

---

***The Juroku Financial Group, Inc.  
and Consolidated Subsidiaries***

*Consolidated Financial Statements  
for the Year Ended March 31, 2023*

## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Balance Sheet

March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
ASSETS:			
Cash and due from banks (Note 4)	¥ 751,947	¥2,135,695	\$ 5,631,296
Call loans and bills bought	35,000	-	262,113
Trading securities (Notes 5 and 26)	84	115	629
Money held in trust (Note 6)	11,312	11,612	84,715
Securities (Notes 5, 7, 11, 12 and 26)	1,464,507	1,459,223	10,967,625
Loans and bills discounted (Notes 7, 12, 26 and 27)	4,695,448	4,521,824	35,163,993
Foreign exchanges (Notes 7 and 8)	7,027	8,861	52,625
Lease receivables and investments in leases (Notes 7 and 25)	53,512	54,544	400,749
Other assets (Notes 7, 9, 12, 26 and 28)	103,728	114,829	776,815
Premises and equipment (Note 10)	57,370	58,313	429,641
Goodwill	3,193	3,646	23,912
Intangible assets	4,099	3,758	30,697
Asset for retirement benefits for employees (Note 16)	13,195	14,220	98,817
Deferred tax assets (Note 24)	214	149	1,603
Customers' liabilities for acceptances and guarantees (Notes 7 and 11)	14,110	14,352	105,669
Allowance for loan losses (Notes 3 and 26)	<u>(24,189)</u>	<u>(25,809)</u>	<u>(181,150)</u>
Total Assets	<u>¥7,190,557</u>	<u>¥8,375,332</u>	<u>\$53,849,749</u>

## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Balance Sheet

March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
<b>LIABILITIES AND EQUITY:</b>			
Liabilities:			
Deposits (Notes 12, 13 and 26)	¥6,266,981	¥6,225,291	\$ 46,933,131
Negotiable certificates of deposit (Note 26)	13,000	14,000	97,356
Payables under repurchase agreements (Notes 12 and 26)	97,835	133,747	732,682
Payables under securities lending transactions (Note 12)	-	87,538	-
Borrowed money (Notes 12, 14 and 26)	329,501	1,405,797	2,467,618
Foreign exchanges (Note 8)	1,725	1,595	12,918
Borrowed money from trust account (Note 12)	38	-	285
Other liabilities (Notes 15, 17, 25, 26 and 28)	55,581	62,488	416,244
Liability for retirement benefits for employees (Note 16)	5,933	6,172	44,432
Provision required under the Special Act	11	8	82
Deferred tax liabilities (Note 24)	6,880	15,332	51,524
Deferred tax liabilities for land revaluation surplus	6,401	6,408	47,937
Acceptances and guarantees (Note 11)	14,110	14,352	105,669
<b>Total Liabilities</b>	<u>6,797,996</u>	<u>7,972,728</u>	<u>50,909,878</u>
Commitments and Contingent Liabilities (Note 27)			
Equity (Notes 18, 19 and 32):			
Common stock: authorized, 80,000,000 shares in 2023 and 2022; issued, 37,924,134 shares in 2023 and 2022	36,000	36,000	269,602
Capital surplus	61,818	61,807	462,952
Stock acquisition rights	-	180	-
Retained earnings	251,974	238,135	1,887,022
Treasury stock—at cost, 1,343,278 shares in 2023 and 1,002,848 shares in 2022	(3,068)	(2,221)	(22,976)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 5)	28,882	49,189	216,296
Deferred gain on hedging instruments	117	-	876
Land revaluation surplus	12,453	12,468	93,260
Defined retirement benefit plans (Note 16)	548	3,341	4,104
<b>Total</b>	<u>388,724</u>	<u>398,899</u>	<u>2,911,136</u>
Noncontrolling interests	3,837	3,705	28,735
<b>Total Equity</b>	<u>392,561</u>	<u>402,604</u>	<u>2,939,871</u>
<b>Total Liabilities and Equity</b>	<u>¥7,190,557</u>	<u>¥8,375,332</u>	<u>\$ 53,849,749</u>

See notes to consolidated financial statements.

## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Statement of Income Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Income:			
Interest on:			
Loans and discounts	¥ 38,150	¥ 38,333	\$ 285,704
Securities	13,947	14,187	104,448
Other	1,800	2,168	13,480
Trust fees	1	-	7
Fees and commissions	24,321	22,869	182,139
Other operating income (Note 20)	29,851	32,156	223,553
Other income (Note 21)	4,615	7,654	34,562
Total income (Note 31)	<u>112,685</u>	<u>117,367</u>	<u>843,893</u>
Expenses:			
Interest on:			
Deposits	165	205	1,236
Borrowings and re-discounts	277	54	2,074
Payables under repurchase agreements	2,308	26	17,285
Other	19	33	142
Fees and commissions	5,574	5,758	41,743
Other operating expenses (Note 5)	32,896	36,207	246,357
General and administrative expenses (Note 22)	42,239	44,560	316,326
Allowance for loan losses	1,482	2,807	11,099
Impairment loss on long-lived assets	150	-	1,123
Other expenses (Note 23)	579	1,072	4,336
Total expenses	<u>85,689</u>	<u>90,722</u>	<u>641,721</u>
Income before Income Taxes	<u>26,996</u>	<u>26,645</u>	<u>202,172</u>
Income Taxes (Note 24):			
Current	7,058	7,237	52,857
Deferred	1,178	1,721	8,822
Total Income Taxes	<u>8,236</u>	<u>8,958</u>	<u>61,679</u>
Net Income	18,760	17,687	140,493
Net Income Attributable to Noncontrolling Interests	<u>130</u>	<u>496</u>	<u>974</u>
Net Income Attributable to Owners of the Parent	<u>¥ 18,630</u>	<u>¥ 17,191</u>	<u>\$ 139,519</u>
	Yen		U.S. Dollars
Per Share of Common Stock (Notes 2.t and 30):			
Basic net income	¥ 505.78	¥ 460.45	\$ 3.79
Diluted net income	505.44	459.62	3.79
Cash dividends applicable to the year—common stock	130.00	120.00	0.97

See notes to consolidated financial statements.

## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Net income	<u>¥ 18,760</u>	<u>¥ 17,687</u>	<u>\$ 140,493</u>
Other Comprehensive Income (Loss) (Note 29):			
Unrealized loss on available-for-sale securities	(20,306)	(10,271)	(152,071)
Deferred gain (loss) on derivatives under hedge accounting	117	(259)	876
Defined retirement benefit plans	<u>(2,793)</u>	<u>(652)</u>	<u>(20,916)</u>
Total other comprehensive loss	<u>(22,982)</u>	<u>(11,182)</u>	<u>(172,111)</u>
Comprehensive Income (Loss)	<u>¥ (4,222)</u>	<u>¥ 6,505</u>	<u>\$ (31,618)</u>
Total Comprehensive Income (Loss)			
Attributable to:			
Owners of the parent	¥ (4,352)	¥ 6,178	\$ (32,592)
Noncontrolling interests	130	327	974

See notes to consolidated financial statements.

# The Juroku Financial Group, Inc. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Equity Year Ended March 31, 2023

	Thousands	Millions of Yen											
	Outstanding Number of Shares of Common Stock	Accumulated Other Comprehensive Income											
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available- for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance at April 1, 2021	37,373	¥36,839	¥53,396	¥169	¥224,571	¥(1,537)	¥59,291	¥259	¥12,766	¥3,993	¥389,747	¥13,263	¥403,010
Changes due to share transfer, etc.	-	(839)	435	-	-	404	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	7,971	-	-	-	-	-	-	-	7,971	-	7,971
Sale of shares of consolidated subsidiaries	-	-	6	-	-	-	-	-	-	-	6	-	6
Net income attributable to owners of the parent	-	-	-	-	17,191	-	-	-	-	-	17,191	-	17,191
Cash dividends, ¥105.00 per share of common stock	-	-	-	-	(3,925)	-	-	-	-	-	(3,925)	-	(3,925)
Transfer of land revaluation surplus	-	-	-	-	298	-	-	-	-	-	298	-	298
Purchase of treasury stock	(462)	-	-	-	-	(1,116)	-	-	-	-	(1,116)	-	(1,116)
Disposal of treasury stock	10	-	(1)	-	-	28	-	-	-	-	27	-	27
Net change in the year	-	-	-	11	-	-	(10,102)	(259)	(298)	(652)	(11,300)	(9,558)	(20,858)
Balance at April 1, 2022	36,921	¥36,000	¥61,807	¥180	¥238,135	¥(2,221)	¥49,189	¥-	¥12,468	¥3,341	¥398,899	¥3,705	¥402,604
Net income attributable to owners of the parent	-	-	-	-	18,630	-	-	-	-	-	18,630	-	18,630
Cash dividends, ¥130.00 per share of common stock	-	-	-	-	(4,807)	-	-	-	-	-	(4,807)	-	(4,807)
Transfer of land revaluation surplus	-	-	-	-	16	-	-	-	-	-	16	-	16
Purchase of treasury stock	(461)	-	-	-	-	(1,115)	-	-	-	-	(1,115)	-	(1,115)
Disposal of treasury stock	121	-	11	-	-	268	-	-	-	-	279	-	279
Net change in the year	-	-	-	(180)	-	-	(20,307)	117	(15)	(2,793)	(23,178)	132	(23,046)
Balance at March 31, 2023	36,581	¥36,000	¥61,818	¥-	¥251,974	¥(3,068)	¥28,882	¥117	¥12,453	¥548	¥388,724	¥3,837	¥392,561

## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Statement of Changes in Equity Year Ended March 31, 2023

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available- for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans			
Balance at April 1, 2022	\$ 269,602	\$ 462,870	\$1,348	\$1,783,382	\$ (16,633)	\$368,374	\$ -	\$ 93,372	\$ 25,021	\$2,987,336	\$ 27,747	\$3,015,083
Net income attributable to owners of the parent	-	-	-	139,519	-	-	-	-	-	139,519	-	139,519
Cash dividends, \$0.97 per share of common stock	-	-	-	(35,999)	-	-	-	-	-	(35,999)	-	(35,999)
Transfer of land revaluation surplus	-	-	-	120	-	-	-	-	-	120	-	120
Purchase of treasury stock	-	-	-	-	(8,350)	-	-	-	-	(8,350)	-	(8,350)
Disposal of treasury stock	-	82	-	-	2,007	-	-	-	-	2,089	-	2,089
Net change in the year	-	-	(1,348)	-	-	(152,077)	876	(112)	(20,917)	(173,578)	988	(172,590)
Balance at March 31, 2023	<u>\$ 269,602</u>	<u>\$ 462,952</u>	<u>\$ -</u>	<u>\$1,887,022</u>	<u>\$ (22,976)</u>	<u>\$ 216,296</u>	<u>\$ 876</u>	<u>\$ 93,260</u>	<u>\$ 4,104</u>	<u>\$2,911,136</u>	<u>\$ 28,735</u>	<u>\$2,939,871</u>

See notes to consolidated financial statements.

## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 26,996	¥ 26,645	\$ 202,172
Adjustments for:			
Income taxes—paid	(7,915)	(10,532)	(59,275)
Income taxes—refund	940	42	7,040
Depreciation	3,038	3,362	22,751
Impairment loss on long-lived assets	150	-	1,123
Interest income recognized in consolidated statements of income	(53,897)	(54,688)	(403,632)
Interest expense recognized in consolidated statements of income	2,769	318	20,737
Net loss on securities	4,148	4,305	31,064
Unrealized gain on derivatives	(959)	(449)	(7,182)
Net decrease in allowance for loan losses	(1,620)	(44)	(12,132)
Net increase in asset for retirement benefits for employees	(3,027)	(2,764)	(22,669)
Net decrease in liability for retirement benefits for employees	(174)	(25)	(1,303)
Net increase in provision required under the Special Act	3	3	22
Net increase in loans	(173,623)	(40,674)	(1,300,255)
Net increase in deposits	41,689	152,818	312,207
Net decrease in negotiable certificates of deposit	(1,000)	(14,100)	(7,489)
Net (decrease) increase in borrowed money (excluding subordinated loans)	(1,076,296)	938,646	(8,060,331)
Net decrease in due from banks (excluding cash equivalents)	440	11,089	3,295
Net increase in call loans and others	(35,000)	-	(262,113)
Net (decrease) increase in call money and others	(35,913)	7,047	(268,951)
Net decrease in money held in trust	300	700	2,247
Net (decrease) increase in payables under securities lending transactions	(87,538)	57,866	(655,568)
Net decrease in lease receivables and investments in leases	1,032	2,673	7,729
Net increase in borrowed money from trust account	38	-	285
Interest income—cash basis	54,232	55,204	406,141
Interest expense—cash basis	(2,697)	(371)	(20,198)
Other—net	(25,324)	(12,896)	(189,650)
Total adjustments	<u>(1,396,204)</u>	<u>1,097,530</u>	<u>(10,456,107)</u>
Net cash (used in) provided by operating activities— (Forward)	<u>¥(1,369,208)</u>	<u>¥1,124,175</u>	<u>\$(10,253,935)</u>



## The Juroku Financial Group, Inc. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Net cash (used in) provided by operating activities—(Forward)	¥(1,369,208)	¥1,124,175	\$(10,253,935)
INVESTING ACTIVITIES:			
Purchases of securities	(313,959)	(513,552)	(2,351,224)
Proceeds from sales of securities	236,427	489,717	1,770,591
Proceeds from maturities of securities	71,868	109,124	538,216
Purchases of premises and equipment	(1,003)	(1,691)	(7,511)
Purchases of intangible assets	(1,568)	(1,674)	(11,743)
Proceeds from sales of premises and equipment	121	830	906
Other—net	(70)	(52)	(525)
Net cash (used in) provided by investing activities	(8,184)	82,702	(61,290)
FINANCING ACTIVITIES:			
Proceeds from sales of treasury stock	0	0	0
Acquisition of treasury stock	(1,115)	(1,116)	(8,350)
Acquisition of treasury stock of subsidiaries	-	(2,928)	-
Dividends paid	(4,807)	(4,061)	(35,999)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	988	-
Net cash used in financing activities	(5,922)	(7,117)	(44,349)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	5	9	37
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,383,309)	1,199,769	(10,359,537)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,130,687	930,918	15,956,616
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)	¥ 747,378	¥2,130,687	\$ 5,597,079

See notes to consolidated financial statements.

