \$ 351 | \$ 1,598 | \$ — | \$ 24,171 | \$ — |
| Assets, total | \$ 22,222 | \$ — | \$ 351 | \$ 1,598 | \$ — | \$ 24,171 | \$ — |

| March 31, 2023 | | | | | | | |
|-------------------------------|------------------------------|---|--|-----------------------------|-------------------------------|------------------------|-------------------------------|
| Millions of yen | | | | | | | |
| | Balance at beginning of year | Profit or other comprehensive income (“OCI”) recognized for the current fiscal year Profit OCI (*1) | Purchase, sale, issuance and settlement, net | Reclassification to Level 3 | Reclassification from Level 3 | Balance at end of year | Valuation gains (losses) (*2) |
| Securities: | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Industrial bonds | ¥ 3,415 | ¥ — | ¥ 6 | ¥ (58) | ¥ — | ¥ 3,364 | ¥ — |
| Assets, total | ¥ 3,415 | ¥ — | ¥ 6 | ¥ (58) | ¥ — | ¥ 3,364 | ¥ — |

(*1) The amount is included in "Valuation differences on available-for-sale securities" of "Other comprehensive income" of the consolidated statements of comprehensive income.

(*2) It presents valuation gains or losses of financial assets or liabilities held at the balance sheet date, out of profit recognized for the current fiscal year.

(3) Fair value valuation procedures

The Market Trading Division performs a fair value measurement in accordance with the policies and procedures prepared by the Risk Management Division. 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 classified level of the fair value. The verification result is reported to the Risk Management Division periodically, and thus, the appropriateness of the policies and procedures of the fair value measurement is ensured.

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 reasonableness of the prices is verified 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 are made to significant unobservable inputs

The significant unobservable input used in measuring the fair value of Industrial bonds is a probability of default. Significant increase (decrease) in this input alone results in significant decrease (increase) in the fair value.

8. Securities

a. Trading account securities

There were no trading account securities to be reported as of March 31, 2024 and 2023.

b. Held-to-maturity securities which have a readily determinable fair value

There were no held-to-maturity securities to be reported as of March 31, 2024 and 2023.

c. Available-for-sale securities which have a readily determinable fair value

The acquisition cost and carrying value of available-for-sale securities which have a readily determinable fair value and the related unrealized gains or losses as of March 31, 2024 and 2023 are summarized as follows:

| March 31, 2024 | | | | | |
|-----------------|----------------|------------------|------------|----------|----------|
| Millions of yen | | | | | |
| | Carrying value | Acquisition cost | Difference | Gains | Losses |
| Stock | ¥ 131,451 | ¥ 54,372 | ¥ 77,078 | ¥ 77,723 | ¥ 645 |
| Debt securities | 766,311 | 783,911 | (17,599) | 373 | 17,973 |
| Others | 551,630 | 571,195 | (19,565) | 9,244 | 28,809 |
| Total | ¥ 1,449,392 | ¥ 1,409,479 | ¥ 39,912 | ¥ 87,341 | ¥ 47,428 |

| March 31, 2024 | | | | | |
|---------------------------|----------------|------------------|------------|------------|------------|
| Thousands of U.S. dollars | | | | | |
| | Carrying value | Acquisition cost | Difference | Gains | Losses |
| Stock | \$ 868,180 | \$ 359,107 | \$ 509,073 | \$ 513,334 | \$ 4,261 |
| Debt securities | 5,061,169 | 5,177,409 | (116,240) | 2,467 | 118,707 |
| Others | 3,643,287 | 3,772,510 | (129,223) | 61,053 | 190,276 |
| Total | \$ 9,572,637 | \$ 9,309,027 | \$ 263,609 | \$ 576,855 | \$ 313,245 |

| March 31, 2023 | | | | | |
|-----------------|----------------|------------------|------------|----------|----------|
| Millions of yen | | | | | |
| | Carrying value | Acquisition cost | Difference | Gains | Losses |
| Stock | ¥ 136,175 | ¥ 66,359 | ¥ 69,815 | ¥ 70,885 | ¥ 1,069 |
| Debt securities | 810,329 | 827,370 | (17,040) | 150 | 17,190 |
| Others | 502,082 | 537,200 | (35,118) | 3,663 | 38,781 |
| Total | ¥ 1,448,587 | ¥ 1,430,930 | ¥ 17,657 | ¥ 74,698 | ¥ 57,041 |

Japanese government bonds, equities and others loaned under the securities lending agreement in the amount of ¥51,809 million (\$342,182 thousand) and ¥32,936 million is included in the above as of March 31, 2024 and 2023, respectively.

Securities (excluding equity securities without market prices and investments in partnerships) other than trade account securities, whose fair value is available, are written down to the fair value if the fair value has significantly declined compared with the acquisition cost and such decline is not considered to be recoverable. The difference between the acquisition cost and the fair value is recognized as a loss on impairment. The related loss on impairment was not recognized for the years ended March 31, 2024 and 2023. The criteria for determining if such decline is significant are as follows:

Securities whose fair value is 50% or less than the acquisition cost are necessarily written down and securities whose fair value is between 50% and 70% of the acquisition cost are written down when the market price is considered to be non-recoverable within one year, taking into consideration the trend of the market price and operating performances of the issuing entities. The components of net unrealized gains on available-for-sale securities recorded under net assets as of March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|---|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Unrealized gains on available-for-sale securities | ¥ 41,323 | ¥ 17,657 | \$ 272,923 |
| Deferred tax liabilities | (12,209) | (4,928) | (80,638) |
| | ¥ 29,113 | ¥ 12,728 | \$ 192,285 |
| Attributable to non-controlling interest | (1,028) | (1,395) | (6,796) |
| Net unrealized gains on available-for-sale securities | 28,084 | 11,332 | 185,489 |

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

| | 2024 | 2023 | 2024 |
|--------------------|-----------------|-----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Proceeds from sale | ¥ 246,123 | ¥ 305,974 | \$ 1,625,542 |
| Gain on sale | 24,526 | 20,989 | 161,984 |
| Loss on sale | 11,620 | 10,315 | 76,745 |

Of corporate bonds in securities, the amounts of guarantee obligations for privately placed corporate bonds (stipulated in Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) are as follows:

| | 2024 | 2023 | 2024 |
|--|-----------------|---------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| | ¥ 3,674 | ¥ 3,432 | \$ 24,265 |

d. Investments in unconsolidated subsidiaries and associates are as follows:

| | 2024 | 2023 | 2024 |
|-----------------------|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Investment in capital | ¥ 32,468 | ¥ 15,645 | \$ 214,438 |
| Equity securities | 206 | 146 | 1,364 |

9. Money Held in Trusts

Money held in trusts for investment purposes

| | 2024 | 2023 | 2024 |
|--|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Amount recorded in the consolidated balance sheets | ¥ 13,532 | ¥ 13,535 | \$ 89,376 |
| Valuation differences included in profit and loss for the consolidated fiscal year | 32 | 35 | 214 |

10. Derivatives

The Group enters into interest rate swaps to hedge interest rate risk associated with deposits, loans and holding debt securities and currency swaps and foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. In addition, to respond to the customers' hedging needs related to their interest rate risk and foreign exchange risk, the Group enters into derivative contracts including interest rate swaps, currency swaps, foreign exchange forward contracts and currency options. These transactions are covered by the reversing trades to avoid market risk. The effectiveness of these hedging activities is assessed and verified on a regular basis.

Derivative contracts to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal amount defined in the contract, fair value and valuation gains or losses by transaction type as of March 31, 2024 and 2023 are as follows:

Note that contract amount does not represent the market risk exposure of the derivative transactions.

(1) Interest rate related derivatives

There are no interest rate related derivatives as of March 31, 2024 and 2023.

(2) Currency related derivatives

| | | March 31, 2024 | | | |
|---------------------------------------|--------|-----------------|---------------|--------------------------|---------|
| | | Millions of yen | | | |
| | | Contract amount | | Valuation gains (losses) | |
| | | Total | Over one year | Fair value | |
| OTC transactions: | | | | | |
| Currency swaps | | ¥ — | ¥ — | ¥ — | ¥ — |
| Forward contracts on foreign exchange | Sold | 33,726 | — | (232) | (232) |
| | Bought | 603 | — | 4 | 4 |
| Currency options | Sold | 3,803 | 3,662 | (402) | 200 |
| | Bought | 3,803 | 3,662 | 404 | (193) |
| Total | | ¥ — | ¥ — | ¥ (226) | ¥ (222) |

| | | March 31, 2024 | | | |
|---------------------------------------|--------|----------------------------|---------------|--------------------------|------------|
| | | Thousands of U. S. dollars | | | |
| | | Contract amount | | Valuation gains (losses) | |
| | | Total | Over one year | Fair value | |
| OTC transactions: | | | | | |
| Currency swaps | | \$ — | \$ — | \$ — | \$ — |
| Forward contracts on foreign exchange | Sold | 222,752 | — | (1,538) | (1,538) |
| | Bought | 3,985 | — | 30 | 30 |
| Currency options | Sold | 25,118 | 24,188 | (2,658) | 1,322 |
| | Bought | 25,118 | 24,188 | 2,669 | (1,280) |
| Total | | \$ — | \$ — | \$ (1,497) | \$ (1,466) |

| | | March 31, 2023 | | | |
|---------------------------------------|--------|-----------------|---------------|--------------------------|-------|
| | | Millions of yen | | | |
| | | Contract amount | | Valuation gains (losses) | |
| | | Total | Over one year | Fair value | |
| OTC transactions: | | | | | |
| Currency swaps | | ¥ — | ¥ — | ¥ — | ¥ — |
| Forward contracts on foreign exchange | Sold | 69,067 | — | (596) | (596) |
| | Bought | 37,474 | — | 699 | 699 |
| Currency options | Sold | 6,255 | 5,732 | (419) | 473 |
| | Bought | 6,255 | 5,732 | 422 | (461) |
| Total | | ¥ — | ¥ — | ¥ 105 | ¥ 115 |

Note:

The above transactions are stated at fair value and valuation gains or losses is recorded in the consolidated statements of income.

