

INTEGRATED REPORT 2024

Year ended March 31, 2024

For Our Stakeholders

By fulfilling our role as a regional financial institution, the Hyakujushi Bank aims for the sustainable growth of local communities together with stakeholders.

Our purpose of this Integrated Report is to obtain the understanding of our shareholders and investors, as well as our customers and local residents regarding the Bank's initiatives, in addition to conveying our commitment to you all.



Corporate Vision

- 1 Prosper together with customers and communities
- 2 Create a vigorous corporate culture
- 3 Ensure sound business management and enhance corporate value

Code of Conduct

- - Promote close dialogue to deepen mutual trust
- - Spare no effort to grow as professionals
- - Understand diversity and respect human rights
- - Strive to reduce environmental burden and contribute to regional vitalization
- - Take actions that exceed our shareholders' expectations

Editing Policy

The Hyakujushi Bank has prepared this report with the aim of communicating to our stakeholders in straightforward terms the Bank's initiatives for sustainable value creation from both the perspective of financial and non-financial information. When editing this report, we referred to the Integrated Reporting Framework established by the International Integrated Reporting Council as guidelines, and the Task Force on Climate-Related Financial Disclosures (TCFD) for sustainability-related information. This report (both the informative and reporting editions) also integrates disclosure materials in accordance with Article 21 of the Banking Act (explanatory documents related to the status of performance and financial condition of the bank). Please see the reporting component for figures.

CONTENTS

Introduction

- 01 For Our Stakeholders
- 03 The Hyakujushi Bank in Numbers
- 04 The Bank's Operational Foundation

Hyakujushi Group's Vision

- 05 Message from the President
- 11 Hyakujushi Group's Value Creation Process
- 13 Long-term Vision

Hyakujushi Group's Growth Strategy

- 15 Sustainability Management Framework
- 17 Medium-term Management Plan
- 19 Growth Engines Supporting Strategies: HRX and DX Initiatives
- 27 Key Strategies: Evolution of the General Consulting Group
- 31 Message from the Director in Charge of Finance
- 35 Initiatives to Address Environmental Issues such as Climate Change

Communication with Stakeholders

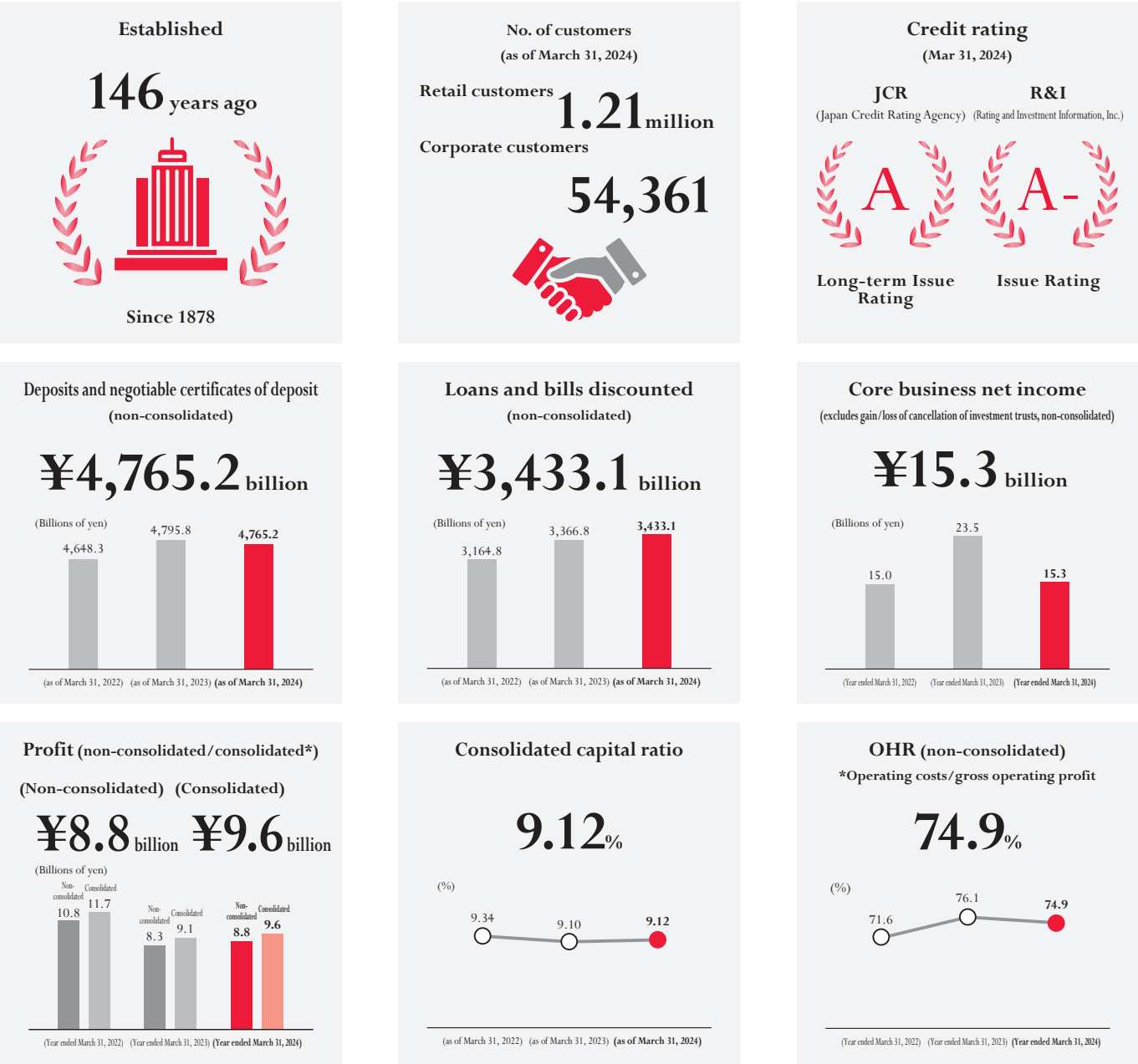
- 41 Corporate Governance
- 45 Board of Directors and Audit and Supervisory Committee Members
- 47 Outside Director Interview
- 48 Enhancement of Shareholder Value
- 49 Efforts toward Risk Management and Compliance

 The Hyakujushi Bank, Ltd.
百十四銀行 (as of March 31, 2024)

Head Office	5-1, Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥5,805.8 billion
Deposits and negotiable certificates of deposit	¥4,765.2 billion
Loans and bills discounted	¥3,433.1 billion
Paid-in capital	¥37.3 billion
Total shares issued	28,790,000 shares
Employees	1,963
Offices	133 (Head Office, 99 branches, 22 sub-branches, 6 Quick Square, 5 Consulting Plaza)
Non-branch ATMs and CDs	140

The Hyakujushi Bank in Numbers

Thanks to the support of the local community, the Hyakujushi Bank has continued operations for almost 150 years, making us one of the few number banks* still in existence today (a bank that uses the number of the temporary license issued upon establishment as its bank name).