---

# The Juroku Financial Group, Inc. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Year Ended March 31, 2023

---

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Juroku Financial Group, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to \$1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Consolidation

The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 10 significant subsidiaries, including Juroku Bank, Ltd.; Juroku Research Institute Co., Ltd.; Juroku Card Co., Ltd.; Juroku Lease Co., Ltd.; Juroku Densan Digital Service Co., Ltd.; NOBUNAGA Capital Village Co., Ltd.; Juroku Business Service Co., Ltd.; Juroku Credit Guarantee Co., Ltd.; Juroku Tokai Tokyo Securities Co., Ltd. ("Juroku TT Securities") and Kanda Machi Okoshi Co., Ltd. (together, the "Group").

Due to the establishment of Kanda Machi Okoshi Co., Ltd., it is included in the scope of consolidation from the fiscal year ended March 31, 2023.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in 10 unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The number of other companies that were not made affiliates even though the Company owned 20% or more but not more than 50% of the voting rights of such other companies on its own account is two. Such companies are not considered to be affiliates because a non-consolidated subsidiary that is engaged in investment business, etc. owns shares as part of business transaction for the purpose of acquiring capital gains by investment and fostering, not for the purpose of making them subsidiaries.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

---

The balance sheet date for all consolidated subsidiaries is the end of March for each year, which is consistent with the balance sheet date of the Group.

**b. Business Combinations**

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**c. Cash and Cash Equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

**d. Trading Securities**

Trading securities are stated at fair value and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

**e. Securities**

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value with unrealized gains and losses, net of applicable taxes, and are reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For declines in fair value that are not recoverable, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings. Securities included in money held in trust for other purposes are accounted for by the same method as the above (2) available-for-sale securities.

**f. Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Company, except for leased assets, is computed using the declining-balance method over the estimated useful lives of the assets.

The range of useful lives is principally from 15 to 50 years for buildings and from 4 to 20 years for other premises and equipment.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

---

Under certain conditions, such as exchanges of premises and equipment for similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The deferred gain on premises and equipment resulting from the reduction of the cost of the assets acquired, which is taxable for tax purposes in the future, was ¥983 million (\$7,362 thousand) and ¥983 million as of March 31, 2023 and 2022, respectively.

**g. Long-Lived Assets**

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

**h. Land Revaluation**

Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its consolidated subsidiary's land operating as Bank to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly, such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥12,595 million (\$94,323 thousand) and ¥14,043 million as of March 31, 2023 and 2022, respectively.

**i. Intangible Assets**

Amortization of intangible assets is calculated using the straight-line method.

Amortization cost of software for internal use is calculated using the straight-line method over the estimated useful life, principally, five years.

**j. Allowance for Loan Losses**

The Company's consolidated subsidiaries implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Company's policies and rules for self-assessment of asset quality.

The Company has established a credit rating system under which the customers are classified into five categories such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." The credit rating system is used for the self-assessment of asset quality.

With respect to loans to customers who are likely to become bankrupt or to be closely monitored and caution loans with equivalent credit risk, which are classified within normal and caution loans (hereinafter, "loans to customers who are likely to become bankrupt or to be closely monitored, etc.") the allowance for loan losses is calculated based on the projected future losses for the following three years, whilst for other loans, for the following one year. The projected future losses are calculated by group (i.e., residential loans and non-residential loans) for loans to customers who are likely to become bankrupt or to be closely monitored, etc. and other loans based on the loss ratios, which are based on the average of actual past loss ratios for the past three years and one year, respectively. For loans such as possible bankruptcy, the allowance for loan losses is calculated based on an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors after the estimated fair value of the collateral real estate

---

or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the allowance for loan losses is calculated based upon the loan amount after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers and customers who are likely to become bankrupt or to be closely monitored, the discounted cash flow method is applied to calculate the loss provision. In these circumstances, the reserve is determined as the difference between the book value of the loan and the present value of future cash flows, which are discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

**k. *Liability for Retirement Benefits***

The Company has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that should be paid if employees retired at the consolidated balance sheet date.

The liability for retirement benefits is based on projected benefit obligations and plan assets at the end of the fiscal year. The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are recognized in profit or loss as incurred over three years within the expected average remaining service period of the employees. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees starting in the fiscal year following the occurrence of such differences.

Retirement benefits to directors and Audit & Supervisory Board members of consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date based on internal policies.

**l. *Stock Options***

The cost of stock options is measured based on fair value on the date of grant and is recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

**m. *Leases***

In regard to finance leases, sales and cost of sales are recognized when lease payments are received.

All other leases are accounted for as operating leases.

**n. *Provision for Losses from Reimbursement of Inactive Accounts***

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

**o. *Provision for Contingent Losses***

The Company provides a provision for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

**p. *Provision Required under the Special Act***

The provision required under the Special Act is a financial instruments transaction liability reserve for consolidated subsidiaries engaged in financial instruments business and is provided to prepare for losses arising from operational incidents incurred in relation to trading and other securities transactions. The amount of the provision is calculated pursuant to the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Order on Financial Instruments Business.

---

**q. Income Taxes**

The provision for current income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

**r. Foreign Currency Transactions**

Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

**s. Derivatives and Hedging Activities**

The Company uses a variety of derivative financial instruments.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The Company applies the deferral method of hedge accounting to hedges of interest rate risk associated with financial assets and liabilities in accordance with "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry-specific Committees Practical Guideline No. 24 issued by the Japanese Institute of Certified Public Accountants (JICPA)). Under JICPA Industry-specific Committees Practical Guideline No. 24, hedges to offset changes in fair value of fixed rate instruments (such as securities) (fair value hedges) are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

**t. Per Share Information**

Basic net income per share ("EPS") is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year, not retroactively adjusted for a reverse stock split.

**u. Change in Accounting policy**

***Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement***

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as “Fair Value Measurement Standard Implementation Guidance”) from the beginning of the fiscal year under review, and has decided to apply the new accounting policy set by the Fair Value Measurement Standard Implementation Guidance in future years in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance. The application has no impact on the Company’s consolidated financial statements.

In addition, the disclosure on investment trusts related to the fair value information by level within the fair value hierarchy under the notes on financial instruments pertaining to the previous consolidated fiscal year are not stated in accordance with Paragraph 27-3 of the Fair Value Measurement Standard Implementation Guidance.

**v. New Accounting Pronouncements**

***“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 issued on October 28, 2022)***

***“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 issued on October 28, 2022)***

***“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 issued on October 28, 2022)***

**(1) Overview**

Provisions on the classification of recording of income taxes, etc. when taxing other comprehensive income and on the treatment of tax effects related to the sale of subsidiary shares, etc. when the group corporate tax system is applied.

**(2) Application date**

The Company will apply the new guidance from the beginning of the year ending March 31, 2025.

**(3) Impact of adoption**

The Company is currently assessing the impact of adopting the above guidance on the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING ESTIMATES**

***Allowance for Loan Losses***

***(1) Amount recorded in the consolidated financial statements in the year ended March 31, 2023 and 2022***

*Allowance for loan losses:*

¥24,189 million (\$181,150 thousand) and ¥25,809 million in the years ended March 31, 2023 and 2022, respectively.

---

*(2) Information contributing to the understanding of details related to significant accounting estimates for certain items*

**1. Calculation method**

The calculation method of allowance for loan losses is described in “Note 2.j, “Allowance for Loan Losses.”

**2. Primary assumptions**

- a) The performance forecast of debtors, including those who prepare management improvement plans, used to determine the debtor classification, estimate future cash flows related to the collection of the loan principal and interest, is prepared based on assumptions derived from available information.  
Specifically, management improvement plans were developed based on future performance forecasts, which include future sales forecast, prospect of future expense reduction, and future cash flow prospect, among others. Accordingly, the reasonableness and the feasibility of the plan are determined based on industry trends and individual management improvement plans of the debtors.
- b) The effect of the new coronavirus disease on the economy is expected to gradually subside over the next consolidated fiscal year considering the current government policy. Although the extent of the effect is expected to vary by each debtor, the determination of the debtor classification and estimate of future cash flows related to the collection of the loan principal and interest are based on the assumption that the credit risk for loans and bills discounted originating from the Company’s consolidated subsidiaries will be affected within the range of the above assumptions. The above assumption has been changed from the one in the previous fiscal year end, which stated that the effect of the spread of the new coronavirus disease is expected to continue during the current fiscal year.
- c) For loans other than those for which the discounted cash flow method is applied, it is assumed that “normal” loans will incur approximately the same amount of losses as those from previous years, “caution” loans will incur approximately the same amount of losses as those from previous years and loans to customers who are likely to become bankrupt or to be closely monitored, which are classified within normal and caution loans, will incur approximately the same amount of losses as those from previous years.

**3. Impact on the consolidated financial statements for the next fiscal year**

If the assumptions used in the initial estimate changes due to changes in the external environment, including the situation of the spread of the new coronavirus disease, or the internal environment of the debtor, among others, there is a possibility that the amount of allowance will increase or decrease due to changes in the debtor classification, fluctuations of cash flow estimates or the occurrence of circumstances in which actual bad debt losses differ from the initial assumption, which may result in a significant impact on the consolidated financial statements.



#### 4. CASH AND DUE FROM BANKS

Cash and due from banks as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Cash	¥ 55,027	¥ 61,604	\$ 412,095
Due from banks	<u>696,920</u>	<u>2,074,091</u>	<u>5,219,201</u>
Total	<u>¥ 751,947</u>	<u>¥2,135,695</u>	<u>\$ 5,631,296</u>

A reconciliation between the cash and due from banks in the consolidated balance sheet and the cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Cash and due from banks	¥ 751,947	¥2,135,695	\$ 5,631,296
Due from banks other than the Bank of Japan	<u>(4,569)</u>	<u>(5,008)</u>	<u>(34,218)</u>
Cash and cash equivalents	<u>¥ 747,378</u>	<u>¥2,130,687</u>	<u>\$ 5,597,078</u>

## 5. TRADING SECURITIES AND SECURITIES

Trading securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Japanese government bonds	¥ 67	¥ 87	\$ 502
Japanese local government bonds	17	28	127
Total	¥ 84	¥ 115	\$ 629

The Company records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2023 and 2022, the Company recorded net valuation losses of ¥2 million (\$15 thousand) and ¥2 million, respectively.

Securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Equity securities	¥ 133,372	¥ 138,421	\$ 998,817
Japanese government bonds	175,682	204,739	1,315,674
Japanese local government bonds	527,523	549,054	3,950,595
Japanese corporate bonds	323,856	273,266	2,425,343
Foreign bonds	165,164	166,971	1,236,906
Investment trust	122,908	110,535	920,452
Other securities	16,002	16,237	119,838
Total	¥ 1,464,507	¥ 1,459,223	\$ 10,967,625

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥45,422 million (\$340,163 thousand) and ¥62,738 million as of March 31, 2023 and 2022, were included in Japanese government bonds, respectively.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2023 and 2022, was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2023</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 48,637	¥ 79,880	¥ 1,136	¥ 127,381
Debt securities	985,899	564	17,463	969,000
Foreign bonds	175,527	229	10,592	165,164
Investment trust	133,681	1,132	11,905	122,908
Other	-	2	-	2
Held-to-maturity—debt securities	58,060	279	187	58,152

<u>March 31, 2022</u>	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 45,695	¥ 88,138	¥ 1,465	¥ 132,368
Debt securities	971,548	1,232	8,516	964,264
Foreign bonds	173,422	305	6,757	166,970
Investment trust	113,677	1,146	4,288	110,535
Other	-	2	-	2
Held-to-maturity—debt securities	62,795	281	216	62,860

<u>March 31, 2023</u>	Thousands of U.S. Dollars			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 364,240	\$ 598,217	\$ 8,507	\$ 953,950
Debt securities	7,383,352	4,224	130,780	7,256,796
Foreign bonds	1,314,514	1,715	79,323	1,236,906
Investment trust	1,001,131	8,477	89,156	920,452
Other	-	15	-	15
Held-to-maturity—debt securities	434,809	2,089	1,400	435,498

Proceeds from sales of available-for-sale securities for the year ended March 31, 2023 and 2022, consisted of the following:

<u>March 31, 2023</u>	Millions of Yen		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Equity securities	¥ 15,848	¥ 3,868	¥ 106
Debt securities:			
Japanese government bonds	24,058	338	507
Japanese local government bonds	63,230	173	1
Japanese corporate bonds	1,001	1	-
Foreign bonds	86,284	0	6,988
Other:			
Investment trust	-	-	-
Other securities	-	-	-
Total	<u>¥ 190,421</u>	<u>¥ 4,380</u>	<u>¥ 7,602</u>

<u>March 31, 2022</u>	Millions of Yen		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Equity securities	¥ 33,305	¥6,643	¥ 197
Debt securities:			
Japanese government bonds	43,318	196	151
Japanese local government bonds	16,137	34	29
Japanese corporate bonds	43,612	26	-
Foreign bonds	255,253	957	10,776
Other:			
Investment trust	84,674	875	1,345
Other securities	<u>20</u>	<u>13</u>	<u>-</u>
Total	<u>¥ 476,319</u>	<u>¥8,744</u>	<u>¥12,498</u>

<u>March 31, 2023</u>	Thousands of U.S. Dollars		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Equity securities	\$ 118,685	\$ 28,967	\$ 794
Debt securities:			
Japanese government bonds	180,169	2,531	3,797
Japanese local government bonds	473,527	1,296	7
Japanese corporate bonds	7,496	8	-
Foreign bonds	646,177	0	52,333
Other:			
Investment trust	-	-	-
Other securities	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,426,054</u>	<u>\$ 32,802</u>	<u>\$ 56,931</u>

In addition, held-to-maturity securities amounting to ¥221 million (\$1,655 thousand) and 21 million were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2023 and 2022, respectively. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

Securities other than trading securities (excluding those securities that do not have a market price and investment in partnerships) whose fair value significantly declined below the acquisition cost and is considered not likely to be recovered are written down to their respective fair value, which is recorded as the carrying amount on the consolidated balance sheet.

The fair value is deemed to have significantly declined if the year-end fair value declined by 30% or more from the acquisition cost for securities issued by bankrupt borrowers, virtually bankrupt borrowers, potentially bankrupt borrowers, and borrowers who are likely to become bankrupt or to be closely monitored, and if the fair value declined by 50% or more from the acquisition cost for securities issued by normal borrowers.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2023, was ¥127 million (\$951 thousand), which consisted of ¥102 million (\$764 thousand) of equity securities and ¥25 million (\$187 thousand) of debt securities.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2022, was ¥33 million, which consisted of ¥17 million of equity securities and ¥16 million of debt securities.

Unrealized gain on available-for-sale securities as of March 31, 2023 and 2022, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Unrealized gain before deferred tax on:			
Available-for-sale securities	¥ 41,049	¥69,914	\$ 307,414
Money held in trust—other	12	12	90
Deferred tax liabilities	<u>(12,177)</u>	<u>(20,736)</u>	<u>(91,193)</u>
Unrealized gain on available-for-sale securities before interest adjustments	28,884	49,190	216,311
Noncontrolling interests	<u>(2)</u>	<u>(1)</u>	<u>(15)</u>
Unrealized gain on available-for-sale securities	<u>¥ 28,882</u>	<u>¥49,189</u>	<u>\$ 216,296</u>

Unrealized gain before deferred tax on available-for-sale securities includes ¥339 million (\$2,539 thousand) and ¥490 million of revaluation gain on available-for-sale securities as of March 31, 2023 and 2022, which are held by an investment limited partnership and similar groups.

Investments in and advances to subsidiaries and associated companies as of March 31, 2023 and 2022, were ¥1,115 million (\$8,350 thousand) and ¥840 million, respectively.

## 6. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2023 and 2022, was as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Money held in trust classified as trading purpose	¥ 6,000	¥ 6,000	\$ 44,934
Money held in trust—other	<u>5,312</u>	<u>5,612</u>	<u>39,781</u>
Total	<u>¥11,312</u>	<u>¥11,612</u>	<u>\$ 84,715</u>

## 7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Bills discounted	¥ 12,618	¥ 12,026	\$ 94,496
Loans on bills	89,992	88,196	673,946
Loans on deeds	4,233,821	4,078,798	31,706,890
Overdrafts	352,447	337,839	2,639,459
Others	<u>6,570</u>	<u>4,965</u>	<u>49,202</u>
Total	<u>¥4,695,448</u>	<u>¥4,521,824</u>	<u>\$35,163,993</u>

Loans under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions are as follows: Loans are corporate bonds in “Securities” in the consolidated balance sheet (guaranteed for all or part of the redemption of the principal and payment of interest, and the issuance of such bonds is limited to private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange, accrued interest and advance payments in “Other Assets”, etc., as well as securities recorded in each account, such as customers’ liabilities for acceptances and guarantee, and securities (limited to those under use leases or lease agreements) in the case of lending of securities that are to be noted.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 13,195	¥ 12,288	\$ 98,817
Doubtful loans	52,316	56,831	391,792
Loans requiring management	2,121	2,262	15,884
Accruing loans past due three months or more	113	19	846
Restructured loans	2,008	2,243	15,038
Normal loans	<u>4,786,599</u>	<u>4,613,945</u>	<u>35,846,619</u>
Total	<u>¥4,854,231</u>	<u>¥ 4,685,326</u>	<u>\$36,353,112</u>

“Loans under bankruptcy/rehabilitation or similar proceedings” are loans against borrowers who have fallen into bankruptcy due to reasons such as the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, or the application for the commencement of rehabilitation proceedings, and the commencement of rehabilitation proceedings, as well as similar loans.

“Doubtful loans” are claims in which the debtor has not yet reached a state of bankruptcy, but whose financial position and operating results have deteriorated and there is a high possibility that the principal of the receivables and interest cannot be collected in accordance with the contract. Loans under bankruptcy/rehabilitation or similar proceedings are excluded from doubtful loans.

“Accruing loans past due three months or more” are defined as loans and bills discounted for which principal or interest is past due more than three months from the date following the prescribed payment date. Loans under bankruptcy/rehabilitation or similar proceedings and doubtful loans are excluded from accruing loans past due three months or more.

---

“Restructured loans” are defined as loans and bills discounted in which the Company is providing financial support to a borrower by a reduction of interest rates, deferral of interest payments, extension of maturity dates, or reduction of the face or maturity amount of the debt or accrued interest. Loans under bankruptcy/rehabilitation or similar proceedings, doubtful loans and accruing loans past due three months or more are excluded from restructured loans.

“Normal loans” are those that do not have any particular problems with the financial position and operating results of the borrower and classified other than loans under bankruptcy/rehabilitation or similar proceedings, doubtful loans, accruing loans past due three months or more and restructured loans.

Bills discounted are accounted for as financing transactions in accordance with "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry-specific Committees Practical Guideline No. 24) issued by the Japanese Institute of Certified Public Accountants. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions. The total fair value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2023 and 2022, were ¥12,977 million (\$97,184 thousand) and ¥12,363 million, respectively.



## 8. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Assets:			
Due from foreign correspondent account	¥6,052	¥7,952	\$ 45,323
Foreign bills of exchange bought	359	337	2,689
Foreign bills of exchange receivable	<u>616</u>	<u>572</u>	<u>4,613</u>
Total	<u>¥7,027</u>	<u>¥8,861</u>	<u>\$ 52,625</u>
Liabilities:			
Due to foreign correspondent account	¥1,366	¥1,165	\$ 10,230
Foreign bills of exchange payable	<u>359</u>	<u>430</u>	<u>2,688</u>
Total	<u>¥1,725</u>	<u>¥1,595</u>	<u>\$ 12,918</u>

## 9. OTHER ASSETS

Other assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Accrued income	¥ 4,759	¥ 4,338	\$ 35,640
Accounts receivable	12,547	11,016	93,964
Installment receivables	18,047	18,256	135,153
Derivative assets	6,372	6,995	47,720
Other	<u>62,003</u>	<u>74,224</u>	<u>464,338</u>
Total	<u>¥103,728</u>	<u>¥114,829</u>	<u>\$ 776,815</u>

## 10. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Land	¥43,399	¥43,437	\$ 325,013
Building	9,949	10,576	74,508
Construction in progress	-	3	-
Other	<u>4,022</u>	<u>4,297</u>	<u>30,120</u>
Total	<u>¥57,370</u>	<u>¥58,313</u>	<u>\$ 429,641</u>

The accumulated depreciation of premises and equipment as of March 31, 2023 and 2022 amounted to ¥63,276 million (\$473,871 thousand) and ¥62,558 million, respectively.

## 11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Company's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007, and effective from the fiscal years beginning on and after April 1, 2006. The Company offsets customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥58,286 million (\$436,501 thousand) and ¥62,847 million arising from guarantees of private placement securities as of March 31, 2023 and 2022, respectively.

## 12. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets pledged as collateral:			
Securities	¥ 406,713	¥ 884,605	\$ 3,045,855
Loans and bills discounted	1,110,166	1,187,313	8,313,982
Other assets	110	94	824
Total	<u>¥ 1,516,989</u>	<u>¥ 2,072,012</u>	<u>\$ 11,360,661</u>
Relevant liabilities to above assets:			
Deposits	¥ 93,297	¥ 105,140	\$ 698,697
Payables under repurchase agreements	97,835	133,747	732,682
Payables under securities lending transactions	-	87,538	-
Borrowed money	<u>311,440</u>	<u>1,384,230</u>	<u>2,332,359</u>
Total	<u>¥ 502,572</u>	<u>¥ 1,710,655</u>	<u>\$ 3,763,738</u>

Additionally, initial margins of futures markets, cash collateral received for financial instruments liabilities, guarantee deposits and initial margins of Central Counterparty included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Initial margins of future markets	¥ 3,600	¥ 2,215	\$ 26,960
Cash collateral received for financial instruments liabilities	5,553	3,489	41,586
Guarantee deposits	1,862	1,884	13,945
Initial margins of Central Counterparty	<u>35,332</u>	<u>36,345</u>	<u>264,600</u>
Total	<u>¥ 46,347</u>	<u>¥ 43,933</u>	<u>\$ 347,091</u>

### 13. DEPOSITS

Deposits as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current deposits	¥ 433,825	¥ 442,580	\$ 3,248,895
Ordinary deposits	3,821,036	3,673,361	28,615,562
Deposits at notice	53,766	48,122	402,651
Savings deposits	98,617	99,790	738,538
Time deposits	1,796,513	1,892,701	13,454,003
Other deposits	63,224	68,737	473,482
Total	<u>¥6,266,981</u>	<u>¥6,225,291</u>	<u>\$46,933,131</u>

### 14. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Borrowings due serially to October 2027 with weighted-average interest rates of 0.09% in 2023 and 0.00% in 2022	¥ 329,501	¥1,405,797	\$ 2,467,618
Lease obligation	-	-	-

Weighted-average interest rates of lease obligation are not represented because the lease obligation is disclosed on the balance sheet without deducting the interest portion, which is included in the amount of the lease obligation.

Annual maturities of borrowings as of March 31, 2023 were as follows:

#### As of March 31, 2023

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2024	¥ 223,832	\$ 1,676,268
2025	63,577	476,125
2026	2,505	18,760
2027	39,297	294,293
2028	290	2,172
2029 and thereafter	-	-
Total	<u>¥ 329,501</u>	<u>\$ 2,467,618</u>

There were no lease obligations as of March 31, 2023 and 2022, respectively.

## 15. OTHER LIABILITIES

Other liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Domestic exchange settlement account, credit*	¥ 192	¥ 158	\$ 1,438
Income taxes payable	3,388	3,005	25,373
Accrued expenses	1,197	1,168	8,964
Deferred income	16,968	17,496	127,073
Derivative liabilities	9,770	10,674	73,167
Accounts payable	10,316	7,382	77,256
Other	<u>13,750</u>	<u>22,605</u>	<u>102,973</u>
Total	<u>¥55,581</u>	<u>¥62,488</u>	<u>\$ 416,244</u>

\* The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Company has received notices for payment from other banks, which have not been settled.

## 16. RETIREMENT AND PENSION PLANS

The consolidated subsidiary engaged in banking business (the "Bank"), has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan. The Bank contributed certain assets to the employee retirement benefit trust for its contributory funded defined benefit pension plan and the assets in this trust are qualified as plan assets. Certain subsidiaries other than above have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date.