Derivative contracts to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal amount defined in the contract and fair value by transaction type and by hedge accounting method as of March 31, 2024 and 2023 are as follows:

Note that contract amount does not represent the market risk exposure of the derivative transactions.

(1) Interest rate related derivatives

| | | March 31, 2024 | | | |
|---------------------------|---|-------------------|-----------------|------------------------------------|------------|
| | | Millions of yen | | | |
| Hedge accounting method | Transaction type | Major hedged item | Contract amount | Contract amount due after one year | Fair value |
| Deferral hedge accounting | Interest rate swaps: Receive floating Pay fixed | Securities | ¥ 34,838 | ¥ 34,838 | ¥ (39) |
| Total | | | — | — | ¥ (39) |

| | | March 31, 2024 | | | |
|---------------------------|---|----------------------------|-----------------|------------------------------------|------------|
| | | Thousands of U. S. dollars | | | |
| Hedge accounting method | Transaction type | Major hedged item | Contract amount | Contract amount due after one year | Fair value |
| Deferral hedge accounting | Interest rate swaps: Receive floating Pay fixed | Securities | \$ 230,091 | \$ 230,091 | \$ (262) |
| Total | | | — | — | \$ (262) |

| | | March 31, 2023 | | | |
|---------------------------|---|-------------------|-----------------|------------------------------------|------------|
| | | Millions of yen | | | |
| Hedge accounting method | Transaction type | Major hedged item | Contract amount | Contract amount due after one year | Fair value |
| Deferral hedge accounting | Interest rate swaps: Receive floating Pay fixed | Securities | ¥ 16,676 | ¥ 16,676 | ¥ (4) |
| Total | | | — | — | ¥ (4) |

Note:

Gains or losses on above contacts is deferred until maturity of the hedged items in accordance with JICPA Industry Audit Committee Report No. 24.

(2) Currency related derivatives

There are no currency related derivatives as of March 31, 2024 and 2023.

11. Revaluation of Land

Pursuant to the "Act on Revaluation of Land" (the "Act"), land used for the business operations of the Bank being a consolidated subsidiary of the Company, was revalued on March 31, 1999. The excess of the revalued aggregate market value over the total book value (carrying value) before revaluation was included in net assets as land revaluation surplus at the net amount of the related tax effect as of March 31, 1999. The corresponding income taxes were included in liabilities as of March 31, 1999 as deferred tax liability arising from revaluation of land. The revaluation of the land was determined based on the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, with certain necessary adjustments.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the Act, and the total book value of the land after the revaluation was ¥5,590 million (\$36,921 thousand) and ¥5,819 million as of March 31, 2024 and 2023, respectively.

12. Cash Flows

A reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2024 and 2023 and cash and cash equivalents in the consolidated statements of cash flows for the year then ended is as follows:

| | 2024 | 2023 | 2024 |
|---|-----------------|-------------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Cash and due from banks | ¥ 1,576,763 | ¥ 1,354,859 | \$ 10,413,868 |
| Due from banks other than the Bank of Japan | (6,207) | (6,850) | (40,997) |
| Cash and cash equivalents | 1,570,556 | 1,348,008 | 10,372,871 |

For the year ended March 31, 2024, the FD Advisory, Ltd., a consolidated subsidiary, merged with ALCOLAB, Ltd. through share acquisition in exchange for cash, with the FD Advisory, Ltd., as a surviving company and ALCOLAB, Ltd. as an absorbed company. Major assets acquired and liabilities assumed as a result of the merger, and acquisition cost of shares and net payments for acquisition are as follows:

| | 2024 | 2024 |
|---|-----------------|----------------------------|
| | Millions of yen | Thousands of U. S. dollars |
| Current assets | ¥ 186 | \$ 1,228 |
| Non-current assets | 7 | 48 |
| Current liabilities | (31) | (206) |
| Non-controlling interests | (32) | (214) |
| Goodwill | 1,070 | 7,069 |
| Acquisition cost of shares | 1,200 | 7,925 |
| Value of subsidiary's share issued through share exchange | (104) | (687) |
| Cash and cash equivalents | (148) | (979) |
| Net: payments for acquisition | 947 | 6,259 |

13. Accumulated Depreciation and Deferred Gains on Tangible Fixed Assets

Accumulated depreciation totaled ¥33,345 million (\$220,232 thousand) and ¥34,225 million as of March 31, 2024 and 2023, respectively. Deferred gains on tangible fixed assets deducted for tax purposes as of March 31, 2024 and 2023 were ¥2,612 million (\$17,251 thousand) and ¥2,775 million, respectively.

14. Assets Pledged

Assets pledged as collateral as of March 31, 2024 and 2023 were as follows:

| | 2024 | 2023 | 2024 |
|--|-----------------|-----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Pledged assets: | | | |
| Securities | ¥ 698,603 | ¥ 720,455 | \$ 4,613,984 |
| Other assets | 1,046 | 743 | 6,909 |
| Total | 699,649 | 721,198 | 4,620,894 |
| Liabilities secured by the above assets: | | | |
| Deposits | 45,811 | 42,154 | 302,562 |
| Call money and bills sold | 22,000 | 22,000 | 145,300 |
| Guarantee deposit received under securities lending transactions | 318,639 | 360,955 | 2,104,484 |
| Borrowed money | 5,300 | 26,400 | 35,004 |
| Total | ¥ 391,750 | ¥ 451,510 | \$ 2,587,352 |

Margin deposits with the clearing house of ¥20,000 million (\$132,091 thousand) and ¥20,000 million as of March 31, 2024 and 2023 and guarantee deposits of ¥73 million (\$487 thousand) and ¥68 million were included in other assets as of March 31, 2024 and 2023, respectively.

15. Borrowed Money

The details of borrowed money as of March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|--|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Borrowed money | | | |
| Due from October 2024 through October 2028 | ¥ 5,396 | ¥ 26,553 | \$ 35,638 |
| Average interest rate: 0.33% p.a. | | | |

Scheduled repayments of borrowed money by each year:

| Year ending March 31, | Millions of yen | Thousands of U. S. dollars |
|-----------------------|-----------------|----------------------------|
| 2025 | ¥ 68 | \$ 454 |
| 2026 | 27 | 180 |
| 2027 | — | — |
| 2028 | — | — |
| 2029 and thereafter | 5,300 | 35,004 |
| Total | ¥ 5,396 | \$ 35,638 |

16. Bonds Payable

In the fiscal year of 2021, the Bank has issued series of unsecured callable subordinated bonds with special exemption clause in case of actual bankruptcy. The details of bonds payable as of March 31, 2024 and 2023 are as follows:

| | | | | 2024 | 2023 | 2024 |
|------------------------------|----------------|-----------------|---------------|-----------------|----------|----------------------------|
| | Issued date | Redemption date | Interest rate | Millions of yen | | Thousands of U. S. dollars |
| The Hokkoku Bank Ltd.: | | | | | | |
| 1st Unsecured Callable Bonds | July 22, 2020 | July 22, 2030 | 0.94% | ¥ 10,000 | ¥ 10,000 | \$ 66,045 |
| 2nd Unsecured Callable Bonds | March 10, 2021 | March 10, 2031 | 0.86% | 10,000 | 10,000 | 66,045 |
| Total | | | | ¥ 20,000 | ¥ 20,000 | \$ 132,091 |

Scheduled redemptions of bonds payable by each year:

| Year ending March 31, | Millions of yen | Thousands of U. S. dollars |
|-----------------------|-----------------|----------------------------|
| 2025 | ¥ — | \$ — |
| 2026 | — | — |
| 2027 | — | — |
| 2028 | — | — |
| 2029 and thereafter | 20,000 | 132,091 |
| Total | ¥ 20,000 | \$ 132,091 |

17. Borrowed Money from Trust Account

The principal amount of trust account with contracts indemnifying the principal is as follows:

| | 2024 | 2023 | 2024 |
|-------------|-----------------|-------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Money trust | ¥ 167 | ¥ 164 | \$ 1,107 |

18. Shareholders' Equity

Japanese banks are subject to the Banking Act and the Companies Act. The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance generally does not give rise to changes within the shareholders' accounts.