* Consolidated profit is “Profit attributable to owners of parent”

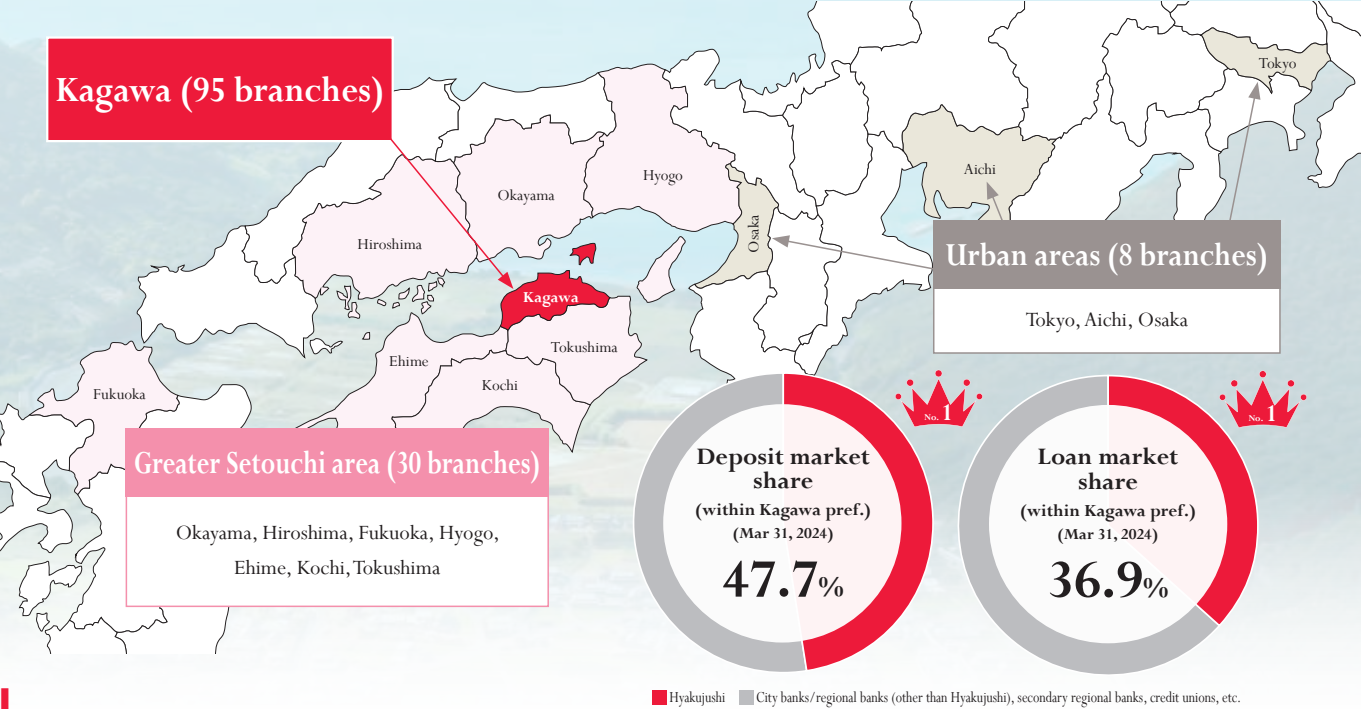
External recognition



The Bank’s Operational Foundation

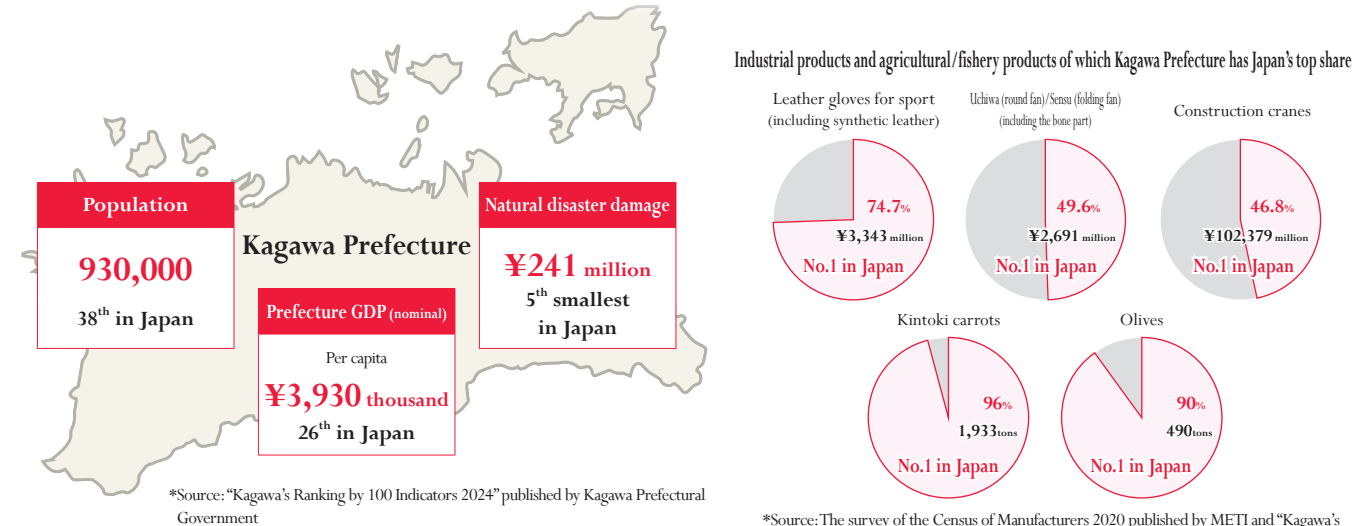
Solid customer foundation and far-reaching network

Although we are a regional bank with Kagawa Prefecture as our operational foundation, we have been branching out of our home location from an early stage. In 1923, we opened our first branch in Shikoku outside of Kagawa Prefecture. With the expansion into Osaka in 1950 as our first branch in Honshu, we opened branches in Tokyo, Okayama, and Hiroshima. We have built an extensive network with 133 branches in 11 prefectures, with our operations firmly rooted in each locality.



The potential of Kagawa Prefecture - the Bank’s home location

● Industrial structure adapts well to change
Home to factories of Japan’s top-ranking corporations engaged in fields that include construction machinery and electrical machinery, Kagawa Prefecture attracts a large number of such companies’ partner enterprises equipped with sophisticated core manufacturing technologies mainly in those fields. The prefecture also hosts large factories that handle basic materials such as chemicals and non-ferrous metals, mainly located in industrial zones situated in the prefecture’s coastal region. In addition, many food-related companies handling frozen foods, seasonings, and other such products have operations there.
As such, Kagawa Prefecture tends to be resilient to economic shocks due to its well-balanced industrial structure not skewed toward any particular industry. Another distinctive feature of Kagawa is its many niche leaders that are active in numerous specialized market segments.



● Transportation and logistics hub

Kagawa Prefecture serves as a gateway to Japan’s Shikoku region. It is accordingly equipped with an extensive regional transportation network that includes Seto Ohashi Bridge, Shikoku Odan Expressway, Takamatsu Airport, and Takamatsu Port. The prefecture features convenient transport access to the Tokyo metropolitan area and the Kansai region, and occupies a key position in transport networks connecting Shikoku and Honshu.



Message from the President



By achieving the well-being of our stakeholders with the “Power of **Support**,” we will strive to enhance environmental and social value, as well as the sustainability of the Group.

July 2024

森 正史

Masashi Mori, President

“Power of **Support**,” our slogan

I sincerely thank you for your continued patronage of the Hyakujushi Bank.

My name is Masashi Mori, and I was appointed as the 16th President on April 1, 2024. We are experiencing a return to a world with interest rates, and while the business environment poses challenges, I am committed to taking the helm of management.

The Bank has set forth the Long-term Vision 2030, which represents our desired state for FY 2030, and is currently working toward realizing the first phase of the medium-term management plan “Let’s Create a Good 114 ♪.” Upon assuming office as President, I have adopted the slogan “Power of Support” to further accelerate our progress.

The slogan “Power of Support” embodies our desire to effectively utilize the invaluable management resources that the Bank has accumulated over time since its establishment, with the support of various stakeholders such as customers, shareholders, and employees, to offer thorough support for our customers and communities.

In the medium-term management plan, we aim to enhance our ability to find solutions to the issues that our customers and communities face

through the “evolution of the general consulting group,” but in order for us to fully utilize the “Power of Support,” we believe it is essential to strengthen the supportive power among our officers and employees, which serves as the driving force.