- (1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Balance at beginning of year	¥41,350	¥41,803	\$ 309,668
Current service cost	1,405	1,491	10,522
Interest cost	139	141	1,041
Actuarial losses	23	99	172
Benefits paid	<u>(2,344)</u>	<u>(2,184)</u>	<u>(17,554)</u>
Balance at end of year	<u>¥40,573</u>	<u>¥41,350</u>	<u>\$ 303,849</u>

- (2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Balance at beginning of year	¥49,398	¥47,992	\$ 369,939
Expected return on plan assets	1,481	1,440	11,091
Actuarial (losses) gains	(2,019)	919	(15,120)
Contributions from the employer	668	695	5,003
Benefits paid	<u>(1,693)</u>	<u>(1,648)</u>	<u>(12,679)</u>
Balance at end of year	<u>¥47,835</u>	<u>¥49,398</u>	<u>\$ 358,234</u>

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Funded defined benefit obligation	¥34,641	¥35,178	\$ 259,425
Plan assets	<u>(47,835)</u>	<u>(49,398)</u>	<u>(358,234)</u>
	(13,194)	(14,220)	(98,809)
Unfunded defined benefit obligation	<u>5,932</u>	<u>6,172</u>	<u>44,424</u>
Net asset arising from defined benefit obligation	<u>¥ (7,262)</u>	<u>¥ (8,048)</u>	<u>\$ (54,385)</u>

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Liability for retirement benefits for employees	¥ 5,933	¥ 6,172	\$ 44,432
Asset for retirement benefits for employees	<u>(13,195)</u>	<u>(14,220)</u>	<u>(98,817)</u>
Net asset arising from defined benefit obligation	<u>¥ (7,262)</u>	<u>¥ (8,048)</u>	<u>\$ (54,385)</u>

- (4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Service cost	¥ 1,405	¥ 1,491	\$ 10,522
Interest cost	139	141	1,041
Expected return on plan assets	(1,481)	(1,440)	(11,091)
Recognized actuarial gains	(475)	(282)	(3,557)
Past service cost	<u>(1,470)</u>	<u>(1,469)</u>	<u>(11,009)</u>
Net periodic benefit costs	<u>¥ (1,882)</u>	<u>¥ (1,559)</u>	<u>\$ (14,094)</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Past service cost	¥ (1,470)	¥ (1,469)	\$ (11,009)
Actuarial (losses) gains	<u>(2,516)</u>	<u>539</u>	<u>(18,842)</u>
Total	<u>¥ (3,986)</u>	<u>¥ (930)</u>	<u>\$ (29,851)</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Unrecognized past service cost	¥ (367)	¥ (1,836)	\$ (2,748)
Unrecognized actuarial gains	<u>(414)</u>	<u>(2,931)</u>	<u>(3,101)</u>
Total	<u>¥ (781)</u>	<u>¥ (4,767)</u>	<u>\$ (5,849)</u>

(7) Plan assets

(a) Components of plan assets

Plan assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Debt investments	26%	26%
Equity investments	42	44
General account for life insurance	18	17
Others	<u>14</u>	<u>13</u>
Total	<u>100%</u>	<u>100%</u>

Note: The retirement benefit trust that contributed to the pension plan is included in the plan assets and constitutes 20% and 20% of the total plan assets as of March 31, 2023 and 2022, respectively.

(b) Method of determining the expected rate of return on plan assets

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

(8) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	<u>2023</u>	<u>2022</u>
Discount rate:		
Lump-sum payment	0.084%	0.084%
Pension plan	0.382	0.382
Expected rate of return on plan assets	3.000	3.000

The amount to be paid to defined contribution pension plan was ¥362 million (\$2,711 thousand) and ¥373 million for the years ended March 31, 2023 and 2022, respectively.

**17. ASSET RETIREMENT OBLIGATIONS**

The description is omitted because the total amount of asset retirement obligations is immaterial.

---

## 18. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### **a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### **b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

### **c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.



## 19. STOCK OPTIONS

The stock options outstanding as of March 31, 2023 are as follows:

<u>Stock Option</u>	<u>Persons Granted</u>	<u>Number of Options Granted</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
1st Stock Option	11 directors (Juroku Bank, Ltd.)	2,780 shares	2013.7.23	¥1 (\$0.01 )	From October 1, 2021 to July 23, 2043
2nd Stock Option	11 directors (Juroku Bank, Ltd.)	6,240 shares	2014.7.23	¥1 (\$0.01 )	From October 1, 2021 to July 23, 2044
3rd Stock Option	10 directors (Juroku Bank, Ltd.)	3,600 shares	2015.7.23	¥1 (\$0.01 )	From October 1, 2021 to July 23, 2045
4th Stock Option	7 directors and 8 executive officers (Juroku Bank, Ltd.)	5,200 shares	2016.7.22	¥1 (\$0.01 )	From October 1, 2021 to July 22, 2046
5th Stock Option	7 directors and 8 executive officers (Juroku Bank, Ltd.)	6,100 shares	2017.7.21	¥1 (\$0.01 )	From October 1, 2021 to July 21, 2047
6th Stock Option	7 directors and 9 executive officers (Juroku Bank, Ltd.)	8,530 shares	2018.7.23	¥1 (\$0.01 )	From October 1, 2021 to July 23, 2048
7th Stock Option	7 directors and 9 executive officers (Juroku Bank, Ltd.)	13,100 shares	2019.7.23	¥1 (\$0.01 )	From October 1, 2021 to July 23, 2049
8th Stock Option	6 directors and 9 executive officers (Juroku Bank, Ltd.)	15,900 shares	2020.7.22	¥1 (\$0.01 )	From October 1, 2021 to July 22, 2050
9th Stock Option	6 directors and 3 executive officers (the Company) 6 directors and 12 executive officers (Juroku Bank, Ltd.)	29,470 shares	2021.12.23	¥1 (\$0.01 )	From December 24, 2021 to December 23, 2051

Note: The 1st to 8th Stock Option are the rights issued by the Company to the holders of stock option rights issued by The Juroku Bank, Ltd. due to the establishment of the Company through the sole share transfer of The Juroku Bank, Ltd.

The stock option activity is as follows:

	1st Stock Option	2nd Stock Option	3rd Stock Option	4th Stock Option (Shares)	5th Stock Option	6th Stock Option	7th Stock Option	8th Stock Option	9th Stock Option
<u>Year Ended March 31, 2023</u>									
<u>Non-vested</u>									
March 31, 2022—Outstanding	-	-	-	-	-	-	-	-	12,630
Granted	-	-	-	-	-	-	-	-	-
Canceled	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	12,630
March 31, 2023—Outstanding	-	-	-	-	-	-	-	-	-
<u>Vested</u>									
March 31, 2022—Outstanding	2,780	6,240	3,600	5,200	6,100	7,990	12,390	15,110	16,840
Vested	-	-	-	-	-	-	-	-	12,630
Exercised	-	-	-	-	-	540	890	980	3,800
Canceled	2,780	6,240	3,600	5,200	6,100	7,450	11,500	14,130	25,670
March 31, 2023—Outstanding	-	-	-	-	-	-	-	-	-
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise	-	-	-	-	-	¥ 2,227 (\$16.68)	¥ 2,227 (\$16.68)	¥ 2,227 (\$16.68)	¥ 2,227 (\$16.68)
Fair value price at grant date	¥ 3,650 (\$27.33)	¥ 3,200 (\$23.96)	¥ 4,640 (\$34.75)	¥ 2,390 (\$17.90)	¥ 3,170 (\$23.74)	¥ 2,587 (\$19.37)	¥ 2,068 (\$15.49)	¥ 1,670 (\$12.51)	¥ 1,748 (\$13.09)

Note 1: From the current consolidated fiscal year, the Company has abolished the stock compensation-type stock option plan and introduced the restricted stock compensation plan.

Note 2: For the 1st to 8th Stock Options, the fair valuation rate as of the initial date granted by The Juroku Bank, Ltd. is described.

## 20. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Gains on sales of Japanese government bonds and other	¥ 512	¥ 1,730	\$ 3,834
Income on lease transaction and installment receivables	25,204	24,811	188,752
Other	<u>4,135</u>	<u>5,615</u>	<u>30,967</u>
Total	<u>¥29,851</u>	<u>¥32,156</u>	<u>\$ 223,553</u>

## 21. OTHER INCOME

Other income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Gain on sales of stock and other securities	¥ 3,868	¥7,013	\$ 28,967
Other	<u>747</u>	<u>641</u>	<u>5,595</u>
Total	<u>¥ 4,615</u>	<u>¥7,654</u>	<u>\$ 34,562</u>

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Salaries and wages	¥17,729	¥18,359	\$ 132,772
Commission fee	4,642	4,706	34,764
Other	<u>19,868</u>	<u>21,495</u>	<u>148,790</u>
Total	<u>¥42,239</u>	<u>¥44,560</u>	<u>\$ 316,326</u>

## 23. OTHER EXPENSE

Other expense for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Loss on sales of stock and other securities	¥ 106	¥ 461	\$ 794
Write-down of stock and other securities	161	21	1,206
Other	<u>312</u>	<u>590</u>	<u>2,336</u>
Total	<u>¥ 579</u>	<u>¥1,072</u>	<u>\$ 4,336</u>

## 24. INCOME TAXES

The Bank and its subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.92% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Deferred tax assets:			
Allowance for loan losses	¥ 6,267	¥ 6,672	\$ 46,933
Write-down of securities	6,757	6,671	50,603
Liability for retirement benefits for employees	1,779	1,851	13,323
Depreciation	1,198	1,274	8,972
Other	2,196	2,102	16,445
Less: valuation allowance	<u>(8,468)</u>	<u>(8,435)</u>	<u>(63,416)</u>
Total	<u>9,729</u>	<u>10,135</u>	<u>72,860</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(12,177)	(20,736)	(91,193)
Net defined benefit asset	(1,835)	(2,198)	(13,742)
Gain on contribution of available-for-sale securities to employees' retirement benefit trusts	(955)	(955)	(7,152)
Other	<u>(1,428)</u>	<u>(1,429)</u>	<u>(10,694)</u>
Total	<u>(16,395)</u>	<u>(25,318)</u>	<u>(122,781)</u>
Net deferred tax liabilities	<u>¥ (6,666)</u>	<u>¥ (15,183)</u>	<u>\$ (49,921)</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Normal effective statutory tax rate	-%	29.92 %
Expenses not deductible for income tax purposes	-	1.12
Income not taxable for income tax purposes	-	(20.81)
Per capita tax	-	0.26
Net change in valuation allowance	-	13.87
Elimination of dividend income	-	3.51
Consolidated adjustment for gains on sale of shares of subsidiaries	-	4.32
Other—net	<u>-</u>	<u>1.41</u>
Actual effective tax rate	<u>-%</u>	<u>33.61 %</u>

Figures for the current consolidated fiscal year are omitted because the difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting is not more than 5% of the statutory effective tax rate.

## 25. LEASES

### *Finance Leases*

(Lessee)

A subsidiary leases certain premises.

There was no rental expense including lease payments under the finance leases for the years ended March 31, 2023 and 2022.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2023 and 2022, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Gross lease receivables	¥51,606	¥53,339	\$ 386,475
Unguaranteed residual values	1,265	1,353	9,474
Deferred interest income	<u>(4,352)</u>	<u>(4,449)</u>	<u>(32,592)</u>
Total	<u>¥48,519</u>	<u>¥50,243</u>	<u>\$ 363,357</u>

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased assets to the lessee are as follows:

#### As of March 31, 2023

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2024	¥1,432	\$10,724
2025	1,197	8,964
2026	866	6,486
2027	618	4,628
2028	469	3,512
2029 and thereafter	<u>789</u>	<u>5,909</u>
Total	<u>¥5,371</u>	<u>\$40,223</u>

#### As of March 31, 2022

<u>Year Ending March 31</u>	<u>Millions of Yen</u>
2023	¥1,362
2024	1,158
2025	835
2026	503
2027	310
2028 and thereafter	<u>456</u>
Total	<u>¥4,624</u>

Maturities of investment in leases for finance leases that were deemed not to transfer ownership of the leased assets to the lessee are as follows:

As of March 31, 2023

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2024	¥14,909	\$111,653
2025	12,079	90,459
2026	9,182	68,764
2027	6,580	49,277
2028	4,108	30,765
2029 and thereafter	<u>4,748</u>	<u>35,557</u>
Total	<u>¥51,606</u>	<u>\$386,475</u>

As of March 31, 2022

<u>Year Ending March 31</u>	<u>Millions of Yen</u>
2023	¥14,992
2024	12,489
2025	9,687
2026	6,786
2027	4,231
2028 and thereafter	<u>5,154</u>
Total	<u>¥53,339</u>

***Operating Leases***

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Due within one year	¥ 238	¥ 241	\$ 1,782
Due after one year	<u>1,210</u>	<u>1,430</u>	<u>9,062</u>
Total	<u>¥ 1,448</u>	<u>¥1,671</u>	<u>\$ 10,844</u>

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 425	¥ 474	\$ 3,183
Due after one year	500	598	3,744
Total	¥ 925	¥1,072	\$ 6,927

## 26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *Group Policy for Financial Instruments*

The Group provides banking services and comprehensive financial services including a leasing business.

In the core banking business, in addition to procurement through the acceptance of deposits, the Group raises funds through borrowings and other means, manage loans with a focus on business loans and housing loans, and manage securities investment with a focus on bonds.

Since the Group has financial assets and liabilities mainly accompanied by interest rate fluctuations, the Group conducts comprehensive management of assets and liabilities (ALM) so that adverse effects from interest rate fluctuations do not occur. As part of this, the Group also conducts derivative transactions.