The Banking Act provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Companies Act. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock subject to resolution of the Board of Directors.

The Companies Act allows Japanese companies to repurchase treasury stock and cancel such treasury stock upon resolution of the Board of Directors. The aggregate repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of

common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the ordinary general meeting of shareholders.

Dividends are approved by the shareholders at the meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Companies Act. The movements of outstanding shares and cash dividends during the years ended March 31, 2024 and 2023 are as follows:

a. Number of outstanding shares and treasury stock
For the year ended March 31, 2024

| Type of shares | Thousand shares | | | |
|-----------------|------------------------------|--------------------------|--------------------------|------------------------|
| | Balance at beginning of year | Increase during the year | Decrease during the year | Balance at end of year |
| Issued stock: | | | | |
| Common stock | 26,908 | — | 1,700 | 25,208 |
| Treasury stock: | | | | |
| Common stock | 1,809 | 2,047 | 1,833 | 2,023 |

Notes:

1. The decrease in issued stock of 1,700 thousand shares is due to the cancellation of treasury stock.
2. The increase in treasury stock of 2,047 thousand shares consists of the repurchase of treasury stock of 2,046 thousand shares and requests for the buyback of shares less than one unit of 0 thousand shares.
3. The decrease in treasury stock of 1,833 thousand shares consists of the cancellation of treasury stock of 1,700 thousand shares and grant of restricted shares of 133 thousand shares.
4. The number of treasury stock (common stock) as of March 31, 2024 includes 105 thousand shares held by the Bank's management board benefit trust at Custody Bank of Japan, Ltd. (Trust account).

For the year ended March 31, 2023

| Type of shares | Thousand shares | | | |
|-----------------|------------------------------|--------------------------|--------------------------|------------------------|
| | Balance at beginning of year | Increase during the year | Decrease during the year | Balance at end of year |
| Issued stock: | | | | |
| Common stock | 27,908 | — | 1,000 | 26,908 |
| Treasury stock: | | | | |
| Common stock | 1,118 | 1,784 | 1,093 | 1,809 |

Notes:

1. The decrease in issued stock of 1,000 thousand shares is due to the cancellation of treasury stock.
2. The increase in treasury stock of 1,784 thousand shares consists of the repurchase of treasury stock of 1,783 thousand shares and requests for the buyback of shares less than one unit of 1 thousand shares.
3. The decrease in treasury stock of 1,093 thousand shares consists of the cancellation of treasury stock of 1,000 thousand shares, grant of restricted shares of 80 thousand shares and shares provided from the Bank's management board benefit trust of 12 thousand shares.
4. The number of treasury stock (common stock) as of March 31, 2023 includes 105 thousand shares held by the Bank's management board benefit trust at Custody Bank of Japan, Ltd. (Trust account).

b. Stock acquisition rights

There are no stock acquisition rights as of March 31, 2024 and 2023.

c. Dividends paid to the shareholders during the year
For the year ended March 31, 2024

| Date of resolution | Resolution by | Type of shares | Total dividends | Dividends per share | Date of record | Effective date |
|--------------------|--|----------------|--|---------------------|--------------------|------------------|
| June 9, 2023 | Ordinary general meeting of shareholders | Common Stock | ¥1,260 million (\$8,323 thousand) (Note 1) | ¥50.0 (\$0.33) | March 31, 2023 | June 12, 2023 |
| October 27, 2023 | Board of Directors | Common Stock | ¥1,323 million (\$8,741 thousand) (Note 2) | ¥55.0 (\$0.36) | September 30, 2023 | December 5, 2023 |

Notes:

1. The total amount of dividends paid includes ¥5 million (\$34 thousand) of dividends for shares held by the Bank's management board benefit trust.
2. The total amount of dividends paid includes ¥5 million (\$38 thousand) of dividends for shares held by the Bank's management board benefit trust.

For the year ended March 31, 2023

| Date of resolution | Resolution by | Type of shares | Total dividends | Dividends per share | Date of record | Effective date |
|--------------------|--|----------------|-------------------------|---------------------|--------------------|------------------|
| June 14, 2022 | Ordinary general meeting of shareholders | Common Stock | ¥1,345 million (Note 1) | ¥50.0 | March 31, 2022 | June 15, 2022 |
| October 28, 2022 | Board of Directors | Common Stock | ¥1,325 million (Note 2) | ¥50.0 | September 30, 2022 | December 5, 2022 |

Notes:

1. The total amount of dividends paid includes ¥5 million of dividends for shares held by the Bank's management board benefit trust.
2. The total amount of dividends paid includes ¥5 million of dividends for shares held by the Bank's management board benefit trust.

Dividends applicable to the years ended March 31, 2024 and 2023, but not recorded in the accompanying consolidated financial statements, since the effective date is subsequent to the current fiscal year end:

For the year ended March 31, 2024

| Date of resolution | Resolution by | Type of shares | Total dividends | Dividends per share | Date of record | Effective date |
|--------------------|--------------------|----------------|--|---------------------|----------------|----------------|
| May 10, 2024 | Board of Directors | Common stock | ¥1,280 million (\$8,460 thousand) (Note) | ¥55.0 (\$0.36) | March 31, 2024 | May 27, 2024 |

(Above cash dividends are distributed from retained earnings.)

Note:

The total amount of dividends paid includes ¥5 million (\$38 thousand) of dividends for shares held by the Bank's management board benefit trust.

For the year ended March 31, 2023

| Date of resolution | Resolution by | Type of shares | Total dividends | Dividends per share | Date of record | Effective date |
|--------------------|--|----------------|-----------------------|---------------------|----------------|----------------|
| June 9, 2023 | Ordinary general meeting of shareholders | Common stock | ¥1,260 million (Note) | ¥50.0 | March 31, 2023 | June 12, 2023 |

(Above cash dividends are distributed from retained earnings.)

Note:

The total amount of dividends paid includes ¥5 million of dividends for shares held by the Bank's management board benefit trust.

19. Leases

As lessee:

a. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases as of March 31, 2024 and 2023:

| | 2024 | 2023 | 2024 |
|---------------------|-----------------|-------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Due within one year | ¥ 149 | ¥ 154 | \$ 988 |
| Due after one year | 216 | 232 | 1,429 |
| Total | ¥ 366 | ¥ 386 | \$ 2,418 |

As lessor:

a. Finance leases

Investment in leased assets consists of the following:

| | 2024 | 2023 | 2024 |
|--------------------------|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Lease receivables | ¥ 37,391 | ¥ 34,663 | \$ 246,953 |
| Residual value | 701 | 647 | 4,630 |
| Unearned interest income | (2,400) | (2,288) | (15,856) |
| Total | ¥ 35,691 | ¥ 33,022 | \$ 235,727 |

Maturities of lease receivables and investment in leased assets as of March 31, 2024 and 2023 are as follows:

| | Millions of yen | Thousands of U. S. dollars |
|----------------------------|-------------------|-----------------------------|
| | Lease receivables | Investment in leased assets |
| Year ending March 31, 2024 | | |
| 2025 | ¥ 925 | ¥ 9,979 |
| 2026 | 827 | 8,144 |
| 2027 | 735 | 6,684 |
| 2028 | 402 | 5,494 |
| 2029 | 222 | 3,644 |
| 2030 and thereafter | 524 | 3,443 |
| Total | ¥ 3,637 | ¥ 37,391 |

| | Millions of yen | Thousands of U. S. dollars |
|----------------------------|-------------------|-----------------------------|
| | Lease receivables | Investment in leased assets |
| Year ending March 31, 2023 | | |
| 2024 | ¥ 916 | ¥ 10,051 |
| 2025 | 744 | 7,809 |
| 2026 | 643 | 5,889 |
| 2027 | 549 | 4,489 |
| 2028 | 216 | 3,374 |
| 2029 and thereafter | 352 | 3,048 |
| Total | ¥ 3,422 | ¥ 34,663 |

b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases as of March 31, 2024 and 2023:

| | 2024 | 2023 | 2024 |
|---------------------|-----------------|-------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Due within one year | ¥ 159 | ¥ 184 | \$ 1,054 |
| Due after one year | 216 | 242 | 1,429 |
| Total | ¥ 376 | ¥ 426 | \$ 2,484 |

20. Other Income, Other Expenses and General and Administrative Expenses

Major income included in other income for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|---------------------------------------|-----------------|--------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Recoveries of written off receivables | ¥ 370 | ¥ 263 | \$ 2,446 |
| Gain on sale of equity securities | 23,825 | 19,847 | 157,359 |

Major expenses included in other expenses for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|---|-----------------|---------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Provision of reserve for possible loan losses | ¥ 3,271 | ¥ 3,269 | \$ 21,604 |
| Write-off of loans | 1,237 | 2,411 | 8,176 |
| Loss on sale of equity securities | 797 | 1,620 | 5,264 |
| Loss on devaluation of equity securities | 431 | 502 | 2,847 |
| Loss on sale of receivables | 110 | 162 | 732 |

Major expenses included in general and administrative expenses for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|-------------------------|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Salaries and allowances | ¥ 12,975 | ¥ 12,512 | \$ 85,697 |
| Depreciation | 4,021 | 3,948 | 26,562 |

21. Special gains and losses

Special gains and losses for the years ended March 31, 2024 and 2023 consist of the following:

| | 2024 | 2023 | 2024 |
|---|-----------------|-----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Special gains (losses): | | | |
| Gain on disposal of tangible fixed assets | ¥ 121 | ¥ 70 | \$ 800 |
| Loss on disposal of tangible fixed assets | (405) | (1,460) | (2,679) |
| Loss on impairment | (985) | (93) | (6,507) |
| Loss on disaster | (329) | — | (2,175) |
| Total | ¥ (1,599) | ¥ (1,484) | \$ (10,562) |

In connection with the 2024 Noto Peninsula Earthquake, loss on disaster is recorded under special gains and losses for the year ended March 31, 2024. The amount of loss on disaster consists of ¥24 million (\$162 thousand) of loss on impairment of branches with difficulty to continue operation and ¥304 million (\$2,012 thousand) of disaster recovery expenses for damaged facilities.