Shifting our focus to the environment surrounding our customers and communities, we observe positive signs such as the recovery of tourism demand and the expansion of personal consumption in Kagawa Prefecture, which is the Bank’s operational foundation, as we transition to the post-COVID and with-COVID era. We also feel, however, that the challenges we need to address are becoming more diverse and complex, such as labor shortages, soaring prices, and the depreciation of the yen.

My guiding principle is based on the proverb of Yukichi Fukuzawa, “Those who do not advance will surely retreat, and those who do not retreat will surely advance.” As the leader of the Group, I intend to constantly move forward with the “Power of Support” even under these circumstances in order to improve the well-being of all stakeholders and enhance the Group’s corporate value.

Message from the President

Support for communities

In the Long-term Vision 2030, we define the well-being of the community as a state where future generations can continue living with peace of mind by vitalizing the local economy and solving key environmental and social issues.

The Bank boasts its extensive network of 133 branches across 11 prefectures nationwide, including Kagawa Prefecture which serves as our main operational foundation. Our aim is to provide group-wide support to these regional communities in addressing social issues such as falling birthrate and aging populations, declining population and alleviating environmental burden from a mid- to long-term perspective, and to achieve the “well-being of the community.”

In FY 2023, to attract affluent overseas visitors, we collaborated with Kotohira-Gu in Kotohira Town to create high value-added experiential tourism content and opened a new type of store, “#114base,” in the redeveloped JR Takamatsu Station area. At “#114base,” we have a sales corner for local products and host live demonstrations and workshops by our customers who do business with the Bank, contributing to the creation of a vibrant atmosphere, while also focusing on providing hospitality to overseas tourists, centered around foreign currency exchange services. As a new type of store without bank counter services, I believe that “#114base” still has much more to offer in terms of

revitalizing communities and increasing the number of non-resident population in the region.

In addition, in December 2023, we signed an agreement with Takamatsu City regarding the Corporate Version of Hometown Tax Donation System. By providing information to our customers on regional revitalization projects in various local governments, we aim to promote the use of this system and contribute to the revitalization of the regional economy.

Regarding efforts to alleviate environmental burden in regional communities, the Hyakujushi Group aims to take the lead in new initiatives within communities and share the knowledge and expertise gained from these efforts with the local community members.

Specifically, we have reduced CO₂ emissions through the use of a “self-utilization scheme” whereby the electricity generated by the solar power system installed at the former site of the Bank’s recreation facility is consumed by the Bank itself. Our Takamatsu Higashi Branch, newly built and relocated in November 2023, became the first financial institution in Kagawa Prefecture to be certified as a net zero energy building (ZEB) by combining energy-saving features with solar power generation to achieve a net-zero or lower energy consumption level for the building. We aim to extend the scope of such new initiatives toward the 2050 carbon



neutrality goal set by the Hyakujushi Group to regional communities, and support the communities’ and customers’ decarbonization efforts through financing and investment activities such as sustainable finance.

It is my belief that supporting communities is an extremely important initiative that, through the strengthening of social capital and natural capital in the Hyakujushi Group’s value creation process (▶▶▶ P.11-12 “Hyakujushi Group’s Value Creation Process”), will ultimately lead to the enhancement of our financial capital. Based on

this belief, we have been revising the evaluation system for branches since April 2024, aiming to realize the well-being of communities by placing greater value on the initiatives that each employee voluntarily undertakes to support them, and I hope that these efforts provide our employees a sense of fulfillment and pride in working for the Hyakujushi Group.

▶▶▶ P.27 “Community Co-creation Strategy”

Support for customers

We define the well-being of corporate customers as a state whereby corporate customers can gain a real sense of their achieving business growth by solving important financial and non-financial management issues.

In order to respond to the increasingly diverse and complex management challenges faced by our customers, we established a local consulting subsidiary in Vietnam in July 2023 and an investment company in April 2024, and expanded into new business areas such as the advertising business.

We have also been steadily deepening the existing consulting areas that have been developed since the previous medium-term management plan, and in particular, consulting to resolve issues related to personnel systems and human resources is growing steadily, as it is an area where customer needs are high. Furthermore, in our pursuit of the “evolution of a general consulting group,” we are developing consulting personnel as a specialized consulting group.

I place importance on revenue per specialized consulting personnel as a metric to measure the evolution of our specialized consulting group, and that is because I believe that the consulting fees we receive from

customers are a reflection of the value they place on the services we provide. Currently, the revenue per specialized consulting personnel is ¥15.0 million, which is already on par with specialized consulting firms. Going forward, however, we aim to increase the added value of our consulting services to ¥20.0 million.

We define the well-being of retail customers as a state where retail customers can live without anxiety regarding the future through realization of steady asset formation, etc. in line with life plans appropriate for the era of 100-year lifetimes, and I believe that supporting the improvement of financial literacy in regional communities is one of the major roles of a regional financial institution. In FY 2023, we conducted financial education activities at schools and workplaces for 4,132 people in the asset formation age group who will be the future of their communities. Consequently, we have made an upward revision to the sustainability KPI for the number of financial education participants for FY 2030 from 10,000 to 30,000, and will be more actively involved in the life design of our younger customers than ever before.

▶▶▶ P.28-30 “Retail Customer Strategy and Corporate Customer Strategy”

Support for employees

We define the well-being of employees as a state where employees can fully demonstrate their individual capability and achieve self-realization in a motivating and comfortable work environment. I believe that in order to strengthen the power of the Bank to support the communities and our customers, we must first thoroughly develop the power of our employees to support each other.

Through the activities of our badminton and table tennis teams that play at the works team league level, the Bank is actively involved in the promotion of sports in regional communities, including coaching junior players who will lead the next generation and holding various lectures. In May 2024, we held a home match of the Japan Table Tennis League in Kagawa Prefecture, which attracted a large cheering squad of over 500 people, and I believe that the players and the employees who participated

Message from the President



in the cheering may have truly felt the power of supporting each other toward a common goal. I would like to create a Team 114 where every member with diverse personalities and abilities gives due consideration to how to contribute to the team, drawing on the “Power of Support” to achieve results beyond expectations.

To achieve my vision of Team 114, the medium-term management plan positions HRX (human resources transformation) as a growth engine that maximizes human capital by linking management strategy with human resource strategy, focusing on two pillars: strengthening human resource capability and fostering engagement.

Firstly, in terms of strengthening human resource capability, we are engaged in various hands-on training programs aimed at realizing the “evolution of the general consulting group,” set forth in the medium-term management plan. These include the intra-bank exchange system which aims to develop and discover specialized personnel through short-term headquarters work experience, in addition to career training for different generations. We also established the 114 Reskilling Support System in October 2023, which provides financial assistance for employees to learn subjects of their choice (such as language schools or external seminars) regardless of their current job, as well as for the qualification exams specified by the intra-bank self-development system,

such as 1st grade Certified Skilled Professional of Financial Planning and management consultant. We actively support voluntary self-development that individuals wish to pursue in order to develop diverse human resources.

Furthermore, we introduced the 114 Meister system in FY 2017 as an in-house certification system, helping employees with their efforts to obtain qualifications in fields of their choice. This system classifies banking operations into eight fields including consulting, financing management, life planning, and DX, and three levels of qualification are provided in each field, which are Officer (beginner level), Leader (advanced level), and Meister (top level). The number of Meister holders is on the rise every year. In this manner, we aim to build a human resource portfolio necessary for achieving the “evolution of the general consulting group” by doubling our current investment in human capital, including education and training, to ¥400 million in the final year of the medium-term management plan, and maximize our ability to provide value to customers and communities through strengthening our human resource capabilities.