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

The loans and bills discounted are to general business enterprises, individuals, and local public bodies, and there is a risk (credit risk) that the value of loaned money is reduced by financial deterioration of the borrower and a risk (interest risk) of losses due to changes in interest rates.

In securities, the Group holds domestic bonds, foreign securities, stocks, investment trusts, and investment partnerships and so forth for investment purposes. Also, the Group holds certain domestic bonds for held-to-maturity purposes. In trading securities, the Group holds domestic bonds for trading. These items have interest risk, risk of changes in price, credit risk, and market liquidity risk. Market liquidity risk represents the risk that market trades cannot be performed due to market turmoil and that the Group may suffer losses due to significantly unfavorable financing conditions.

Deposits and borrowed money hold interest risk and cash flow risk (liquidity risk). Cash flow risk refers to the risk that securing necessary financing becomes difficult or significant unfavorable financing conditions result in recording of loss due to a mismatch of periods between operations and financing and unexpected outflows of money. Derivative transactions related to interest are composed of interest-rate swap agreements, cap agreements, floor agreements, and interest futures.

Derivative transactions related to currency are composed of exchange contracts, non-deliverable forwards (NDF), currency swap agreements, and currency option contracts. Derivative transactions related to securities are composed of bond futures, options on bond futures, over-the-counter (OTC) bond options, stock index futures, options on stock index futures, and individual security options.

The Group utilizes derivative transactions to meet customer needs and to control risk so that interest risk, risk of changes in prices, and foreign currency exchange risk are not excessive. In trading transactions, the Group utilizes derivative transactions to earn a profit and to accumulate

---

the know-how related to the transactions and understand market trends.

The derivative transactions the Group utilizes are exposed to interest risk, currency exchange risk, the risk of change in prices, and credit risk. In utilizing derivative transactions, the Group performs effective covering of transactions to meet customers' needs, and in trading transactions, the Group preliminarily establishes a risk limit to avoid exposing the Group to an excessive degree of market risk. Transactions such as listed futures are exposed to limited credit risk and OTC transactions such as interest swaps are assumed to have low risk since the counterparties are composed of highly credible financial institutions and companies.

For some derivative transactions that hedge securities, etc., the Company applies hedge accounting based on internal regulations and internal hedging policies complying with the "Practical Guidelines for Accounting for Financial Instruments" (Accounting System Committee Report No. 14, hereinafter referred to as the "Practical Guidelines"). The hedging target and hedging instrument to which hedge accounting was applied in the current consolidated fiscal year are as follows:

- Hedging target: Securities
- Hedging instrument: Interest Rate Swap

The effectiveness of hedging is evaluated in the manner stipulated in the Practical Guidelines, etc.

### **(3) Risk Management for Financial Instruments**

#### *Integrated risk*

The Group defines integrated risk management policies and regulations, and strengthens integrated risk management to ensure the soundness of management.

The Group monitors various risks holistically including measurement by statistical methods and aims to control risks within the range of management vitality. Integrated risk is managed by the Group Risk Supervisory Division and is reported generally quarterly to the Group Risk Compliance Meeting and Group Risk Compliance Committee and generally semiannually to the Board of Directors' meetings. Necessary actions such as risk control are taken promptly.

#### *Credit risk management*

Credit risk refers to the risk of incurring losses due to a decrease or loss in the value of assets as a result of deterioration in the financial situation of a creditor.

Regarding credit risk management, the Group defines a credit rating system where the Group evaluates the degree of credit risk by an integrated scale objectively and discusses countermeasures with the Group companies as necessary in addition to monitoring the status of credit risk management at the Group companies and the risk of credit concentration throughout the Group.

#### *Market risk management (foreign exchange risk and interest rate risk)*

Market risk refers to the risk that the value of assets and liabilities will fluctuate due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stocks, and the risk of incurring losses due to fluctuations in the earnings generated from assets and liabilities.

Under integrated risk management, the consolidated subsidiaries engaged in banking business semi-annually allocate risk capital to each business (deposit, loan, investment securities and other securities) and establish a cap on the investment amount and a maximum loss amount and matter to be discussed (level of loss to be re-examined) and department in charge handles market transactions within these risk limits expeditiously and effectively.

The Group holds financial instruments which are exposed to market risks (e.g. interest rate risk, price-volatility risk and exchange risk) such as loans and bills discounted, securities, deposits, negotiable deposits, borrowed money and corporate bonds. To manage these market risks, the



---

Group calculates VaR, which is used for quantitative analysis.

The Group calculates VaR of yen-denominated bonds (including private placement bonds), borrowed money and corporate bonds that are exposed to interest rate risk by the variance-covariance method (six months holding period with confidence interval of 99% and observation period one year). The VaR of these financial instruments amounted to ¥55,738 million (\$417,419 thousand) and ¥22,170 million in aggregate as of March 31, 2023 and 2022, respectively.

The Group calculates VaR of investment securities that are exposed to price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99% and observation period one year). The VaR of these financial instruments amounted to ¥32,288 million (\$241,803 thousand) and ¥42,442 million in aggregate as of March 31, 2023 and 2022, respectively.

In addition, the Group calculates VaR of securities, excluding investment securities, which are exposed to interest rate risk or the price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99% and observation period one year). The VaR of these financial instruments amounted to ¥66,856 million (\$500,681 thousand) and ¥39,326 million in aggregate as of March 31, 2023 and 2022, respectively.

The Group compares VaR calculated by the formula with the actual fluctuation of realized gains and losses to verify that the calculated VaR reflects market risks with a high degree of accuracy.

However, VaR might not reflect market risks in circumstances such as unforeseen wide fluctuations in market circumstances because VaR reflects a certain amount of market risks calculated statistically based on historical fluctuation.

#### *Liquidity risk management*

Liquidity risk refers to cash flow risk and market liquidity risk. Cash flow risk refers to the risk of incurring losses due to a mismatch between the investment and funding periods or an unexpected outflow of funds, which makes it difficult to secure the necessary funds, or due to being forced to raise funds at a significantly higher interest rate than usual. Market liquidity risk refers to the risk of incurring losses due to the inability to trade in the market due to market turmoil or other factors or being forced to trade at a significantly more disadvantageous price than usual. The Company monitors the status of cash flow and liquidity risk and matters affecting cash flow and has established a system to respond promptly and accurately even if an unforeseen situation occurs.

#### (4) *Financial Instruments Categorized by Fair Value Hierarchy*

Fair values of financial instruments are calculated based on certain assumptions; therefore, fair values may vary according to the assumptions used.

The amount recorded in the consolidated balance sheet, market value, the difference between these, and the market value for each level are as follows. Shares without market prices and investment in partnerships are not included in the following table:

The fair value of financial instruments is categorized into the following three levels according to the observability and significance of the inputs used in making fair value measurements:

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

Level 2: Fair values measured by using observable inputs other than Level 1 inputs.

Level 3: Fair values measured by using unobservable inputs.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) *Financial instruments measured at fair value:*

March 31, 2023	Millions of Yen			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Securities (available-for-sale securities)	¥ 345,262	¥1,030,415	¥ 190	¥1,375,867
Japanese equity securities	120,645	6,736	-	127,381
Japanese government bonds	175,682	-	-	175,682
Japanese local government bonds	-	527,523	-	527,523
Japanese corporate bonds	-	265,605	190	265,795
Foreign bonds	38,565	126,598	-	165,163
Investment trust (*1)	10,370	103,951	-	114,321
Other securities	-	2	-	2
Total assets	¥345,262	¥1,030,415	¥ 190	¥1,375,867
Derivative transactions (*2) (*3)	¥ -	¥ (3,371)	¥ (27)	¥ (3,398)
Interest-related transaction	-	500	-	500
Currency-related transaction	-	(3,871)	-	(3,871)
Credit derivative transaction	-	-	(27)	(27)

March 31, 2022	Millions of Yen			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Securities (available-for-sale securities)	¥ 318,463	¥945,113	¥ 28	¥1,263,604
Japanese equity securities	129,724	2,644	-	132,368
Japanese government bonds	186,434	18,305	-	204,739
Japanese local government bonds	-	549,054	-	549,054
Japanese corporate bonds	-	210,443	28	210,471
Foreign bonds	2,305	164,665	-	166,970
Investment trust (*4)	-	-	-	-
Other securities	-	2	-	2
Total assets	¥318,463	¥945,113	¥ 28	¥1,263,604
Derivative transactions (*2)	¥ -	¥ (3,664)	¥ (15)	¥ (3,679)
Interest-related transaction	-	350	-	350
Currency-related transaction	-	(4,014)	-	(4,014)
Credit derivative transaction	-	-	(15)	(15)

March 31, 2023	Thousands of U.S. Dollars			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Securities (available-for-sale securities)	\$2,585,651	\$7,716,730	\$1,423	\$10,303,804
Japanese equity securities	903,505	50,445	-	953,950
Japanese government bonds	1,315,674	-	-	1,315,674
Japanese local government bonds	-	3,950,595	-	3,950,595
Japanese corporate bonds	-	1,989,104	1,423	1,990,527
Foreign bonds	288,811	948,087	-	1,236,898
Investment trust (*1)	77,661	778,484	-	856,145
Other securities	-	15	-	15
Total assets	\$2,585,651	\$7,716,730	\$1,423	\$10,303,804
Derivative transactions (*2) (*3)	\$ -	\$ (25,245)	\$ (202)	\$ (25,447)
Interest-related transaction	-	3,744	-	3,744
Currency-related transaction	-	(28,990)	-	(28,990)
Credit derivative transaction	-	-	(202)	(202)

(\*1) Investment trusts for which the base value under Paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) is deemed as market value are not included. The amount of investment trusts on the consolidated balance sheet is ¥8,588 million (\$64,315 thousand).

(\*2) Derivative transactions recorded in other assets and liabilities are presented collectively. Net receivables and liabilities arising from derivative transactions are presented in net amounts, and items that constitute net liabilities in total are presented in parentheses.

(\*3) Among derivative transactions, the amount of transactions on the consolidated balance sheet to which hedging accounting is applied is ¥167 million (\$1,251 thousand).

(\*4) Investment trusts to which the transitional measures stated in Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) are applied are not included in the above table. The amount of the investment trusts on the consolidated balance sheet is ¥110,535 million.

The adjustment table from the beginning balance to the year-end balance of investment trusts for which the base value is deemed as the market value is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Beginning balance	¥7,972	\$ 59,702
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss	-	-
Recorded in other comprehensive income ( *)	123	921
Purchases, sales and redemption (net)	493	3,692
Amount for which the base value of the investment trusts is considered to be the fair value	-	-
Amount for which the base value of the investment trusts is not considered to be the fair value	-	-
Ending balance	¥ 8,588	\$ 64,315
Gains or losses on valuation of the investment trusts held at the end of the reporting period included in profit or loss for the period	¥ -	\$ -

(\*) Included in the "Unrealized loss on available-for-sale securities" under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income.

(b) Financial instruments other than those measured at fair value:

Cash and due from Banks, call loans and bills bought, negotiable certificates of deposit, payables under repurchase agreements, and payables under securities lending transactions are settled in a short period of time, and the carrying value approximates fair value. Therefore, the notes are omitted.

March 31, 2023	Millions of Yen					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Securities (held-to-maturity—debt securities)						
Corporate bonds	¥ -	¥ -	¥ 58,152	¥ 58,152	¥ 58,060	¥ 92
Loans and bills discounted					4,695,448	
Reserve for possible loan losses					(22,770)	
	-	-	4,655,584	4,655,584	4,672,678	(17,094)
Total assets	¥ -	¥ -	¥4,713,736	¥4,713,736	¥4,730,738	¥(17,002)
Deposits	¥ -	¥6,266,995	¥ -	¥6,266,995	¥6,266,981	¥ 14
Borrowed money	-	329,453	-	329,453	329,501	(48)
Total liabilities	¥ -	¥6,596,448	¥ -	¥6,596,448	¥6,596,482	¥ (34)

  

March 31, 2022	Millions of Yen					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Securities (held-to-maturity—debt securities)						
Corporate bonds	¥ -	¥ -	¥ 62,860	¥ 62,860	¥ 62,795	¥ 65
Loans and bills discounted					4,521,824	
Reserve for possible loan losses					(24,429)	
	-	-	4,510,646	4,510,646	4,497,395	13,251
Total assets	¥ -	¥ -	¥4,573,506	¥4,573,506	¥4,560,190	¥13,316
Deposits	¥ -	¥6,225,324	¥ -	¥6,225,324	¥6,225,291	¥ 33
Borrowed money	-	1,405,773	-	1,405,773	1,405,797	(24)
Total liabilities	¥ -	¥7,631,097	¥ -	¥7,631,097	¥7,631,088	¥ 9

  

March 31, 2023	Thousands of U.S. Dollars					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Securities (held-to-maturity—debt securities)						
Corporate bonds	\$ -	\$ -	\$ 435,498	\$ 435,498	\$ 434,809	\$ 689
Loans and bills discounted					35,163,993	
Reserve for possible loan losses					(170,524)	
	-	-	34,865,453	34,865,453	34,993,469	(128,016)
Total assets	\$ -	\$ -	\$35,300,951	\$35,300,951	\$35,428,278	\$(127,327)
Deposits	\$ -	\$46,933,236	\$ -	\$46,933,236	\$46,933,131	\$ 105
Borrowed money	-	2,467,258	-	2,467,258	2,467,618	(360)
Total liabilities	\$ -	\$49,400,494	\$ -	\$49,400,494	\$49,400,749	\$ (255)

\* Allowances for general doubtful accounts and allowances for individual doubtful accounts corresponding to loans are deducted.