Loss on Impairment

For identifying a loss on impairment, the Bank's operating branches are grouped by the areas under control of the area management (or by branches if not under control of the area management) and the Bank's idle assets are grouped individually. Headquarters, office centers, dormitories, welfare facilities, etc. are treated as common use assets because they do not generate independent cash flows. In principle, each of the consolidated subsidiaries is treated as a group of units.

For the following operating branches and idle assets among above tangible fixed assets, loss on impairment is recognized in the consolidated statements of income, by reducing the carrying value to the respective recoverable amount.

| | | | Year ended March 31, 2024 | | |
|------------------------|----------|----------------------|---------------------------|-----------------|----------------------------|
| | Location | Main use | Asset type | Millions of yen | Thousands of U. S. dollars |
| Ishikawa Pref. | | 9 operating branches | Land | ¥ 400 | \$ 2,644 |
| | | 9 operating branches | Buildings | 83 | 554 |
| | | 3 common use asset | Land | 148 | 983 |
| | | 2 common use asset | Buildings | 229 | 1,513 |
| | | 7 idle assets | Land | 3 | 21 |
| Outside Ishikawa Pref. | | 1 operating branch | Land | 119 | 790 |
| Total | | | | ¥ 985 | \$ 6,507 |

In the assessment of loss on impairment, the recoverable amount is computed using the net realizable value, which is determined mainly based on the real estate appraisal value.

| Location | Year ended March 31, 2023 | | |
|------------------------|---------------------------|------------|-----------------|
| | Main use | Asset type | Millions of yen |
| Ishikawa Pref. | 9 operating branches | Land | ¥ 14 |
| | 4 operating branches | Buildings | 16 |
| | 1 common use asset | Land | 0 |
| | 1 common use asset | Buildings | 54 |
| | 3 idle assets | Land | 0 |
| Outside Ishikawa Pref. | 1 operating branch | Building | 6 |
| | 1 idle asset | Land | 0 |
| Total | | | ¥ 93 |

In the assessment of loss on impairment, the recoverable amount is computed using the net realizable value, which is determined mainly based on the real estate appraisal value.

22. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|---|-----------------|------------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Reclassification adjustments | | | |
| Valuation differences on available-for-sale securities: | | | |
| Gains (losses) incurred during the year | ¥ 36,474 | ¥ (24,537) | \$ 240,896 |
| Reclassification adjustment | (12,807) | (11,539) | (84,590) |
| Amount before tax effect | 23,666 | (36,077) | 156,306 |
| Deferred gains (losses) on hedging instruments: | | | |
| Gains (losses) incurred during the year | (123) | (3) | (818) |
| Reclassification adjustment | 76 | (166) | 507 |
| Amount before tax effect | (47) | (170) | (310) |
| Remeasurements of defined benefit plans | | | |
| Gains (losses) incurred during the year | 455 | (76) | 3,008 |
| Reclassification adjustment | 427 | 317 | 2,824 |
| Amount before tax effect | 883 | 240 | 5,832 |
| Total amount before tax effect | 24,502 | (36,006) | 161,828 |
| Tax effect | (7,534) | 10,752 | (49,764) |
| Total other comprehensive income | 16,967 | (25,254) | 112,063 |

| | 2024 | 2023 | 2024 |
|---|-----------------|------------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Tax effect on other comprehensive income: | | | |
| Valuation differences on available-for-sale securities: | | | |
| Amount before tax effect | ¥ 23,666 | ¥ (36,077) | \$ 156,306 |
| Tax effect | (7,280) | 10,807 | (48,086) |
| Amount after tax effect | 16,385 | (25,269) | 108,219 |
| Deferred gains (losses) on hedging instruments: | | | |
| Amount before tax effect | (47) | (170) | (310) |
| Tax effect | 14 | 51 | 94 |
| Amount after tax effect | (32) | (118) | (216) |
| Remeasurements of defined benefit plans | | | |
| Amount before tax effect | 883 | 240 | 5,832 |
| Tax effect | (268) | (106) | (1,772) |
| Amount after tax effect | 614 | 133 | 4,060 |

23. Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2024 and 2023 are summarized as follows:

| | 2024 | 2023 | 2024 |
|--|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Deferred tax assets: | | | |
| Tax loss carried forward (Note) | ¥ 521 | ¥ 293 | \$ 3,444 |
| Reserve for possible loan losses | 16,620 | 18,180 | 109,773 |
| Net defined benefit liability | 128 | 396 | 846 |
| Depreciation | 1,842 | 1,592 | 12,167 |
| Devaluation of equity securities | 656 | 695 | 4,334 |
| Enterprise tax payable | 231 | 38 | 1,529 |
| Reserve for bonuses | 213 | 217 | 1,407 |
| Deferred consumption tax | 201 | 114 | 1,332 |
| Loss on impairment of land | 819 | 808 | 5,411 |
| Other | 1,162 | 939 | 7,674 |
| Subtotal | 22,397 | 23,280 | 147,923 |
| Valuation allowance | (13,408) | (14,639) | (88,556) |
| Total deferred tax assets | 8,988 | 8,640 | 59,367 |
| Deferred tax liabilities: | | | |
| Valuation differences on available-for-sale securities | (12,209) | (4,928) | (80,638) |
| Other | (223) | (280) | (1,477) |
| Total deferred tax liabilities | (12,433) | (5,209) | (82,115) |
| Net deferred tax assets (liabilities) | (3,444) | 3,431 | (22,747) |

(Note) Amounts of tax loss carried forward and deferred tax assets by each year

| | Millions of yen | | | |
|----------------------------|------------------------------|---------------------|---------------------|---|
| Year ending March 31, 2024 | Tax loss carried forward (*) | Valuation allowance | Deferred tax assets | |
| 2025 | ¥ — | ¥ — | ¥ — | — |
| 2026 | — | — | — | — |
| 2027 | — | — | — | — |
| 2028 | — | — | — | — |
| 2029 | — | — | — | — |
| 2030 and thereafter | 521 | (521) | — | — |
| Total | ¥ 521 | ¥ (521) | ¥ — | — |

| | Thousands of U. S. dollars | | | |
|----------------------------|------------------------------|---------------------|---------------------|---|
| Year ending March 31, 2024 | Tax loss carried forward (*) | Valuation allowance | Deferred tax assets | |
| 2025 | \$ — | \$ — | \$ — | — |
| 2026 | — | — | — | — |
| 2027 | — | — | — | — |
| 2028 | — | — | — | — |
| 2029 | — | — | — | — |
| 2030 and thereafter | 3,444 | 3,444 | — | — |
| Total | \$ 3,444 | \$ 3,444 | \$ — | — |

| | Millions of yen | | | |
|----------------------------|------------------------------|---------------------|---------------------|---|
| Year ending March 31, 2023 | Tax loss carried forward (*) | Valuation allowance | Deferred tax assets | |
| 2024 | ¥ — | ¥ — | ¥ — | — |
| 2025 | — | — | — | — |
| 2026 | — | — | — | — |
| 2027 | — | — | — | — |
| 2028 | — | — | — | — |
| 2029 and thereafter | 293 | (293) | — | — |
| Total | ¥ 293 | ¥ (293) | ¥ — | — |

(*) Tax loss carried forward is calculated by multiplying the statutory tax rate.

A reconciliation of the statutory tax rate applicable to the Company and its consolidated subsidiaries to the effective tax rate for the years ended March 31, 2024 and 2023 are presented as follows:

| | 2024 | 2023 |
|--|--------|--------|
| Statutory tax rate | 30.4% | 30.4% |
| Reconciliation: | | |
| Non deductible permanent differences, such as entertainment expenses | 0.2 | 0.5 |
| Nontaxable permanent differences, such as dividend income | (1.4) | (19.0) |
| Per capita residents' taxes | 0.2 | 0.2 |
| Valuation allowance | (10.5) | 7.8 |
| Offsetting dividends from subsidiaries | 0.0 | 17.7 |
| Difference in effective tax rate with consolidated subsidiaries | 1.3 | 0.3 |
| Other | 0.9 | (0.2) |
| Effective tax rate | 21.4% | 37.9% |

24. Retirement Benefit Plans

The Group has the defined contribution pension plans (corporate type) ("defined contribution plan"), and certain consolidated subsidiaries of the Company have defined benefit corporate pension plans ("defined benefit plans").