Next, in terms of “fostering engagement,” we aim to create a workplace where everyone can work with peace of mind, promote the active participation of women, expand the roles of senior employees, and strengthen health management. The Bank has been certified as a KENKO Investment for Health Outstanding Organization for six consecutive years since its Health Management Declaration in August 2018. Over the past year, it has conducted systematic initiatives such as intra-bank walking events and group analysis of stress checks, resulting in our recognition as the only financial institution in Shikoku in the White 500 Large Enterprise Category.

In addition to these initiatives that improve the ease of working for employees, I want to focus on initiatives that enhance the willingness to voluntarily contribute to the organization, which is the essence of the word “engagement.”

Since April 2021, the Bank has been measuring the overall score of the engagement survey Wevox, and starting from June 2024, we have

	FY 2023 result	FY 2025 target
Investment in human capital	¥213 million	¥400 million
Engagement score	65 pt	69 pt

introduced 1-on-1 meetings across all branches. These are meetings that were conducted on a trial basis at some branches and headquarters and aim to improve the engagement score by strengthening trust through improving the coaching skills of supervisors and encouraging awareness and autonomous actions among employees. Although the Bank’s current engagement score is characterized by a favorable score for the work environment and human relations, we recognize there are challenges in areas such as empathy for the mission and vision and understanding of management strategy, where scores are lower than the benchmark. I

Strengthening the “Power of Support” with DX

The Group has defined DX as the growth engine that will transform business through data and digital technology, and work to provide customers and communities with new values and experiences as well as dramatically improve productivity.

In terms of providing customers and communities with new values and experiences, we are enhancing the functions of the 114 Banking App for retail customers and preparing to introduce the corporate portal for corporate customers to strengthen non-face-to-face channels for securing various contact points.

Furthermore, with respect to supporting our customers’ DX initiatives, we launched the ICT consulting services in October 2020, which has become one of the Bank’s strengths over the past year. At the start of the service, some of our external partners were concerned that we might be spending too much time on consulting. Despite those concerns, we remained true to our policy of providing ICT consulting that focuses not on IT or digital tools alone, but on supporting our customers’ efforts in their overall transformation, including DX. As a result, the number of ICT consulting initiatives in FY 2023 reached 104, significantly ahead of schedule in achieving the sustainability KPI of

Enhancing corporate value

Improving price book-value ratio (PBR) has been receiving attention as a measure to enhance corporate financial value. We will strive to achieve the ROE target of 5% as set out in our Long-term Vision at the earliest possible stage and ensure profitability that exceeds shareholders’ expectations by continuing to implement initiatives that realize the well-being of all stakeholders through the “Power of Support.” Moreover, I consider my top priority to be enhancing the value of the Group as an

would like to focus on fostering engagement by visiting the field as much as possible, explaining the vision we aim for in Long-term Vision 2030 in detail, and exchanging opinions with employees.

I regularly tell employees that it is important not to act passively but to take action proactively, voluntarily, and positively in such a rapidly changing era. I would like to instill a culture where each employee takes action with the determination that we will change the Hyakujushi Group by ourselves.

▶▶▶ P.19-22 “HRX Initiatives”

100 initiatives annually by FY 2030. The feedback from our customers we have been supporting may point us to the factors behind this. It is clear that in regions where the decline in the workforce is accelerating, promoting DX to improve productivity and reduce costs has become unavoidable steps for improving corporate competitiveness. However, because there is a shortage of DX human resources in these regions, I believe that our ICT consulting is effectively synonymous with our bank taking on the role of DX personnel within these regions. We will continue to focus our efforts in this area.

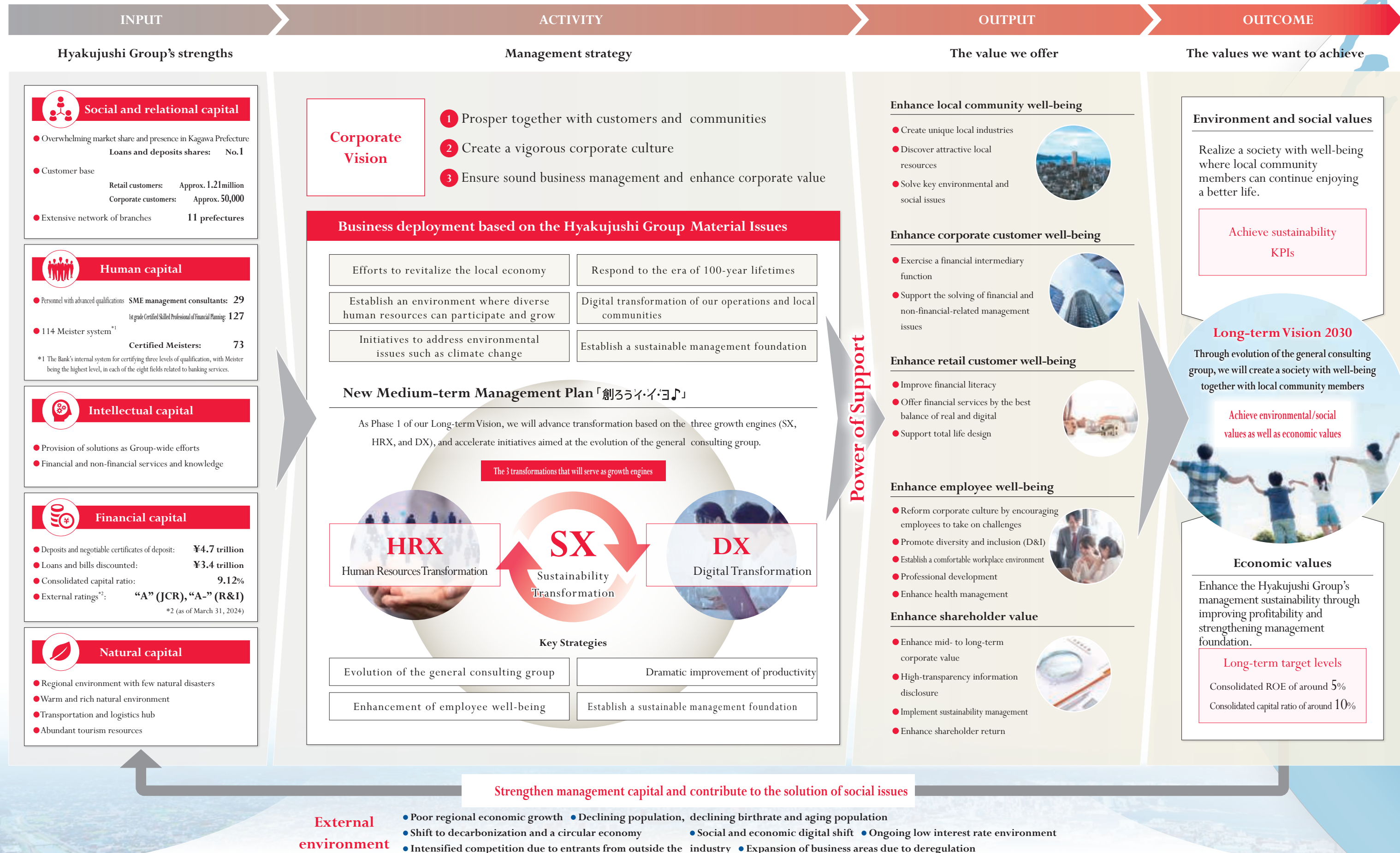
In terms of “dramatic improvement of productivity,” we introduced over the past year in-store tablet devices to reduce the burden on customers of filling out documents and to shorten waiting times, and promoted the adoption of online processes for personal loans and financing contracts, aiming to improve customer convenience and save paper resources. By improving operational efficiency within the Bank through these efforts, we aim to create time and personnel for face-to-face consulting sales to solve customer issues.