(Note 1) *Explanation of evaluation techniques used for the calculation of market value and inputs related to the calculation of market value*

## **Assets**

### Securities

Securities whose unadjusted quoted prices in active markets are available are categorized as Level 1. This mainly includes listed stocks, listed investment trusts, and government bonds.

Securities whose quoted prices are not considered to be in active markets due to low market transactions are categorized as Level 2. This mainly includes Japanese local government bonds and corporate bonds. Regarding investment trusts with no trading prices in the market, if there is no restriction significant enough for market participants to require consideration relating to cancellation or repurchase claims, the base value is fair value and the fair value is classified as Level 2.

When the quoted price is not available, the fair value is measured by using valuation techniques such as the discounted present value method of future cash flows. The Company makes maximum use of observable inputs for valuation techniques, which include TIBOR, prepayment rate, credit spread, bankruptcy probability, and bankruptcy loss rate. Securities whose fair values are measured by using significant unobservable inputs are categorized as Level 3.

### Loans and Bills Discounted

The fair values of loans are measured by discounting the total amount of principal and interest at a discount rate that reflects credit risk, etc. in the market interest rate for each type of loan, internal rating, and classification based on period. For loans with variable interest rates, the carrying value approximates fair value because it reflects the market interest rate in the short term as long as the credit status of the borrower has not changed significantly. In addition, as for loans to legally bankrupt borrowers, virtually bankrupt borrowers, and potentially bankrupt borrowers, the fair value is calculated by deducting the allowance, which is calculated based on the discounted present value of the estimated future cash flow or the estimated collection of cash from collateral and guarantee, from the balance in the consolidated balance sheet date. Therefore, the carrying value approximates fair value. The fair value is classified as a Level 3 fair value.

## **Liabilities**

### Deposits

For demand deposits, the amount payable immediately on demand as of the consolidated balance sheet date is considered to be the fair value. Time deposits are grouped by maturity lengths and their fair value is calculated by discounting future cash flows with the market interest rate. For the deposits and negotiable certificates of deposits with the repayment period within one year, the carrying value approximates fair value due to the short-term maturities. The fair value is classified as a Level 2 fair value.

### Borrowed Money

For borrowed money, the present value is calculated by discounting the total principal and interest of the borrowings divided into certain periods by the interest rate that takes into account the remaining term of the borrowing and credit risk. For borrowed money with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term and the credit status of the Company and its consolidated subsidiaries has not changed significantly since inception. Also, for borrowed money that mature within one year, the carrying value approximates fair value due to its short-term maturities. The fair value is classified as a Level 2 fair value.

## Derivatives

Derivatives whose unadjusted quoted prices in active markets are available are categorized as Level 1. This mainly includes transactions of bond futures and interest rate futures.

However, since most derivatives transactions are over-the-counter transactions and there is no published quoted price, the fair value is calculated using valuation techniques such as the discounted present value method and the Black Scholes model according to the type of transaction and the period until maturity. The main inputs used in these valuation techniques are interest rates, exchange rates, volatility, etc. If unobservable inputs are not used or their effects are not significant, they are classified as Level 2, and include plain vanilla interest rate swap transactions, foreign exchange contract transactions, etc. Derivatives whose fair values are measured by using significant unobservable inputs are categorized as Level 3.

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

#### (1) Quantitative information on significant unobservable inputs

As of March 31, 2023

Categories	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities (available-for-sale securities)				
Corporate bonds	Discounted cash flow method (*1)	Probability of bankruptcy Loss rate at the time of bankruptcy	27.3% 20.0% - 100.0%	27.3% 50.8%

(\*1) For some corporate bonds, the estimated amount of loan losses is calculated based on the estimated amount of collateral and guarantees, etc. and the fair value is the amount obtained by deducting the estimated amount of loan losses from the corporate bond value.

As of March 31, 2022

Categories	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities (available-for-sale securities)				
Corporate bonds	Discounted cash flow method (*1)	Probability of bankruptcy Loss rate at the time of bankruptcy	4.7% - 33.6% 20.0% - 100.0%	24.5% 66.7%

(\*1) For some corporate bonds, the estimated amount of loan losses is calculated based on the estimated amount of collateral and guarantees, etc. and the fair value is the amount obtained by deducting the estimated amount of loan losses from the corporate bond value.

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



	Millions of Yen	
	Securities Available-for-sale	Derivative transactions
	Corporate bonds	Credit derivative transactions ( *4)
<u>March 31, 2023</u>		
Beginning balance	¥ 28	¥ (16)
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss ( *1)	(16)	(11)
Recorded in other comprehensive income ( *2)	(3)	-
Purchases, sales, issuances, and settlements	(40)	-
Transfer into Level 3 ( *3)	221	-
Transfer out of Level 3	-	-
Ending balance	¥ 190	¥ (27)
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period ( *1)	¥ -	¥ (27)

	Millions of Yen		
	Securities		Derivative
	Available-for-sale		transactions
<u>March 31, 2022</u>	Corporate bonds	Others	Credit derivative transactions (*4)
Beginning balance	¥ 181	¥ 4,002	¥ -
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)	(11)	-	(16)
Recorded in other comprehensive income (*2)	2	(2)	-
Purchases, sales, issuances, and settlements	(165)	(4,000)	-
Transfer into Level 3 (*3)	21	-	-
Transfer out of Level 3	-	-	-
Ending balance	¥ 28	¥ -	¥ (16)
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ -	¥ -	¥ (15)

(\*1) Included in "Other operating income" and "Other operating expenses" in the Consolidated Statement of Income.

(\*2) Included in the "Unrealized gain (loss) on available-for-sale securities" under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income.

(\*3) These are privately placed guaranteed bonds held by the Bank, and due to the significant deterioration in the credit condition of the issuer of the bonds, the holding classification of the bond has been changed from held -to-maturity to available-for-sale.

(\*4) Net receivables, payables, profits and losses arising from derivatives transactions are presented as net amounts, and items that constitute net payables and losses in total are presented in parentheses.

	Thousands of U.S. Dollars	
	Securities	Derivative
	Available-for-sale	transactions
<u>March 31, 2023</u>	Corporate bonds	Credit derivative transactions (*4)
Beginning balance	\$ 210	\$ (120)
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	(120)	(82)
Recorded in other comprehensive income (*2)	(22)	-
Purchases, sales, issuances, and settlements	(300)	-
Transfer into Level 3 (*3)	1,655	-

Transfer out of Level 3	-	-
Ending balance	<u>\$ 1,423</u>	<u>\$ (202)</u>
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	-	\$ (202)

(\*1) Included in "Other operating income" and "Other operating expenses" in the Consolidated Statement of Income.

(\*2) Included in the "Unrealized gain (loss) on available-for-sale securities" under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income.

(\*3) These are privately placed guaranteed bonds held by the Bank, and due to the significant deterioration in the credit condition of the issuer of the bonds, the holding classification of the bond has been changed from held-to-maturity to available-for-sale.

(\*4) Net receivables, payables, profits and losses arising from derivatives transactions are presented as net amounts, and items that constitute net payables and losses in total are presented in parentheses.

(3) A description of valuation processes used for fair value measurements

The risk management division of the Group has established policies and procedures for measuring fair value, and each trading division measures fair value following the policies and procedures. A risk management division verifies whether the fair value obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy.

In measuring fair value, the Company uses a valuation model that most appropriately reflects the nature, characteristics and risks of each asset. In addition, when using quoted prices obtained from third parties, the Company verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

(4) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of the corporate bonds are probability of bankruptcy and loss rate at the time of bankruptcy. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for probability of bankruptcy is accompanied by a directionally similar change in the assumption used for loss rate at the time of bankruptcy.

(Note 3) Securities, etc. that do not have a market price and investment in partnerships are as follows and are not included in "Securities (available-for-sale securities)" in the table of financial instruments measured at fair value.

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Securities, etc. that do not have a market price (*1, *2)	¥ 6,058	¥ 6,114	\$ 45,368
Investment in partnerships (*3)	<u>15,934</u>	<u>16,174</u>	<u>119,329</u>
Total	<u>¥21,992</u>	<u>¥22,288</u>	<u>\$ 164,697</u>

- (\*1) Securities, etc. that do not have a market price are not subject to fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).
- (\*2) Impairment losses of ¥59 million (\$442 thousand) and ¥5 million are recorded for unlisted equity securities for the years ended March 31, 2023 and 2022, respectively.
- (\*3) Investment in partnerships are not subject to fair value disclosure in accordance with Article 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Note4) *Maturity Analysis for Financial Assets, Securities and Financial Liabilities with Contractual Maturities*

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2023</u>				
Securities:				
Held-to-maturity securities:				
Debt securities—Japanese corporate bonds	¥ 13,356	¥ 40,116	¥ 4,512	¥ 76
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	-	-	135,000	45,500
Japanese local government bonds	18,989	148,977	366,029	67
Japanese corporate bonds	2,739	112,585	42,339	109,478
Foreign bonds	19,707	32,106	25,471	101,842
Investment trust	1,371	45,832	20,514	32,254
Other	778	8,479	1,019	776
Loans and bills discounted *	<u>826,542</u>	<u>1,197,485</u>	<u>966,430</u>	<u>1,627,349</u>
Total	<u>¥ 883,482</u>	<u>¥ 1,585,580</u>	<u>¥ 1,561,314</u>	<u>¥ 1,917,342</u>

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2023</u>				
Deposits	¥5,840,213	¥ 426,766	¥2	¥ -
Borrowed money	<u>223,832</u>	<u>105,669</u>	-	-
Total	<u>¥ 6,064,045</u>	<u>¥ 532,435</u>	<u>¥2</u>	<u>¥ -</u>

<u>March 31, 2022</u>	Millions of Yen			
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year through 5 Years</u>	<u>Due after 5 Years through 10 Years</u>	<u>Due after 10 Years</u>
Securities:				
Held-to-maturity securities:				
Debt securities—Japanese corporate bonds	¥ 15,496	¥ 40,550	¥ 6,607	¥ 142
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	2,400	15,000	135,000	54,000
Japanese local government bonds	8,649	123,345	418,550	200
Japanese corporate bonds	14,670	38,268	50,139	106,019
Foreign bonds	4,913	41,591	19,945	106,385
Investment trust	-	36,698	20,276	31,649
Other	559	8,567	2,313	779
Loans and bills discounted *	<u>796,069</u>	<u>1,201,325</u>	<u>922,044</u>	<u>1,526,135</u>
Total	<u>¥ 842,756</u>	<u>¥ 1,505,344</u>	<u>¥ 1,574,874</u>	<u>¥ 1,825,309</u>

<u>March 31, 2022</u>	Millions of Yen			
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year through 5 Years</u>	<u>Due after 5 Years through 10 Years</u>	<u>Due after 10 Years</u>
Deposits	¥5,762,350	¥ 462,936	¥5	¥ -
Borrowed money	<u>1,227,702</u>	<u>178,095</u>	-	-
Total	<u>¥6,990,052</u>	<u>¥ 641,031</u>	<u>¥5</u>	<u>¥ -</u>

\* Loans and bills discounted whose cash flows cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans amounting to ¥66,403 million as of March 31, 2022 and loans and bills discounted with no contractual maturities, amounting to ¥9,849 million as of March 31, 2022 are not included.

<u>March 31, 2023</u>	Thousands of U.S. Dollars			
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year through 5 Years</u>	<u>Due after 5 Years through 10 Years</u>	<u>Due after 10 Years</u>
Securities:				
Held-to-maturity securities:				
Debt securities—Japanese corporate bonds	\$100,022	\$ 300,427	\$ 33,791	\$ 569
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	-	-	1,011,009	340,747
Japanese local government bonds	142,208	1,115,682	2,741,174	502
Japanese corporate bonds	20,512	843,144	317,075	819,876
Foreign bonds	147,585	240,439	190,751	762,690
Investment trust	10,267	343,234	153,628	241,549
Other	5,827	63,499	7,631	5,811
Loans and bills discounted *	<u>6,189,935</u>	<u>8,967,910</u>	<u>7,237,550</u>	<u>12,187,141</u>
Total	<u>\$ 6,616,356</u>	<u>\$11,874,335</u>	<u>\$11,692,609</u>	<u>\$14,358,885</u>

<u>March 31, 2023</u>	Thousands of U.S. Dollars			
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year through 5 Years</u>	<u>Due after 5 Years through 10 Years</u>	<u>Due after 10 Years</u>
Deposits	\$43,737,085	\$3,196,031	\$15	¥ -
Borrowed money	<u>1,676,268</u>	<u>791,350</u>	-	-
Total	<u>\$45,413,353</u>	<u>\$3,987,381</u>	<u>\$15</u>	<u>¥ -</u>

\* Loans and bills discounted whose cash flows cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans amounting to ¥62,897 million (\$471,033 thousand) as of March 31, 2023 and loans and bills discounted with no contractual maturities, amounting to ¥14,745 million (\$110,425 thousand) as of March 31, 2023, are not included.