Defined benefit Plans

a. The reconciliation of in defined benefit obligation for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|------------------------------|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Balance at beginning of year | ¥ 18,309 | ¥ 19,302 | \$ 120,924 |
| Service cost | — | — | — |
| Interest cost | 32 | 35 | 212 |
| Actuarial gains or losses | — | (16) | — |
| Benefits paid | (914) | (1,013) | (6,041) |
| Other | 22 | — | 149 |
| Balance at end of year | ¥ 17,449 | ¥ 18,309 | \$ 115,244 |

b. The reconciliation of in plan assets for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|---------------------------------|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Balance at beginning of year | ¥ 16,932 | ¥ 16,904 | \$ 111,833 |
| Expected return on plan assets | 253 | 253 | 1,677 |
| Actuarial gains or losses | 455 | (70) | 3,008 |
| Contributions from the employer | 37 | 858 | 247 |
| Benefits paid | (914) | (1,013) | (6,041) |
| Balance at end of year | ¥ 16,764 | ¥ 16,932 | \$ 110,724 |

c. The reconciliation between the net defined benefit liability recorded in the consolidated balance sheets and the balances at end of year of defined benefit obligation and plan assets

| | 2024 | 2023 | 2024 |
|---|-----------------|----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Funded defined benefit obligation | ¥ 17,449 | ¥ 18,309 | \$ 115,244 |
| Plan assets | (16,764) | (16,932) | (110,724) |
| | 684 | 1,376 | 4,520 |
| Unfunded defined benefit obligation | — | — | — |
| Net liability recorded in the consolidated balance sheets | 684 | 1,376 | 4,520 |

| | 2024 | 2023 | 2024 |
|---|-----------------|---------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Net defined benefit liability | ¥ 684 | ¥ 1,376 | \$ 4,520 |
| Net liability recorded in the consolidated balance sheets | 684 | 1,376 | 4,520 |

d. The components of retirement benefit expenses for the years ended March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|---|-----------------|-------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Service cost | ¥ — | ¥ — | \$ — |
| Interest cost | 32 | 35 | 212 |
| Expected return on plan assets | (253) | (253) | (1,677) |
| Amortization of actuarial gains or losses | 427 | 430 | 2,824 |
| Amortization of prior service cost | — | (135) | — |
| Retirement benefit expenses | 205 | 77 | 1,359 |

e. The components of remeasurements of defined benefit plans (before deducting tax effect) on other comprehensive income as of March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|-------------------------------|-----------------|---------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Prior service cost | ¥ — | ¥ (113) | \$ — |
| Net actuarial gains or losses | 883 | 353 | 5,832 |
| Total | ¥ 883 | ¥ 240 | \$ 5,832 |

f. The components of remeasurements of defined benefit plans (before deducting tax effect) on accumulated other comprehensive income as of March 31, 2024 and 2023 are as follows:

| | 2024 | 2023 | 2024 |
|--|-----------------|-----------|----------------------------|
| | Millions of yen | | Thousands of U. S. dollars |
| Unrecognized prior service cost | ¥ — | ¥ — | \$ — |
| Unrecognized net actuarial gains or losses | (846) | (1,730) | (5,593) |
| Total | ¥ (846) | ¥ (1,730) | \$ (5,593) |

g. Plan assets

(1) The components of plan assets are as follows:

| | 2024 | 2023 |
|-------------------|------|------|
| General account | 83% | 86% |
| Equity securities | 11 | 9 |
| Debt securities | 5 | 4 |
| Other | 1 | 1 |
| Total | 100% | 100% |

Note:

Total plan assets include 0% and 0% of retirement benefit trust established on corporate pension plans as of March 31, 2024 and 2023, respectively.

(2) Method of determining the long-term expected rate of return on plan assets

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

h. Assumptions used for the years ended March 31, 2024 and 2023, are set forth as follows:

| | 2024 | 2023 |
|--|--------------|--------------|
| Discount rate | 0.0% to 0.6% | 0.0% to 0.6% |
| Long-term expected rate of return on plan assets | 1.5% | 1.5% |

Defined Contribution Plan

The amount of the required contribution to the defined contribution plan of the Company was ¥23 million (\$157 thousand) and ¥23 million for the years ended March 31, 2024 and 2023.

25. Business Combinations

At the Board of Directors' meeting held on March 31, 2023, the Company resolved to (i) make ALCOLAB, Ltd. (hereinafter "ALCOLAB") its subsidiary by acquiring ALCOLAB's shares, and (ii) merge ALCOLAB with the FD Advisory, Ltd. (hereinafter "FD Advisory"), a consolidated subsidiary of the Company, for the purpose of integrating the businesses of ALCOLAB and FD Advisory. Accordingly, the FD Advisory made ALCOLAB its subsidiary by acquiring its shares on May 31, 2023, and the merger of FD Advisory and ALCOLAB was completed on June 1, 2023.

- a. Overview of the business combination
- (1) Name of the acquired company and description of the business
Name of the acquired company ALCOLAB, Ltd.
Description of the business Investment advisory service
- (2) Reason for the business combination
In 2021, the Company established FD Advisory, a subsidiary engaged in investment advisory service, in order to meet customers' diversifying needs. Using its advanced expertise, FD Advisory is committed to enhancing customers' financial well-being and supporting companies' growth by providing comprehensive and customer-oriented neutral advisory services that go beyond mere product or service information.
Since its establishment, ALCOLAB had provided business support and services including (i) support for customers in enhancing their operational structures to establish securities investment as their core business, (ii) investment advisory services on global asset allocation and (iii) support for installing a risk appetite framework. Through all those efforts, ALCOLAB has been highly regarded by regional financial institutions.
The Company has cooperated with ALCOLAB since 2020, in various projects including strategic capital allocation, enhanced effectiveness of market operations and establishment of specialized investment companies and investment advisory companies.
With this merger as a starting point, the FDALco, Ltd. (hereinafter "FDALco," formerly, FD Advisory) will integrate ALCOLAB's knowledge into the Group's business base and will launch full-fledged investment advisory service for individuals, corporations and financial institutions for the first time in Japan. FDALco will enhance its expertise to further fulfill customers' needs through developing a program to cultivate professional human resources responsible for investment advisory service. By providing consulting service taking advantages of the Group's various functions, FDALco will not only offer investment advisory services as the core business but also provide a wide range of solutions for management issues and other related matters to regional financial institutions nationwide, expanding beyond "geographical limitations" and "existing business areas." After the merger, FDALco aims to establish a new business model for investment advisory services that prioritizes customers' best interests with an exceptional sense of speed.
- (3) Date of the business combination
May 31, 2023 and June 1, 2023
- (4) Legal form of the business combination
Share acquisition and merger
- (5) Name of the company after the business combination
the FDALco, Ltd.
Effective June 1, 2023, FD Advisory has changed its business name to the FDALco, Ltd.
- (6) Voting rights acquired
73%
The voting rights after the business combination is 80%.
- (7) Grounds for determining acquiring company
The Company acquired 80% of ALCOLAB's voting rights through share acquisition in exchange for cash and stock, and through merger.
- b. Breakdown of acquisition cost of acquired company and type of consideration
- | | | Millions of
yen | Thousands of
U. S. dollars |
|-------------------------------|-------|--------------------|-------------------------------|
| Consideration for acquisition | Cash | ¥ 1,096 | \$ 7,238 |
| | Stock | 104 | 687 |
| Acquisition cost | | 1,200 | 7,925 |
- c. Exchange ratio by class of shares, calculation method and number of shares issued
- (1) Exchange ratio by class of shares
One share of FD Advisory's common stock was issued for each share of ALCOLAB's common stock.
- (2) Calculation method
Each of FD Advisory and ALCOLAB determined the aforementioned exchange ratio based on the result of calculation made by the third-party hired by each company.

- (3) Number of shares issued
2,278 shares
- d. Details of major acquisition-related expense and the amount
Advisory fees ¥94 million (\$623 thousand)
- e. The period of acquiree's results of operations included in the consolidated financial statements
From June 1, 2023 to March 31, 2024
- f. Amount of goodwill incurred, cause, amortization method and amortization period
- (1) Amount of goodwill incurred
¥1,070 million (\$7,069 thousand)
- (2) Cause
Primarily due to future excess earning power expected from future business development.
- (3) Amortization method and amortization period
Straight-line method over 20 years
- g. Breakdown of assets acquired and liabilities assumed on the closing date of the business combination

| | Millions of yen | Thousands of U. S. dollars |
|---------------------|--------------------|-------------------------------|
| Current assets | ¥ 186 | \$ 1,228 |
| Non-current assets | 7 | 48 |
| Total assets | 193 | 1,277 |
| Current liabilities | 31 | 206 |
| Total liabilities | 31 | 206 |

26. Per Share Information

Net assets per share as of March 31, 2024 and 2023 and profit per share for the year then ended are as follows:

| | 2024 | 2023 | 2024 |
|--------------------------|-------------|------------|---------------|
| | Yen | | U. S. dollars |
| Net assets per share | ¥ 10,533.34 | ¥ 9,149.42 | \$ 69.57 |
| Profit per share | 378.34 | 336.06 | 2.50 |
| Profit per share-diluted | 378.23 | 336.05 | 2.50 |

Notes:

1. Custody Bank of Japan, Ltd. (Trust account) holds the shares of the Company as trust assets relevant to the management board benefit trust of the Bank, a consolidated subsidiary of the Company. In the calculation of net assets per share and profit per share, the shares are included in treasury stock, which are deducted in calculating outstanding number of shares at end of year and average outstanding number of shares during the year. For the years ended March 31, 2024 and 2023, the number of shares of treasury stock deducted in calculating outstanding number of shares at end of year is 105 thousand shares and average outstanding number of shares during the year is 105 thousand shares, respectively.