▶▶▶ P.23-26 “DX Initiatives”

organization within regional communities and the corporate value of the Group by strengthening engagement with shareholders and other stakeholders regarding the progress of these initiatives.

We are determined to work with all our strength to ensure that 50 or 100 years from now, people will say, “I am so glad Hyakujushi Bank is here for us.” I sincerely thank you and humbly request your continued support and patronage of the Bank.

Hyakujushi Group's Value Creation Process

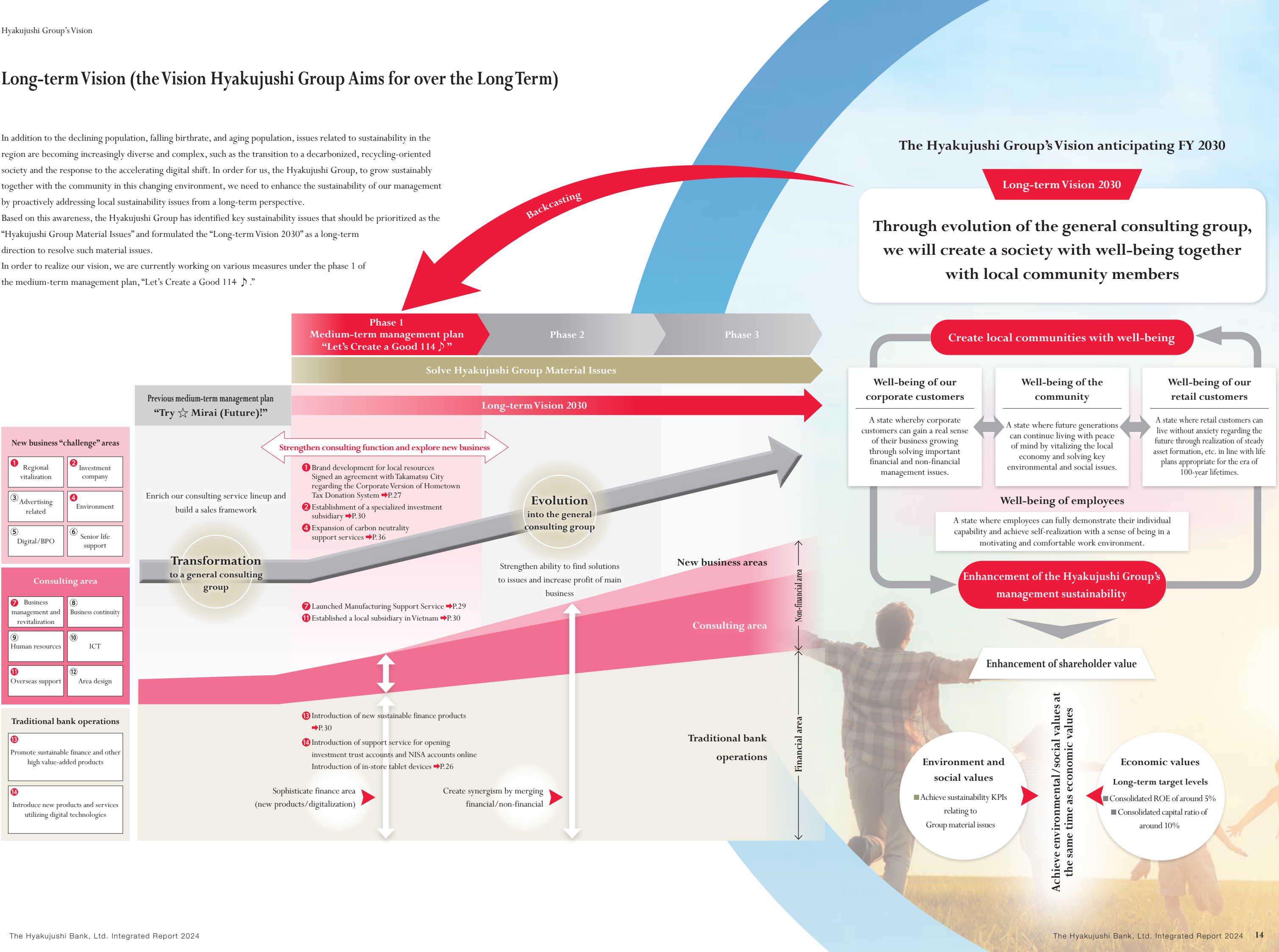


Long-term Vision (the Vision Hyakujushi Group Aims for over the Long Term)

In addition to the declining population, falling birthrate, and aging population, issues related to sustainability in the region are becoming increasingly diverse and complex, such as the transition to a decarbonized, recycling-oriented society and the response to the accelerating digital shift. In order for us, the Hyakujushi Group, to grow sustainably together with the community in this changing environment, we need to enhance the sustainability of our management by proactively addressing local sustainability issues from a long-term perspective.

Based on this awareness, the Hyakujushi Group has identified key sustainability issues that should be prioritized as the “Hyakujushi Group Material Issues” and formulated the “Long-term Vision 2030” as a long-term direction to resolve such material issues.

In order to realize our vision, we are currently working on various measures under the phase 1 of the medium-term management plan, “Let’s Create a Good 114 ♪.”



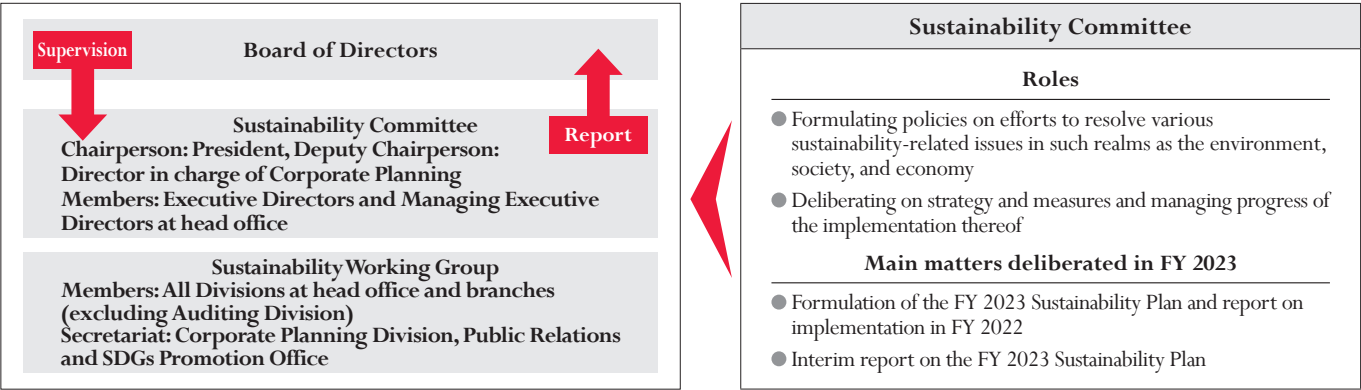
Sustainability Management Framework

Governance system related to sustainability

The Bank has established a framework for the promotion of sustainability-related measures under the supervision of the Board of Directors, to help solve various issues local communities face from a long-term perspective in order to realize our Corporate Vision.