Please see Note 14 for annual maturities of borrowed money.

## 27. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount as long as there is no violation of any condition in the contracts.

The total amounts of unused open commitments as of March 31, 2023 and 2022, were ¥1,262,434 million (\$9,454,310 thousand) and ¥1,307,876 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2023 and 2022, were ¥509,460 million (\$3,815,322 thousand) and ¥535,278 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2023 and 2022, were ¥1,233,950 million (\$9,240,995 thousand) and ¥1,227,145 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount

of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries can request the customers to pledge collateral such as premises and securities at the execution of the contracts. After execution, the Bank and certain subsidiaries periodically evaluate the customers' financial position based upon the Bank's internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

## 28. DERIVATIVE INFORMATION

The Bank enters into swaps related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, over-the-counter bond options and stock index options contracts related to securities.

### ***Derivative Transactions to Which Hedge Accounting Is Not Applied as of March 31, 2023 and 2022***

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
<u>March 31, 2023</u>				
Over-the-counter:				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 10,299	¥ 10,299	¥ 26	¥ 26
Variable rate receipt, fixed rate payment	10,299	10,299	307	307
Over-the-counter:				
Currency-related contracts:				
Currency swap	313,002	243,397	(4,007)	(2,617)
Foreign exchange forward:				
Sell	73,606	559	263	263
Buy	17,298	491	(124)	(124)
Currency option:				
Sell	59,719	46,029	(3,304)	1,179
Buy	61,786	48,716	3,301	(596)
Other:				
Sell	-	-	-	-
Buy	-	-	-	-
Over-the-counter:				
Credit derivative contracts:				
Credit default options				
Sell	-	-	-	-
Buy	-	-	-	-
Credit default swap				
Sell	-	-	-	-
Buy	1,895	1,895	(27)	(27)
Other:				
Sell	-	-	-	-
Buy	-	-	-	-



	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
<u>March 31, 2022</u>				
Over-the-counter:				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 10,320	¥ 10,320	¥ 226	¥ 226
Variable rate receipt, fixed rate payment	10,320	10,320	124	124
Over-the-counter:				
Currency-related contracts:				
Currency swap	282,396	282,396	(2,679)	(1,612)
Foreign exchange forward:				
Sell	43,565	83	(2,557)	(2,557)
Buy	20,946	-	1,225	1,225
Currency option:				
Sell	79,180	53,384	(4,195)	1,115
Buy	81,120	54,997	4,192	(377)
Other:				
Sell	-	-	-	-
Buy	-	-	-	-
Over-the-counter:				
Credit derivative contracts:				
Credit default options				
Sell	-	-	-	-
Buy	-	-	-	-
Credit default swap				
Sell	-	-	-	-
Buy	711	711	(15)	(15)
Other:				
Sell	-	-	-	-
Buy	-	-	-	-

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
<u>March 31, 2023</u>				
Over-the-counter:				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	\$ 77,129	\$ 77,129	\$ 195	\$ 195
Variable rate receipt, fixed rate payment	77,129	77,129	2,299	2,299
Over-the-counter:				
Currency-related contracts:				
Currency swap	2,344,058	1,822,789	(30,008)	(19,599)
Foreign exchange forward:				
Sell	551,232	4,186	1,970	1,970
Buy	129,544	3,677	(929)	(929)
Currency option:				
Sell	447,233	344,709	(24,744)	8,829
Buy	462,712	364,832	24,721	(4,463)
Other:				
Sell	-	-	-	-
Buy	-	-	-	-
Over-the-counter:				
Credit derivative contracts:				
Credit default options				
Sell	-	-	-	-
Buy	-	-	-	-
Credit default swap				
Sell	-	-	-	-
Buy	14,192	14,192	(202)	(202)
Other:				
Sell	-	-	-	-
Buy	-	-	-	-

Notes: 1. Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.

2. There were no transactions applicable for stock-related contracts, bond-related contracts, and commodities for the years ended March 31, 2023 and 2022.

***Derivative Transactions to Which Hedge Accounting Is Applied as of March 31, 2023 and 2022***

	Millions of Yen			
	Main Hedged item	Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2023</u>				
Principle method				
Interest rate swap:				
Variable rate receipt, fixed rate payment	Deposits	¥ 40,059	¥ 40,059	¥ 167

	Thousands of U.S. Dollars			
	Main Hedged item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2023				
Principle method				
Interest rate swap:				
Variable rate receipt, fixed rate payment	Deposits	\$ 300,000	\$300,000	\$ 1,251

There were no derivative transactions to which hedge accounting is applied as of March 31, 2022.

## 29. COMPREHENSIVE INCOME

The components of other comprehensive loss for the years ended March 31, 2023 and 2022, were as follows:

	Thousands of U.S. Dollars	
	Millions of Yen	2023
	2023	2022
Unrealized gain (loss) on available-for-sale securities:		
Gains arising during the year	¥(32,027)	¥(18,050)
Reclassification adjustments to profit or loss	3,163	3,447
Amount before income tax effect	(28,864)	(14,603)
Income tax effect	8,558	4,332
Total	(20,306)	(10,271)
Deferred gain (loss) on hedges:		
Adjustments arising during the year	167	(124)
Reclassification adjustments to profit or loss	-	(245)
Amount before income tax effect	167	(369)
Income tax effect	(50)	110
Total	117	(259)
Defined retirement benefit plans:		
Adjustments arising during the year	(2,042)	821
Reclassification adjustments to profit or loss	(1,944)	(1,751)
Amount before income tax effect	(3,986)	(930)
Income tax effect	1,193	278
Total	(2,793)	(652)
Total other comprehensive loss	¥(22,982)	¥(11,182)

### 30. PER SHARE INFORMATION

#### a. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of Parent	Weighted- Average Shares		
<u>Year Ended March 31, 2023</u>				<u>EPS</u>
Net income attributable to owners of parent	¥ 18,630			
Amount not attributable to common shareholders	-			
Basic EPS—Net income available to common shareholders	18,630	36,835	¥505.79	\$3.79
Effect of dilutive securities—Stock acquisition rights		<u>25</u>		
Diluted EPS—Net income for computation	<u>¥ 18,630</u>	<u>36,860</u>	<u>¥505.44</u>	<u>\$3.79</u>
<u>Year Ended March 31, 2022</u>				
Net income attributable to owners of parent	¥ 17,191			
Amount not attributable to common shareholders	-			
Basic EPS—Net income available to common shareholders	17,191	37,335	¥460.45	
Effect of dilutive securities—Stock acquisition rights		<u>68</u>		
Diluted EPS—Net income for computation	<u>¥ 17,191</u>	<u>37,403</u>	<u>¥459.62</u>	

Since the Company was established on October 1, 2021 through a sole share transfer, the average number of shares of its common stock during the period from April 1, 2021 to September 30, 2021 prior to the establishment of the Company was calculated using the average number of shares during the period of The Juroku Bank, Ltd., and it was calculated using the average number of shares of the Company during the period from October 1, 2021 to March 31, 2022.

**b. Net Assets Per Share**

Net assets per share as of March 31, 2023 and 2022, were ¥10,626.44 (\$79.58) and 10,799.18, respectively.

Net assets per share of common stock as of March 31, 2023 and 2022, were calculated based on the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Total net assets	¥ 392,561	¥ 402,604	\$ 2,939,871
Deductions from total net assets:			
Stock acquisition rights	-	180	-
Noncontrolling interests	<u>3,837</u>	<u>3,705</u>	<u>28,735</u>
Net assets attributable to common stock at the end of the fiscal year	<u>¥ 388,724</u>	<u>¥ 398,719</u>	<u>\$ 2,911,136</u>
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares in thousands)	36,581	36,921	

### 31. Revenue Recognition

#### Disaggregation of revenue from contracts with customers

Information regarding disaggregation of revenue from contracts with customers for the years ended March 31, 2023 and 2022, was as follows.

March 31, 2023	Millions of Yen				
	Reportable Segment			Other	Total
	Banking	Lease	Total		
Interest income	¥53,786	¥ 139	¥ 53,925	¥ 5,987	¥ 59,912
Trust fees	1	—	1	—	1
Fees and commissions	19,936	—	19,936	6,473	26,409
Deposit and lending service	3,803	—	3,803	—	3,803
Foreign exchanges service	3,739	—	3,739	—	3,739
Securities-related service	2,265	—	2,265	1,687	3,952
Guarantee service	2,013	—	2,013	138	2,151
Credit card service	—	—	—	2,656	2,656
Other operating income	1,831	26,800	28,631	1,843	30,474
Other income	4,623	9	4,632	69	4,701
Income	¥80,177	¥26,948	¥107,125	¥14,372	¥121,497

  

March 31, 2022	Millions of Yen				
	Reportable Segment			Other	Total
	Banking	Lease	Total		
Interest income	¥54,588	¥ 195	¥ 54,783	¥ 2,971	¥ 57,754
Trust fees	—	—	—	—	—
Fees and commissions	18,590	—	18,590	5,928	24,518
Deposit and Lending Service	3,288	—	3,288	—	3,288
Foreign exchanges service	4,054	—	4,054	—	4,054
Securities-related service	2,836	—	2,836	1,856	4,692
Guarantee service	1,993	—	1,993	118	2,111
Credit card service	—	—	—	2,471	2,471
Other operating income	4,425	26,360	30,785	1,934	32,719
Other income	9,087	1,615	10,702	438	11,140
Income	¥86,690	¥28,170	¥114,860	¥11,271	¥126,131

March 31, 2023	Millions of U.S. Dollars				
	Reportable Segment			Other	Total
	Banking	Lease	Total		
Interest income	\$402,801	\$ 1,041	\$403,842	\$44,836	\$ 448,678
Trust fees	7	—	7	—	7
Fees and commissions	149,300	—	149,300	48,476	197,776
Deposit and Lending					
Service	28,480	—	28,480	—	28,480
Foreign exchanges service	28,001	—	28,001	—	28,001
Securities-related service	16,962	—	16,962	12,634	29,596
Guarantee service	15,075	—	15,075	1,033	16,108
Credit card service	—	—	—	19,891	19,891
Other operating income	13,712	200,704	214,416	13,802	228,218
Other income	34,622	67	34,689	517	35,206
Income	\$600,442	\$201,812	\$802,254	\$107,631	\$909,885

- \*1. The above table also includes revenue based on the ASBJ Statement No. 10 “Accounting Standards for Financial Instruments.”
- \*2. “Other” refers to business segments that are not included in the reporting segment, such as financial instruments transaction, credit card service, and computer-related service.
- \*3. The difference between the “total” amount in the above table and the amount recorded in the consolidated statement of income is mainly the elimination of intersegment transactions.

## 32. SUBSEQUENT EVENTS

### *Appropriation of Retained Earnings*

On May 11, 2023, the Board of Director resolved an appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends—¥70.00 (\$0.52) per share of common stock	¥2,561	\$19,179

### *Repurchase of treasury stock*

At the Board of Directors meeting held on May 11, 2023, the Company resolved and implemented matters related to the repurchase of treasury stock in accordance with the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same act.

#### 1. Resolution

##### (1) Reason

For the purpose of achieving sustainable growth of the Group and medium- to long-term improvement of corporate value by enhancing shareholder returns and contributing to local communities. In addition, a part of the shares to be acquired will be allocated to the disposal of treasury stock as described below (decision on the disposal of treasury stock through third-party allotment) to avoid dilution of share

	value due to disposal.
(2) Class of stock to be acquired	Common stock
(3) Total number of shares to be acquired	460,000 shares (maximum) (1.257% of total issued shares excluding treasury stock)
(4) Total amount of share acquisition costs	¥1,600,000,000 (\$11,982 thousand) (maximum)
(5) Acquisition period	May 12, 2023 to June 12, 2023
(6) Method of acquisition	Market purchase on the Tokyo Stock Exchange

## 2. Results of repurchase of treasury stock

(1) Class of stock repurchased	Common stock
(2) Total number of shares acquired	460,000 shares
(3) Total amount of share acquisition costs	¥1,422,442,294 (\$10,653 thousand)
(4) Acquisition period	May 12, 2023 to June 1, 2023
(5) Method of acquisition	Market purchase on the Tokyo Stock Exchange

### ***Disposal of treasury stock through third-party allotment***

At the Board of Directors meeting held on May 11, 2023, the Company resolved to dispose of treasury stock through third-party allotment for the purpose of continuously and stably supporting social contribution activities of the Juroku Foundation for Regional Promotion (hereinafter referred to as the "Juroku Foundation"). The disposal of treasury stock is approved at the Ordinary General Meeting of Shareholders held on June 16, 2023. The outline is as follows.

## 1. Juroku Foundation

### (1) Purpose and Role of the Foundation

The Juroku Foundation was established in 1997 as a project to commemorate the 120th anniversary of the founding of The Juroku Bank, Ltd., a subsidiary of the Company, and in 2009, it was certified as the first public interest foundation from Gifu Prefecture and transitioned to a public interest incorporated foundation. The purpose of the Juroku Foundation is to contribute to the revitalization of local communities by supporting activities related to the promotion and development of local industries, improvement of social living environment, local culture, sports, internationalization, etc. organized, sponsored, or co-sponsored by local governments or public organizations, to contribute to the development of human resources by economically supporting educational opportunities for young people who will be responsible for Gifu and Aichi Prefectures in the future, and to promote and support arts and culture which contribute to the realization of affluent and comfortable life and vibrant local communities.