Basic information in computing above per share data are as follows:

| | 2024 | 2023 | 2024 |
|--|-----------------|-----------|----------------------------|
| | Millions of Yen | | Thousands of U. S. dollars |
| Net assets per share: | | | |
| Net assets per balance sheets | ¥ 252,954 | ¥ 237,688 | \$ 1,670,662 |
| Amounts to be attributed to non-controlling interests | 8,735 | 8,044 | 57,691 |
| Net assets attributed to common stock shareholders | ¥ 244,219 | ¥ 229,643 | \$ 1,612,970 |
| Number of shares outstanding at end of year (unit: thousand shares) | 23,185 | 25,099 | |
| Profit per share: | | | |
| Profit attributable to owners of parent | ¥ 9,055 | ¥ 8,741 | \$ 59,806 |
| Profit attributable to common stock shareholders | ¥ 9,055 | ¥ 8,741 | \$ 59,806 |
| Average number of shares outstanding during the year (unit: thousand shares) | 23,933 | 26,010 | |
| Profit per share-diluted: | | | |
| Adjustment to profit attributable to owners of parent | ¥ — | ¥ — | \$ — |
| Increase in common stock (unit: thousand shares) | 6 | 0 | |
| [Of which, restricted shares under the share-based payment plan](unit: thousand shares) | 6 | 0 | |
| Outline of dilutive shares not included in the calculation of profit per share-diluted due to the absence of dilutive effect | — | — | — |

27. Segment Information

a. Reportable segments

The reportable segments of the Group are the components of the Group for which separate financial information is "available" and are subject to periodic review by the Board of Directors which is the chief operating decision maker to determine the allocation of management resources and assess performance.

The Group consists of the Company and its 11 consolidated subsidiaries. The Group designs comprehensive strategies to provide financial services including banking and leasing businesses and is engaged in operating activities. Accordingly, the Group is composed of operating segments by financial services based on the group companies and "Banking" and "Leasing" segments are identified as the reportable segments.

The "Banking" segment provides customers with banking services, credit guarantee services related to consumer finance services, credit card services, e-commerce website operation business, servicer business, system development/management/administration services, investment advisory business, consulting services, fund administration services and back-office services.

The "Leasing" segment provides customers with leasing services.

b. Calculation method of gross revenue and net operating income

Accounting policies adopted by the reportable segments are the same as those described in "3. Summary of Significant Accounting Policies," except for the scope of consolidation. Segment profit of the reportable segments is measured based on revenue from ordinary operations and intersegment income is based on the market transaction price in the same manner as income from external customers.

c. Reportable segment information concerning income, profit or loss, assets, liabilities and other items

| | Year ended March 31, 2024 | | | | |
|--|---------------------------|----------|-----------|-------------|--------------|
| | Millions of yen | | | | |
| | Reportable segments | | | Adjustments | Consolidated |
| | Banking | Leasing | Total | | |
| Total revenue: | | | | | |
| External customers | ¥ 77,684 | ¥ 13,155 | ¥ 90,839 | — | ¥ 90,839 |
| Intersegments | 254 | 3 | 258 | (258) | — |
| Total | 77,938 | 13,159 | 91,098 | (258) | 90,839 |
| Segment profit | 13,885 | 568 | 14,453 | 7 | 14,461 |
| Segment assets | 5,749,708 | 43,086 | 5,792,795 | (34,142) | 5,758,652 |
| Other information | | | | | |
| Depreciation | 4,001 | 20 | 4,021 | — | 4,021 |
| Interest income | 41,183 | — | 41,183 | (141) | 41,042 |
| Interest expenses | 7,634 | 134 | 7,769 | (134) | 7,634 |
| Increase in tangible and intangible fixed assets | 12,604 | — | 12,604 | — | 12,604 |

| | Year ended March 31, 2024 | | | | |
|--|----------------------------|-----------|------------|-------------|--------------|
| | Thousands of U. S. dollars | | | | |
| | Reportable segments | | | Adjustments | Consolidated |
| | Banking | Leasing | Banking | | |
| Total revenue: | | | | | |
| External customers | \$ 513,072 | \$ 86,886 | \$ 599,958 | — | \$ 599,958 |
| Intersegments | 1,680 | 25 | 1,706 | (1,706) | — |
| Total | 514,753 | 86,911 | 601,664 | (1,706) | 599,958 |
| Segment profit | 91,710 | 3,751 | 95,462 | 47 | 95,510 |
| Segment assets | 37,974,433 | 284,566 | 38,258,999 | (225,499) | 38,033,499 |
| Other information | | | | | |
| Depreciation | 26,427 | 135 | 26,562 | — | 26,562 |
| Interest income | 272,000 | — | 272,000 | (934) | 271,066 |
| Interest expenses | 50,422 | 888 | 51,311 | (887) | 50,423 |
| Increase in tangible and intangible fixed assets | 83,249 | — | 83,249 | — | 83,249 |

| | Year ended March 31, 2023 | | | | |
|--|---------------------------|----------|-----------|-------------|--------------|
| | Millions of yen | | | | |
| | Reportable segments | | | Adjustments | Consolidated |
| | Banking | Leasing | Total | | |
| Total revenue: | | | | | |
| External customers | ¥ 72,038 | ¥ 12,704 | ¥ 84,743 | — | ¥ 84,743 |
| Intersegments | 189 | 6 | 196 | (196) | — |
| Total | 72,228 | 12,710 | 84,939 | (196) | 84,743 |
| Segment profit | 15,220 | 837 | 16,058 | (11) | 16,046 |
| Segment assets | 5,593,763 | 39,319 | 5,633,082 | (29,357) | 5,603,724 |
| Other information | | | | | |
| Depreciation | 3,927 | 262 | 4,190 | — | 4,190 |
| Interest income | 38,444 | — | 38,444 | (125) | 38,319 |
| Interest expenses | 4,149 | 118 | 4,267 | (118) | 4,149 |
| Increase in tangible and intangible fixed assets | 4,938 | — | 4,938 | — | 4,938 |

Notes:

1. "Total revenue" corresponds to "Net Sales" of non-banking industries.
2. Adjustments refer to the elimination of intersegment transactions.

Other information:

Information by service line:

| | Year ended March 31, 2024 | | | | |
|--------------------------------|---------------------------|-----------------------|----------|----------|----------|
| | Millions of yen | | | | |
| | Loan | Securities investment | Lease | Other | Total |
| Income from external customers | ¥ 24,705 | ¥ 40,122 | ¥ 13,155 | ¥ 12,856 | ¥ 90,839 |

| | Year ended March 31, 2024 | | | | |
|--------------------------------|----------------------------|-----------------------|-----------|-----------|------------|
| | Thousands of U. S. dollars | | | | |
| | Loan | Securities investment | Lease | Other | Total |
| Income from external customers | \$ 163,169 | \$ 264,992 | \$ 86,886 | \$ 84,909 | \$ 599,958 |

| | Year ended March 31, 2023 | | | | |
|--------------------------------|---------------------------|-----------------------|----------|----------|----------|
| | Millions of yen | | | | |
| | Loan | Securities investment | Lease | Other | Total |
| Income from external customers | ¥ 24,061 | ¥ 35,868 | ¥ 12,704 | ¥ 12,108 | ¥ 84,743 |

Information about loss on impairment of fixed assets by reportable segment:

| | Year ended March 31, 2024 | | |
|--------------------|---------------------------|---------|---------|
| | Millions of yen | | |
| | Reportable segments | | Total |
| | Banking | Leasing | |
| Loss on impairment | ¥ 1,009 | ¥ — | ¥ 1,009 |

| | Year ended March 31, 2024 | | |
|--------------------|----------------------------|---------|----------|
| | Thousands of U. S. dollars | | |
| | Reportable segments | | Total |
| | Banking | Leasing | |
| Loss on impairment | \$ 6,670 | \$ — | \$ 6,670 |

| | Year ended March 31, 2023 | | |
|--------------------|---------------------------|---------|-------|
| | Millions of yen | | |
| | Reportable segments | | Total |
| | Banking | Leasing | |
| Loss on impairment | ¥ 93 | ¥ — | ¥ 93 |

Information about amortization of goodwill and unamortized balance of goodwill by reportable segment:

| | Year ended March 31, 2024 | | |
|----------------------------|---------------------------|---------|-------|
| | Millions of yen | | |
| | Reportable segments | | Total |
| | Banking | Leasing | |
| Amortization | ¥ 53 | ¥ — | ¥ 53 |
| Ending balance of goodwill | 1,016 | — | 1,016 |

| | Year ended March 31, 2024 | | |
|----------------------------|----------------------------|---------|--------|
| | Thousands of U. S. dollars | | |
| | Reportable segments | | Total |
| | Banking | Leasing | |
| Amortization | \$ 353 | \$ — | \$ 353 |
| Ending balance of goodwill | 6,715 | — | 6,715 |

There was no goodwill to be reported for the year ended March 31, 2023.