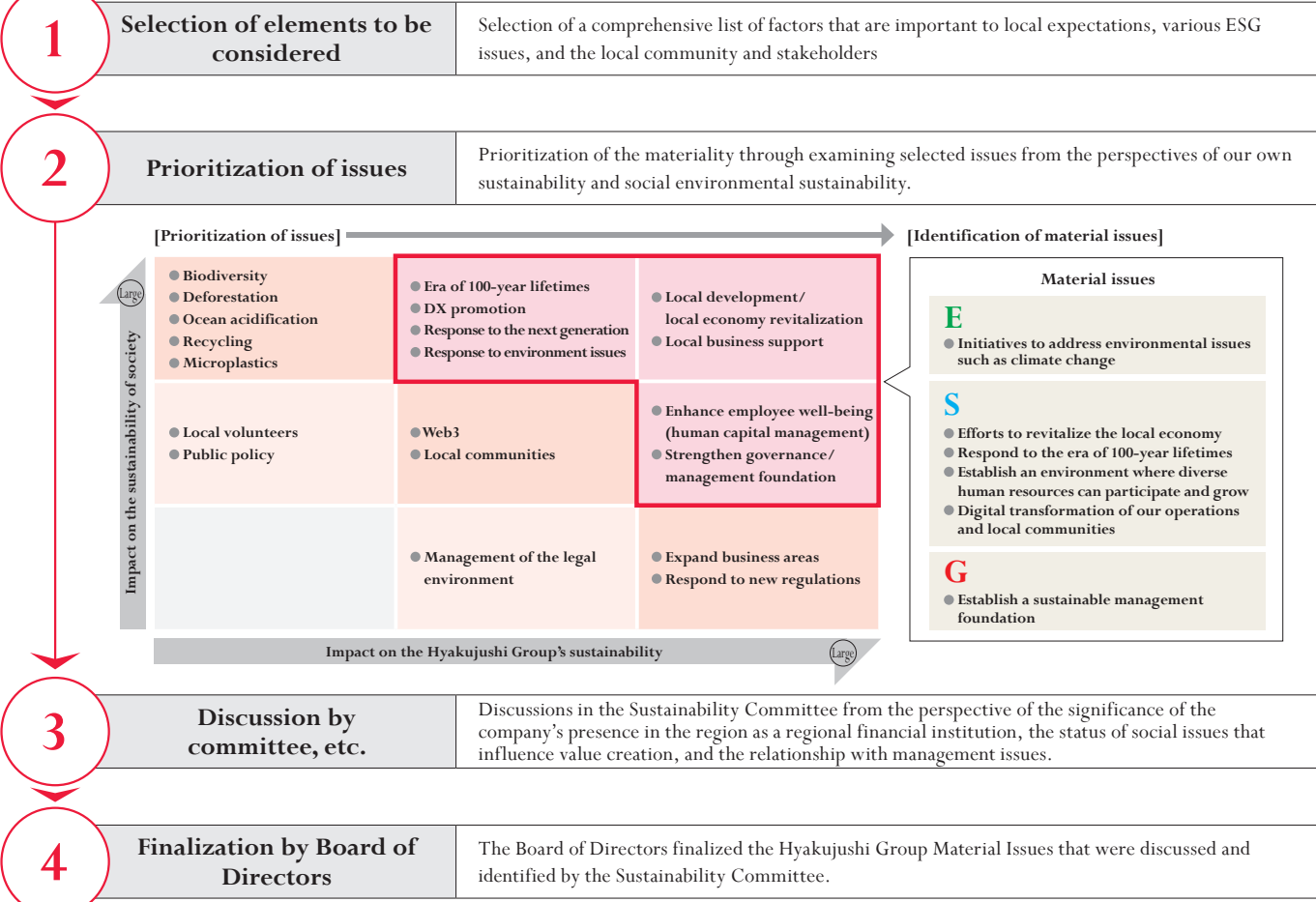
Specifically, we have established the Sustainability Committee chaired by the President, to formulate and implement policies, plans, and initiatives to address social and environmental opportunities and risks, including climate change. Important matters are submitted or reported to the Board of Directors. The Audit and Supervisory Committee members and the General Manager of the Auditing Division are involved in the formulation of initiatives and discussions on strategies and measures as observers in the Sustainability Committee, and receive progress reports. In addition, the achievement of sustainability management targets (reduction of CO₂ emissions, increase in the share of females in junior management, etc.) is taken into account in determining the officer remuneration from FY 2023 onward.

We aim to promote and strengthen sustainability management through cross-organizational discussions on initiatives aimed at improving the sustainability of customers and local communities.



Material issue identification process

Having recognized the current external environment and ESG elements required by stakeholders, the Bank has sorted the major themes our Group should address, and identified the “Hyakujushi Group Material Issues.”



Medium-term Management Plan

The medium-term management plan, which covers the three-year period from FY 2023, is positioned as a period for accelerating initiatives aimed at the “evolution of the general consulting group,” with the three transformations of SX, HRX, and DX as growth engines, toward the realization of our Long-term Vision 2030.

Name

「創ろうイ・イ・エ」

Significance of name

This name contains our sentiment of offering high value-added services to customers and communities so that they may come to say, “Hyakujushi is good!,” thus creating a “good world” in which local community members can enjoy a true sense of well-being.

Period: April 2023 to March 2026

Basic policy

As Phase 1 of our Long-term Vision, we will advance transformation based on the three growth engines (SX, HRX, and DX), and accelerate initiatives aimed at the evolution of the general consulting group.

Key strategies

■ Evolution of the general consulting group

■ Enhancement of employee well-being

■ Dramatic improvement of productivity

■ Establishment of a sustainable management foundation

Growth engines supporting strategies

Promoting three transformations

- Transformation -

SX [Sustainability]

HRX [Human Resources]

DX [Digital]

SX (Sustainability)

HRX (Human Resources)

DX (Digital)

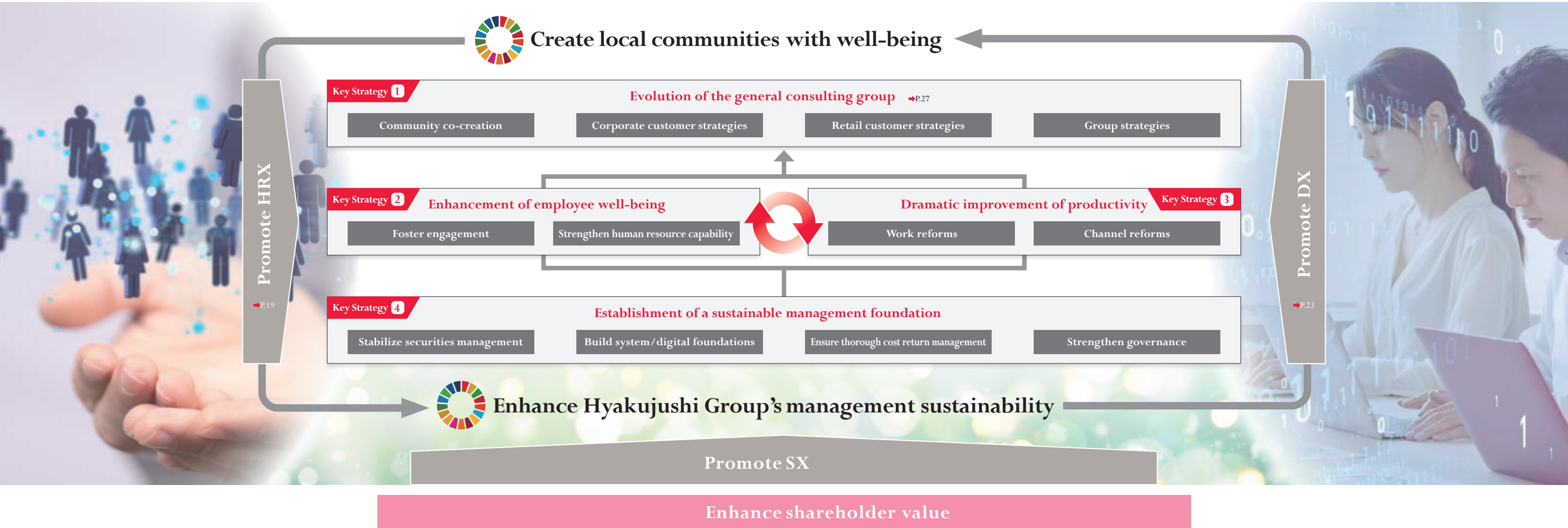
: Achieve sustainability for both Hyakujushi Group and local communities