### (2) Outline of the Foundation

a. Name	Juroku Foundation for Regional Promotion
b. Location	8-26 Kandamachi, Gifu-shi
c. Chairman	Yukio Murase
d. Activities	<ul style="list-style-type: none"> <li>• Support for activities related to the promotion and development of local industries</li> <li>• Support for activities related to the improvement of the local social living environment</li> <li>• Support for activities related to local culture, sports, internationalization, etc.</li> <li>• Holding training sessions and lectures related to the above activities and subsidizing human resource development</li> </ul>



	<ul style="list-style-type: none"> <li>• Provision of scholarships</li> <li>• Promotion and support for art and culture</li> <li>• Rental of facilities</li> <li>• Other activities necessary to achieve the purpose of this corporation</li> </ul>
e. Funding for activities	Investment income from basic funds and donations (as of March 31, 2023)
f. Date of establishment	August 25, 1997 (transitioned to a public interest incorporated foundation in 2009)
g. Relationship with the Company	
Capital relationship	Juroku Bank, a subsidiary of the Company, is the sponsor of the Juroku Foundation.
Personnel relationship	The Chairman of the Board of Directors of the Company concurrently serves as the Chairman of the Foundation, one Audit and Supervisory Committee Member concurrently serves as an Auditor, and one Managing Executive Officer concurrently serves as a Senior Managing Director. In addition, two employees of the Company also serve as councilors.
Transaction relationship	Juroku Bank, a subsidiary of the Company, makes donations to the Juroku Foundation. (In fiscal 2022, Juroku Bank donated ¥28 million (\$210 thousand).
Related party relationship	Not applicable
2. Disposal of treasury stock	
Overview of disposal	
(1) Date of disposal	August 25, 2023 (scheduled)
(2) Number of shares for disposal	350,000 shares of common stock (0.922% of total issued shares)
(3) Disposal value	¥1 per share
(4) Amount to be procured	¥350,000 (\$3 thousand)
(5) Method of offering or disposal	Disposition through a third-party allotment
(6) Subscriber (scheduled)	The Master Trust Bank of Japan, Ltd.
(7) Other	The date and other matters concerning the disposal of treasury stock shall be resolved by the Board of Directors.
3. Purpose and reason for disposal	
Through this disposal of treasury stock, the Company will realize the growth and affluence for customers and local communities by adopting a mechanism in which dividends on the Company's stock will be contributed in addition to the previous donations by Juroku Bank and by securing a stable source of funds for the activities of the Juroku Foundation.	
In order to continuously and stably support the social contribution activities of the Juroku Foundation, the Company will establish a third-party benefit trust (hereinafter, the "Trust") with Mitsubishi UFJ Trust and Banking Corporation as the trustee, The Master Trust Bank of Japan, Ltd. as the co-trustee, and the Juroku Foundation as the beneficiary. The Trust will subscribe to purchase shares of the Company's stock and pay trust proceeds earned from those dividends to the Juroku Foundation, which will use those proceeds to partially fund its activities and carry out its business in the future.	
The disposal of treasury stock will be made to the Trust, which was established to fund the social contribution activities of the Juroku Foundation for Regional Promotion.	

4. Amount and use of funds to be procured, and scheduled timing of expenditure

(1) Amount of funds to be procured

Total amount to be paid in	¥ 350,000 (\$3 thousand)
Estimated amount of issuance costs	¥ 0 (\$0 thousand)
Estimated net proceeds	¥ 350,000 (\$3 thousand)

(2) Specific use of funds to be procured

The above estimated net proceeds are scheduled to be allocated to various expenses necessary for building the scheme.

### 33. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**a. Description of Reportable Segments**

(1) Method for determining the reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Group's management is being performed in order to decide how resources are allocated among the Group.

The Group provides banking services-based comprehensive financial services and leasing business. The Group consists of two reportable segments: banking business and lease business.

(2) Types of products and services belonging to each reportable segment

The banking business is operated by The Juroku Bank, Ltd. and provides various services such as deposit-taking and lending services, trading securities, securities investment, domestic exchange, foreign exchange, managing bonds, a derivatives business and other related businesses at headquarters and branches of The Juroku Bank, Ltd. In addition, consolidated subsidiaries operate credit guarantee business and supplement the banking business.

The lease business is operated by Juroku Lease Co., Ltd. It provides leasing business to meet local customers' needs.

**b. Methods of Measurement for the Amounts of Income, Profit, Assets and Other Items for Each Reportable Segment**

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

**c. Information about Income, Profit, Assets, Liabilities and Other Items**

	Millions of Yen						
	2023						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 79,321	¥ 26,664	¥ 105,985	¥ 6,700	¥ 112,685	¥ -	¥ 112,685
(2) Intersegment transactions	856	285	1,141	7,672	8,813	(8,813)	-
Total	<u>¥ 80,177</u>	<u>¥ 26,949</u>	<u>¥ 107,126</u>	<u>¥ 14,372</u>	<u>¥ 121,498</u>	<u>¥ (8,813)</u>	<u>¥ 112,685</u>
Segment profit	¥ 26,277	¥ 427	¥ 26,704	¥ 6,421	¥ 33,125	¥ (5,862)	¥ 27,263
Segment assets	7,122,697	82,384	7,205,081	331,836	7,536,917	(346,360)	7,190,557
Other:							
Depreciation	2,257	512	2,769	156	2,925	113	3,038
Amortization of goodwill	245	-	245	207	452	-	452
Interest income	53,786	139	53,925	5,987	59,912	(6,015)	53,897
Interest expense	2,703	184	2,887	25	2,912	(143)	2,769
Allowance for loan losses	1,301	35	1,336	146	1,482	-	1,482
Increase in premises and equipment and intangible assets	2,104	247	2,351	196	2,547	39	2,586

- Notes: 1. Ordinary income represents total income less certain extraordinary income included in “Other income” in the accompanying consolidated statement of income.
2. “Other” includes business segments of financial instruments business, credit cards, and computer services.
3. Reconciliations mainly represent the elimination of intersegment transactions.
4. Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.
5. Kanda Machi Okoshi Co., Ltd., newly established on April 1, 2022, is included in “Other.”

	Millions of Yen						
	2022						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 84,313	¥ 26,20	¥ 110,514	¥ 6,836	¥ 117,350	¥ -	¥ 117,350
(2) Intersegment transactions	<u>2,377</u>	<u>1,96</u>	<u>4,346</u>	<u>4,435</u>	<u>8,781</u>	<u>(8,78)</u>	<u>-</u>
Total	<u>¥ 86,690</u>	<u>¥ 28,17</u>	<u>¥ 114,860</u>	<u>¥ 11,271</u>	<u>¥ 126,131</u>	<u>¥ (8,78)</u>	<u>¥ 117,350</u>
Segment profit	¥ 26,941	¥ 1,95	¥ 28,899	¥ 4,248	¥ 33,147	¥ (6,34)	¥ 26,799
Segment assets	8,305,412	82,27	8,387,685	336,250	8,723,935	(348,60)	8,375,332
Other:							
Depreciation	2,564	53	3,096	139	3,235	12	3,362
Amortization of goodwill	245	-	245	207	452	-	452
Interest income	54,588	19	54,783	2,971	57,754	(3,06)	54,688
Interest expense	250	19	440	16	456	(13)	318
Allowance for loan losses	2,376	36	2,745	62	2,807	-	2,807
Increase in premises and equipment and intangible assets	2,879	33	3,215	105	3,320	-	3,366

- Notes:
1. Ordinary income represents total income less certain extraordinary income included in “Other income” in the accompanying consolidated statement of income.
2. “Other” includes business segments of financial instruments business, credit cards and computer services.
3. Reconciliations mainly represent the elimination of intersegment transactions.
4. Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.
5. NOBUNAGA Capital Village Co., Ltd., newly established on April 1, 2021, and the Company newly established on October 1, 2021, are included in “Other.”

Thousands of U.S. Dollars							
2023							
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	\$ 594,031	\$ 199,686	\$ 793,717	\$ 50,176	\$ 843,893	\$ -	\$ 843,893
(2) Intersegment transactions	<u>6,411</u>	<u>2,134</u>	<u>8,545</u>	<u>57,455</u>	<u>66,000</u>	<u>(66,000)</u>	<u>-</u>
Total	<u>\$ 600,442</u>	<u>\$ 201,820</u>	<u>\$ 802,262</u>	<u>\$ 107,631</u>	<u>\$ 909,893</u>	<u>\$ (66,000)</u>	<u>\$ 843,893</u>
Segment profit	\$ 196,787	\$ 3,198	\$ 199,985	\$ 48,087	\$ 248,072	\$ (43,900)	\$ 204,172
Segment assets	53,341,549	616,970	53,958,519	2,485,104	56,443,623	(2,593,874)	53,849,749
Other:							
Depreciation	16,903	3,834	20,737	1,168	21,905	846	22,751
Amortization of goodwill	1,835	-	1,835	1,550	3,385	-	3,385
Interest income	402,801	1,041	403,842	44,836	448,678	(45,046)	403,632
Interest expense	20,243	1,378	21,621	187	21,808	(1,071)	20,737
Allowance for loan losses	9,743	262	10,005	1,094	11,099	-	11,099
Increase in premises and equipment and intangible assets	15,757	1,850	17,607	1,467	19,074	292	19,366

Notes: 1. Ordinary income represents total income less certain extraordinary income included in "Other income" in the accompanying consolidated statement of income.

2. "Other" includes business segments of financial instruments business, credit cards, computer services and credit guarantees.

3. Reconciliations mainly represent the elimination of intersegment transactions.

4. Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.

5. Kanda Machi Okoshi Co., Ltd., newly established on April 1, 2022 is included in "Other".

**d. Associated Information**

**(1) Information about services**

	Millions of Yen				
	2023				
	<u>Lending Service</u>	<u>Securities Services</u>	<u>Leasing</u>	<u>Other</u>	<u>Total</u>
Ordinary income— Outside customers	¥40,548	¥18,318	¥26,517	¥27,302	¥112,685

	Millions of Yen				
	2022				
	<u>Lending Service</u>	<u>Securities Services</u>	<u>Leasing</u>	<u>Other</u>	<u>Total</u>
Ordinary income— Outside customers	¥40,206	¥22,930	¥26,066	¥28,148	¥117,350

	Thousands of U.S. Dollars				
	2023				
	<u>Lending Service</u>	<u>Securities Services</u>	<u>Leasing</u>	<u>Other</u>	<u>Total</u>
Ordinary income— Outside customers	\$303,662	\$137,183	\$198,585	\$204,463	\$843,893

**(2) Geographical information**

**(a) Operating Revenues**

This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

**(b) Property and Equipment**

This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

**(3) Information by major customer**

This information is not presented because there are no customers for which income account for more than 10% of revenues in the consolidated statement of income.

(4) *Information about impairment loss by reportable segment*

Millions of Yen					
2023					
	<u>Banking</u>	<u>Lease</u>	<u>Other</u>	<u>Elimination/ Corporate</u>	<u>Total</u>
Impairment loss on long-lived assets	¥ 150	¥ -	¥ -	¥ -	¥ 150

  

Thousands of U.S. Dollars					
2023					
	<u>Banking</u>	<u>Lease</u>	<u>Other</u>	<u>Elimination/ Corporate</u>	<u>Total</u>
Impairment loss on long-lived assets	\$ 1,123	\$ -	\$ -	\$ -	\$ 1,123

There was no impairment loss by reportable segment for the year ended March 31, 2022.

(5) *Information about goodwill and negative goodwill by reportable segment*

Millions of Yen					
2023					
	<u>Banking</u>	<u>Lease</u>	<u>Other</u>	<u>Elimination/ Corporate</u>	<u>Total</u>
Amortization of goodwill	¥ 245	¥ -	¥ 207	¥ -	¥ 452
Goodwill at March 31, 2023	1,896	-	1,297	-	3,193
Gain on negative goodwill	-	-	-	-	-

  

Millions of Yen					
2022					
	<u>Banking</u>	<u>Lease</u>	<u>Other</u>	<u>Elimination/ Corporate</u>	<u>Total</u>
Amortization of goodwill	¥ 245	¥ -	¥ 207	¥ -	¥ 452
Goodwill at March 31, 2022	2,141	-	1,505	-	3,646
Gain on negative goodwill	-	-	-	-	-

  

Thousands of U.S. Dollars					
2023					
	<u>Banking</u>	<u>Lease</u>	<u>Other</u>	<u>Elimination/ Corporate</u>	<u>Total</u>
Amortization of goodwill	\$ 1,835	\$ -	\$ 1,550	\$ -	\$ 3,385
Goodwill at March 31, 2023	14,199	-	9,713	-	23,912
Gain on negative goodwill	-	-	-	-	-

Note: "Other" represents goodwill related to the financial instruments business.

\* \* \* \* \*