28. Revenue Recognition

The following table summarizes the information on disaggregation of revenue from contracts with customers for the years ended March 31, 2024 and 2023:

| | 2024 | | | 2024 | | |
|--------------------------------------|-----------------|----------|----------|----------------------------|-----------|------------|
| | Millions of yen | | | Thousands of U. S. dollars | | |
| | Banking | Leasing | Total | Banking | Leasing | Total |
| Fees and commissions: | | | | | | |
| Deposits and loans business | ¥ 1,692 | ¥ — | ¥ 1,692 | \$ 11,179 | \$ — | \$ 11,179 |
| Foreign exchange business | 2,124 | — | 2,124 | 14,028 | — | 14,028 |
| Trust-related business | 50 | — | 50 | 336 | — | 336 |
| Securities-related business | 728 | — | 728 | 4,813 | — | 4,813 |
| Agency business | 230 | — | 230 | 1,519 | — | 1,519 |
| Card business | 2,364 | — | 2,364 | 15,616 | — | 15,616 |
| Consulting business | 1,400 | — | 1,400 | 9,251 | — | 9,251 |
| Other business | 1,094 | 36 | 1,130 | 7,226 | 240 | 7,467 |
| Fees and commissions, total | 9,686 | 36 | 9,722 | 63,972 | 240 | 64,213 |
| Other operating income | 669 | 767 | 1,436 | 4,418 | 5,071 | 9,489 |
| Income other than operating income | 70 | 3 | 74 | 467 | 26 | 493 |
| Income from contracts with customers | 10,425 | 808 | 11,234 | 68,859 | 5,337 | 74,197 |
| Income other than above | 67,258 | 12,347 | 79,605 | 444,213 | 81,548 | 525,761 |
| Total income from external customers | ¥ 77,684 | ¥ 13,155 | ¥ 90,839 | \$ 513,072 | \$ 86,886 | \$ 599,958 |

| | 2023 | | |
|--------------------------------------|-----------------|----------|----------|
| | Millions of yen | | |
| | Banking | Leasing | Total |
| Fees and commissions: | | | |
| Deposits and loans business | ¥ 1,665 | ¥ — | ¥ 1,665 |
| Foreign exchange business | 2,099 | — | 2,099 |
| Trust-related business | 65 | — | 65 |
| Securities-related business | 699 | — | 699 |
| Agency business | 237 | — | 237 |
| Card business | 2,233 | — | 2,233 |
| Consulting business | 1,086 | — | 1,086 |
| Other business | 1,190 | 34 | 1,225 |
| Fees and commissions, total | 9,277 | 34 | 9,312 |
| Other operating income | 481 | 950 | 1,432 |
| Income other than operating income | 96 | 5 | 101 |
| Income from contracts with customers | 9,855 | 990 | 10,846 |
| Income other than above | 62,183 | 11,713 | 73,896 |
| Total income from external customers | ¥ 72,038 | ¥ 12,704 | ¥ 84,743 |

The information that provides a base for understanding revenue from contracts with customers is stated in "3. Summary of Significant Accounting Policies, n. Revenue recognition."

The information that contributes to an understanding of the amounts of revenue for the year ended March 31, 2024, the year ending March 31, 2025 and thereafter is omitted due to insignificance.

29. Related Party Transactions

There was no applicable transaction to be reported for the years ended March 31, 2024 and 2023, respectively.

30. Subsequent Events

Cancellation of treasury stock

At the Board of Directors' meeting held on April 26, 2024, the Company resolved to cancel its treasury stock on May 10, 2024, in accordance with the provision of Article 178 of the Companies Act. The cancellation was conducted on the same date.

| | |
|--------------------------------------|---|
| (1) Reason for cancellation | To enhance shareholder returns, improve capital efficiency, and take flexible capital measures. |
| (2) Type of shares to be cancelled | Common stock |
| (3) Number of shares to be cancelled | 1,800,000 shares |
| (4) Cancellation date | May 10, 2024 |

Repurchase of own shares

At the Board of Directors' meeting held on April 26, 2024, the Company resolved to repurchase its own shares in accordance with the provision of Article 156 of the Companies Act as applied pursuant to the provision of Article 165, Paragraph 3 of the same act in order to take flexible capital policies responding to changes in the business environment and to enhance shareholder returns.

| | |
|--|--|
| (1) Type of shares to be repurchased | Common stock |
| (2) Number of shares to be repurchased | 750,000 shares (upper limit) |
| (3) Total cost of shares to be repurchased | ¥3,000 million (\$19,813 thousand) (upper limit) |
| (4) Repurchase period | From May 13, 2024 to March 31, 2025 |

Balance Sheets

The Hokkoku Bank, Ltd.

As of March 31,

| | 2024 | 2023 | 2024 |
|--|-----------------|-------------|---------------------------------------|
| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
| Assets: | | | |
| Cash and due from banks | ¥ 1,576,676 | ¥ 1,354,783 | \$ 10,413,289 |
| Call loans | 166,000 | 141,000 | 1,096,360 |
| Monetary claims bought | 1,309 | 1,336 | 8,645 |
| Money held in trusts | 13,532 | 13,535 | 89,376 |
| Securities | 1,485,191 | 1,463,068 | 9,809,070 |
| Loans and bills discounted | 2,443,603 | 2,545,638 | 16,138,981 |
| Foreign exchanges | 6,344 | 11,684 | 41,905 |
| Investment in leased assets | 4,796 | 6,778 | 31,677 |
| Other assets | 33,311 | 41,772 | 220,005 |
| Tangible fixed assets | 36,501 | 30,819 | 241,077 |
| Intangible fixed assets | 9,957 | 9,051 | 65,767 |
| Deferred tax assets | — | 3,924 | — |
| Customers' liabilities for acceptances and guarantees | 18,166 | 17,282 | 119,981 |
| Reserve for possible loan losses | (58,709) | (61,353) | (387,751) |
| Total assets | ¥ 5,736,680 | ¥ 5,579,323 | \$ 37,888,388 |
| Liabilities: | | | |
| Deposits | 4,711,664 | 4,384,122 | 31,118,584 |
| Call money | 423,297 | 532,156 | 2,795,703 |
| Guarantee deposit received under securities lending transactions | 318,639 | 360,955 | 2,104,484 |
| Borrowed money | 5,381 | 26,518 | 35,539 |
| Foreign exchanges | 1 | 3 | 8 |
| Bonds payable | 20,000 | 20,000 | 132,091 |
| Borrowed money from trust account | 167 | 164 | 1,107 |
| Other liabilities | 22,048 | 36,053 | 145,619 |
| Reserve for bonuses | 527 | 553 | 3,486 |
| Reserve for management board benefit trust | 410 | 410 | 2,710 |
| Reserve for reimbursement of deposits | 68 | 96 | 451 |
| Deferred tax liabilities | 3,582 | — | 23,659 |
| Deferred tax liability arising from revaluation of land | 1,244 | 1,411 | 8,219 |
| Acceptances and guarantees | 18,166 | 17,282 | 119,981 |
| Total liabilities | ¥ 5,525,200 | ¥ 5,379,729 | \$ 36,491,645 |
| Net assets: | | | |
| Common stock | 26,673 | 26,673 | 176,170 |
| Capital surplus | 11,289 | 11,289 | 74,562 |
| Retained earnings | 143,977 | 149,388 | 950,910 |
| Total shareholders' equity | 181,940 | 187,352 | 1,201,643 |
| Valuation differences on available-for-sale securities | 27,588 | 9,948 | 182,213 |
| Net deferred gains (losses) on hedging instruments | (35) | (2) | (233) |
| Land revaluation surplus | 1,986 | 2,296 | 13,119 |
| Total valuation and translation adjustments | 29,539 | 12,241 | 195,099 |
| Total net assets | 211,480 | 199,593 | 1,396,742 |
| Total liabilities and net assets | ¥ 5,736,680 | ¥ 5,579,323 | \$ 37,888,388 |

Statements of Income

The Hokkoku Bank, Ltd.