: Maximize human capital by linking management strategy with human resource strategy

: Transform business through data and digital technology

Target item / fiscal year	FY 2022 <small>(final year of previous medium-term management plan)</small>	FY 2023	FY 2025 <small>(final year of current medium-term management plan)</small>
	Result	Result	Management target
<div>Profitability (consolidated)</div> Profit <small>(Profit attributable to owners of parent)</small>	¥9.1 billion	¥9.6 billion	¥8.5 billion or more
<div>Soundness (consolidated)</div> Capital ratio	9.10 %	9.12 %	Around 9.0 %
<div>Efficiency (non-consolidated)</div> OHR <small>(gross operating profit basis)</small>	76.1 %	74.9 %	Around 70.0 %

Aiming for results that significantly exceed targets



HRX (Human ResourcesTransformation) Initiatives

HRX strategy

The Hyakujushi Group defines HRX as “a growth engine that maximizes human capital by linking management strategy with human resource strategy,” and aims to optimize human resource allocation and build a human resource portfolio linked to management strategy in order to maximize our ability to provide value to customers and communities while achieving synergism with DX promotion efforts.

<Message from the General Manager of Personnel Division>

Initiatives toward human capital management



Kaori Taniyama
General Manager, Personnel Division

The Bank has fostered a culture over the years where female employees can return to work after marriage and childbirth, leading to the current share of females in junior management and management positions. However, the roles of many female employees have traditionally been limited to administrative tasks and handling investment products.

As an organization promoting the active participation of women, removing gender barriers in job assignments is my mission as the Bank’s first female General Manager of the Personnel Division.

We will support female employees in taking on challenges in work and fields according to their preferences, encourage active participation in new training programs and as trainees at head office, and transform conventional mindsets regarding job placements. This initiative is not only for female employees but also aims to improve the corporate culture to allow diverse human resources to play an active role in the Bank, and will lead to the optimal allocation of human resources linked to the management strategy. In addition, to strengthen consulting human resources, we actively promote career returns (re-employment of former employees) and mid-career recruitment of specialists, as we aiming to create a human resource portfolio necessary for evolving into the general consulting group that the Bank aspires to be.

By creating a workplace environment where anyone, regardless of gender, age, or position, can have opportunities to thrive, we aim to achieve true diversity, which will form the foundation of the human capital management that we aim for.

Key indicators of human capital management

Key indicators		FY 2022	FY 2023	Notes
Diversity (D&I)	Share of females in junior management (Deputy Branch Managers, Deputy Chiefs and above)	26.6%	29.0%	
	Share of females in management (Assistant General Managers, Group Leaders and above)	10.8%	14.0%	
	Gender wage gap	47.1%	48.7%	Female employees’ wage as a percentage of male employees’ wage(*)
	Ratio of female new graduate hires	50%	49%	Women as a percentage of new graduate hires
	Male childcare leave participation rate	100%	100%	
Health management	Percentage of employees receiving regular health checkups or comprehensive medical examinations	100%	100%	
	Percentage of employees receiving follow-up comprehensive medical examinations	49.1%	62.8%	
	Percentage of smokers	17%	17%	
Career development	No. of employees certified as 114 Meisters	63	73	Human resources with a high level of expertise, business knowledge and the ability to provide high-level solutions
	No. of employees with side jobs	—	19	
Engagement	Engagement score	66pt.	65pt.	Overall score from Wevox, an engagement survey provided by Atræ, Inc.

*There are no gender wage gaps under the personnel system for the same occupation and position. The gap is mainly due to the fact that more women have been hired as general office workers, and there is a difference in number of years of service between men and women (5 years and 0 months), leading to more men being promoted to management positions than women.

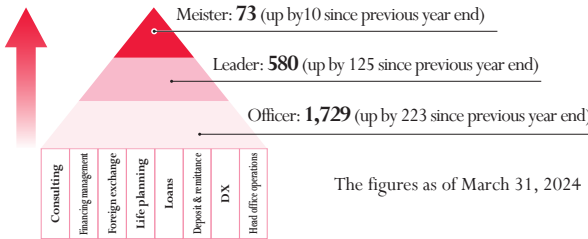
Strengthen human resource capability

Strengthen human resource capability for strategy execution

Through acquisition of specialized knowledge, advanced skills, etc., the Bank is making efforts to strengthen employee capabilities in order to increase their ability to solve issues that customers and communities face. In addition to numerous practical training programs, we are also focused on producing certified professionals such as 1st grade Certified Skilled Professionals of Financial Planning, SME management consultants, and management consultants. Furthermore, through our 114 Meister system for certifying the knowledge and business proficiency of employees in each area, we are encouraging employees to autonomously develop their careers and take initiative with respect to self-development. We will continue strengthening our professional human resource base by increasing the number of employees with the top level of “Meister.”

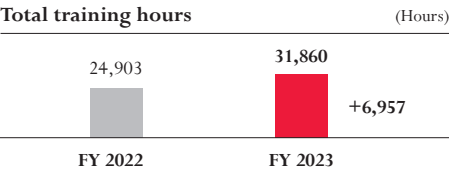
No. of employees certified under the 114 Meister system (as of March 31, 2024)

	Certification level	Necessary public qualifications (partial excerpt)
Meister	Human resources with a high level of expertise and business knowledge to provide high-level solutions and deliver results within the organization	● 1st grade Certified Skilled Professional of Financial Planning ● SME management consultants ● Management consultants, etc.
Leader	Human resources with sufficient expertise, job competency, and the ability to drive operations as a leader in the workplace	● 2nd grade Certified Skilled Professional of Financial Planning ● 2nd grade Financing of Banking Proficiency Test ● 2nd grade Taxation Business of Banking Proficiency Test, etc.
Officer	Human resources with a broad range of basic knowledge in various fields and the ability to work independently	● 3rd grade Certified Skilled Professional of Financial Planning ● 3rd grade Financing of Banking Proficiency Test ● IT Passport, etc.



Support for autonomous career development

By encouraging employees to develop their careers autonomously, we aim to improve motivation, develop core human resources, and support the achievement of desired careers through promoting diverse working styles and skill development.



Career training by generation

Career training tailored to each generation is systematized as a pillar of internal career development for employees, and we continuously support employees’ autonomous and independent career development. In FY 2023, in addition to the existing career training for young employees (28 years of age), mid-career employees (38 years of age), and experienced employees (48 years of age), we also held career training for senior employees (55 years of age) for the first time. A total of 217 employees participated in the career training in FY 2023.

Introduction of an intra-bank exchange system

Since May 2022, we have also implemented the intra-bank exchange system, designed to train and discover specialists by providing short-term work experience at head office, which allows each employee to broaden their scope and perspective in their work, and actively form their external career. In FY 2023, we significantly expanded the range of exchange destinations, and had 59 participants (an increase of 30 from the previous year).

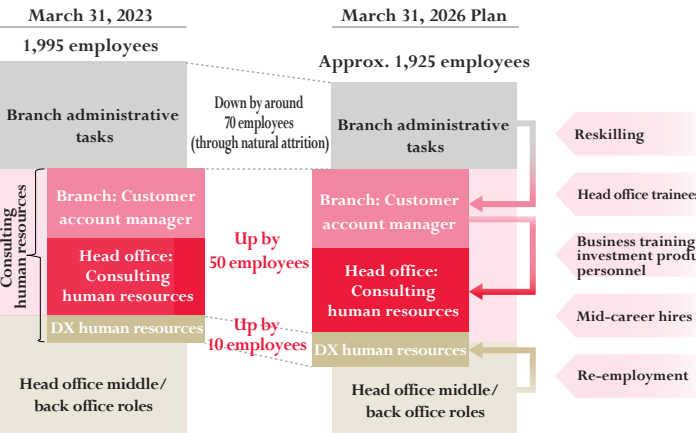
Build a human resource portfolio linked with management strategy

By introducing the 114 Reskilling Support System and utilizing trainees at head office, we are reassigning administrative staffs to the consulting field. In addition, the Bank has established a career-return (re-employment of former employees) system and actively recruits mid-career specialists to build the necessary human resource portfolio to execute management strategy through optimal allocation of human resources based on linkage between management strategy and HR strategy.