Years ended March 31,

Income

Interest income on:
Interest on loans and discounts
Interest and dividends on securities
Other interest income
Total interest income
Trust fees
Fees and commissions
Other operating income
Other income

Total income

Expenses

Interest expenses on:
Deposits
Borrowings and rediscounts
Interest on bonds
Cash collateral received for securities lent
Other
Total interest expenses
Fees and commissions
Other operating expenses
General and administrative expenses
Other expenses

Total expenses

Special gains and losses

Profit before income taxes

Income taxes:
Current
Deferred

Profit

| | 2024 | 2023 | 2024 |
|--|-----------------|----------|---------------------------------------|
| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
| Interest income on: | | | |
| Interest on loans and discounts | ¥ 24,875 | ¥ 24,120 | \$ 164,291 |
| Interest and dividends on securities | 15,493 | 13,595 | 102,328 |
| Other interest income | 604 | 511 | 3,989 |
| Total interest income | 40,972 | 38,227 | 270,609 |
| Trust fees | 0 | 0 | 6 |
| Fees and commissions | 7,895 | 7,873 | 52,144 |
| Other operating income | 3,411 | 5,382 | 22,528 |
| Other income | 21,168 | 20,621 | 139,812 |
| Total income | 73,449 | 72,105 | 485,100 |
| Expenses | | | |
| Interest expenses on: | | | |
| Deposits | 162 | 104 | 1,071 |
| Borrowings and rediscounts | 2,055 | 1,688 | 13,573 |
| Interest on bonds | 179 | 179 | 1,187 |
| Cash collateral received for securities lent | 5,236 | 2,169 | 34,586 |
| Other | 0 | 7 | 5 |
| Total interest expenses | 7,634 | 4,149 | 50,423 |
| Fees and commissions | 3,692 | 3,570 | 24,386 |
| Other operating expenses | 15,471 | 12,787 | 102,181 |
| General and administrative expenses | 29,442 | 27,699 | 194,454 |
| Other expenses | 6,022 | 8,247 | 39,776 |
| Total expenses | 62,263 | 56,454 | 411,222 |
| Special gains and losses | (1,599) | (1,484) | (10,562) |
| Profit before income taxes | 9,586 | 14,167 | 63,316 |
| Income taxes: | | | |
| Current | 1,885 | 1,863 | 12,451 |
| Deferred | (531) | 3,249 | (3,511) |
| | 1,353 | 5,112 | 8,940 |
| Profit | ¥ 8,233 | ¥ 9,054 | \$ 54,375 |

Independent Auditor's Report

The Board of Directors
Hokkoku Financial Holdings, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matter as part of the audit of the consolidated financial statements for the current period.

We identified the following matters related to the Hokkoku Bank Ltd., a major consolidated subsidiary (hereinafter referred to as the "Consolidated Banking Subsidiary"), as key audit matters in the audit of the consolidated financial statements for this fiscal year.

- Calculation of reserve for possible loan losses

(1) Outlook for future performance of large credit recipients in determining debtor classification

(2) Impact of the 2024 Noto Peninsula Earthquake

For claims to business credit recipients other than claims to “legally bankrupt” borrowers, “substantially bankrupt” borrowers and “likely to become bankrupt” borrowers, and other credit recipients to which the “estimated cash flow method” has been applied, from the year ended March 31, 2023, the consolidated banking subsidiaries have adopted the method of using expected rate of loan losses for each group classified based on relationship with credit recipients, understanding of credit recipients’ business (business feasibility), as well as credit recipients’ financial information. While we have communicated with the Audit and Supervisory Committee regarding this matter, we have determined this matter does not fall under key audit matters based on the level of monetary or qualitative impact on the consolidated financial statements in the case of potential occurrence or occurrence of misstatement in the consolidated financial statements.

Description of Key Audit Matter

The Hokkoku Financial Holdings, Inc owns 100 percent of the shares of the Consolidated Banking Subsidiary. The Consolidated Banking Subsidiary engages in financing operations mainly in the Hokuriku region as one of the core business activities. Under these circumstances, the Group recorded loans and bills discounted of 2,418,522 million yen, and reserve for possible loan losses of 59,943 million yen on its consolidated balance sheet as of March 31, 2024.

As stated in “g. Reserve for Possible Loan Losses” under “3. Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, all claims at the consolidated banking subsidiaries are assessed by the Bank’s business section (at the branches and the related head office divisions) based on the Consolidated Banking Subsidiary internal rules for the self-assessment of asset quality, and the Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments.

Reserve for possible loan losses is recorded in view of the debtors’ financial conditions and the value of collateral held as well as effects of the external environment such as economic trends, and requires significant judgments of the management.

Among others, the following areas involve high estimation uncertainty and are especially important in the audit of the consolidated financial statements as stated in “Significant Accounting Estimates” in Notes to Consolidated Financial Statements, and accordingly, we have determined that they are key audit matters.

(1) Outlook for future performance of large credit recipients in determining debtor classification

In determining debtor classification, the Consolidated Banking Subsidiary comprehensively evaluates credit recipients based on their financial position, future outlook, loan contract terms, transaction history and other qualitative information, etc. In particular, regarding the debtor’s future outlook, such as their business improvement plan based on the expected future improvement of business

performance and the likelihood of formulating future business improvement plan, the evaluation is made based on certain assumption. Since this assumption involves high uncertainty and is affected by changes in the business environment surrounding credit recipients, and the outcome of their business strategies, and supporting policies for such credit recipients, the assumption involves significant accounting judgments. Among these matters, determination of debtor classification, which largely affects reserve for possible loan losses, is particularly important.

(2) Impact of the 2024 Noto Peninsula Earthquake

Following the Impact of the 2024 Noto Peninsula Earthquake, for credit recipients located in the disaster-stricken area with their outstanding loans exceeding a certain amount, the Consolidated Banking Subsidiary determined the debtor classification and recorded a reserve for possible loan losses based on available external and internal information as of March 31, 2024. For credit recipients located in the disaster-stricken area with their outstanding loans less than a certain amount, the Consolidated Banking Subsidiary recorded a reserve for possible loan losses by making necessary adjustments to the expected rate of loan losses.

Future outlook for credit recipients located in the disaster-stricken area involves high uncertainty and significant judgments in estimates, because it is affected by the external environment such as restoration conditions of local infrastructure, direct and indirect support from the government, related municipalities, etc., and recovery conditions of economic activities after having such support. In addition, the impact on reserve for possible loan losses is also large.

Auditor's Response

We mainly performed the following audit procedures to examine the calculation of reserve for possible loan losses on claims of the Consolidated Banking Subsidiary.

(1) Outlook for future performance of large credit recipients in determining debtor classification

- We evaluated the internal controls over the determination of debtor classification and the process to ensure the reliability of the underlying information on credit recipients used as basis of such determination, including reasonableness of the business improvement plan.
- For credit recipients who are preparing business improvement plans based on the expected future improvement of business performance, in order to consider the reasonableness and feasibility of such plans, we assessed the reasonableness of estimates by inspecting a set of materials related to the self-assessment of asset quality as well as by assessing the accuracy of estimates based on the degree of achievement of previous business improvement plans, making inquiries of the department in charge, and comparing such materials with information publicly disclosed as necessary.
- In order to confirm the consistency of the future supporting policy, lending strategy, etc. for credit recipients and evaluation of their business improvement plans, etc., we assessed the reasonableness of estimates by inspecting a set of materials related to the self-assessment of asset quality as well as

by inspecting the negotiation history, and making inquiries of the department in charge.

(2) Impact of the 2024 Noto Peninsula Earthquake

- We evaluated internal control over the calculation of reserve for possible loan losses taking into account the impact of the 2024 Noto Peninsula Earthquake.
- With regard to the method of calculating a set of reserve for possible loan losses taking into account the 2024 Noto Peninsula Earthquake, we examined credit recipients' location, the status of their portfolio of business lines, etc., external organizations' reports on the disaster status, and others, and made an assessment from the perspective of whether the calculation method is included within the range of certain reasonableness.
- For credit recipients located in the disaster-stricken area with their outstanding loans exceeding a certain amount, we inspected materials related to the self-assessment of asset quality, and assessed whether the situation after the 2024 Noto Peninsula Earthquake was appropriately updated and debtor classification was made based on available information.
- With regard to reserve for possible loan losses provided for credit recipients located in the disaster-stricken area with their outstanding loans less than a certain amount, we made an assessment from the perspective of whether necessary adjustments made to the expected rate of loan losses are included within the range of certain reasonableness, and checked the accuracy of the calculation.

Other Matters

The consolidated financial statements of the Group as of and for the year ended March 31, 2023 have been audited by the predecessor auditors. The predecessor auditors expressed an unqualified opinion on those consolidated financial statements on September 15, 2023.

Other Information

The other information comprises the information included in 2024 Financial Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties related to the design and operating effectiveness of the controls over the other information.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement in the other

information, we are required to report that fact. We have nothing to report in this regard..

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

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

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

The Audit and Supervisory Committee is responsible for overseeing the Director's execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process..

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

The fees for the audits of the consolidated financial statements provided by us for the year ended March 31, 2024 is 79 million yen.

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Kanade Partnership

Tokyo, Japan

September 5, 2024

高村 藤貴

/s/Fujitaka Takamura

Designated Engagement Partner

Certified Public Accountant

杉田 昌則

/s/Masanori Sugita

Designated Engagement Partner

Certified Public Accountant

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