No. of mid-career specialist hires	FY 2022: 3 FY 2023: 5
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114 Reskilling Support System

The system was established in October 2023 to provide financial assistance for employees to learn subjects of their choice (such as language schools or external seminars) regardless of their current job, as well as for the qualification exams specified by the existing intra-bank self-development system. The Bank positions diverse skill development through reskilling as essential for achieving the career goals of employees, and actively supports voluntary self-development.



► **Foster engagement**

■ Strengthen health management

The Bank believes the physical and mental health of our employees and their families to be important. We issued a Health Management Declaration on August 10, 2018, assigning the management team to be in charge of health promotion, and have been working organization-wide to maintain and enhance the health of employees and their families and to create a comfortable work environment. In recognition of such efforts, the Bank has been certified as a KENKO Investment for Health Outstanding Organization for six consecutive years.

In FY 2023, the percentage of employees receiving follow-up health checkups significantly improved as a result of proactive encouragement, and by introducing the Nissay Health Promotion Consulting Service and systematically implementing initiatives such as intra-bank walking events and group analysis of stress checks, we were recognized as the only financial institution in Shikoku under the Large Enterprise Category (White 500.)

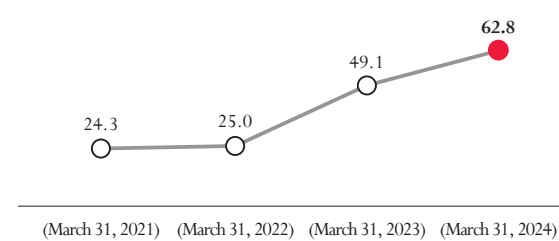
● Details of initiatives

- Active promotion all employees to receive regular health checkups and comprehensive medical examinations
- Encouragement of follow-up examinations (re-examinations and detailed examinations)
- Introduction of LunaLuna Office (Femtech service to support working women's health issues)
- Renaming of menstrual leave to health support leave
- Holding study sessions aimed at promoting health management in local communities
- Enhancement of leave systems

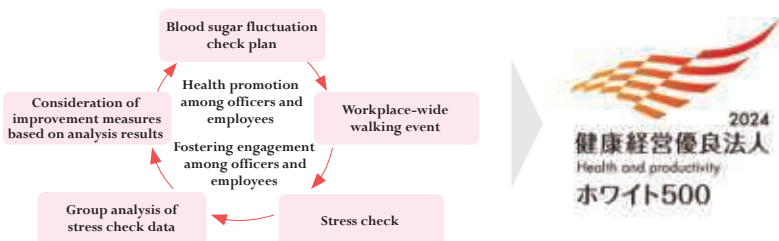
Main leave systems established

Types of leave	Childbirth support leave	Family support leave	Medical checkup leave
Purpose, etc.	Hospital visits for infertility treatment, etc.	Spouse, child, or child's spouse's childbirth	Health check-up, follow-up examination
Number of days available	5 days a year	5 days a year	2 days a year
Acquisition status in 2023	Number of employees who went on leave: 7	Average number of days of leave taken by male: 2.6 days	Number of employees who went on leave: 663

Percentage of employees receiving follow-up health checkups (%)



Nissay Health Promotion Consulting Service



■ Fostering engagement in the workplace and organization

Recognizing that engagement in the organization is essential for a vibrant workplace and improved productivity, we began holding 1-on-1 meetings on a trial basis in some branches and head office from April 2021, where supervisors and subordinates hold regular one-on-one meetings.

After trials at 13 branches and departments over a two-year period ended March 31, 2023, the engagement score (overall score from the engagement survey Wevox provided by Atræ, Inc.) increased from 66 points (April 2021) to 69 points (March 2023). Trials was expanded to 25 additional branches and departments in FY 2023. We believe that the trial so far has shown some positive effects on fostering psychological safety in the workplace as well as increasing engagement scores, and this lead us to start the gradual introduction of these meetings at all branches from June 2024.

At the same time, a commendation system was introduced to evaluate activities that contribute to improving work-life balance of employees with an aim of achieving motivating and comfortable work environment.



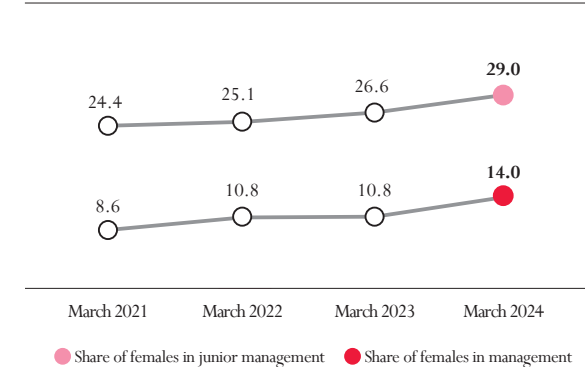
► Create a workplace where everyone can work with peace of mind

The Bank is actively promoting D&I (diversity & inclusion) aimed at improving productivity and sustainability through the active participation of employees with diverse characteristics and values.

Regarding the share of females in management, recognizing the need to first establish a pool of candidates, the Bank defines women in positions of Deputy Branch Managers, Deputy Chiefs or above as “females in junior management” and is working systematically to develop and promote them.

Although the gender wage gap is attributed to hiring practices in the past, we have been working to minimize this gap. Since April 2022, we have made general positions the standard for new graduate hires, and have developed and strengthened initiatives to raise career awareness among female employees and promote diversity and inclusion.

Share of females in management and junior management (%)



Gender wage gap

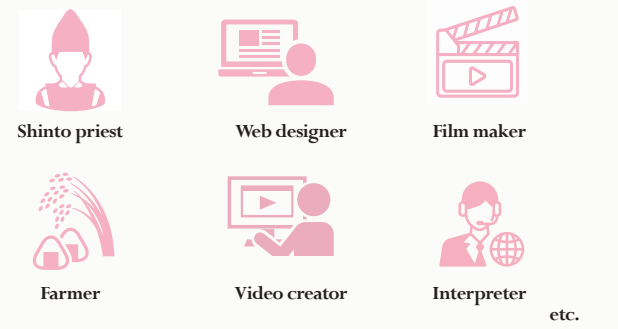
	March 2024
All employees	48.7%
Full-time permanent employees	60.2%
Part-time and temporary employees	59.9%

Side job system and career-return system

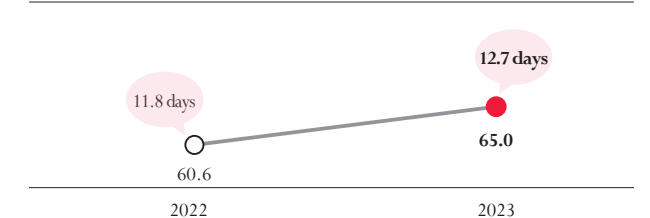
In addition to supporting diverse work styles, in April 2023 the Bank introduced the side-job system that allows employees to work side jobs. We also introduced the career-return system, whereby employees can resign early, acquire experience in another field, then be reemployed by us. These systems are anticipated to help contribute to the local community and increase the Bank's corporate value by leveraging broad knowledge and skills obtained through another field and side jobs, as well as tapping into new personal networks.



Examples of side jobs



Number of days of annual paid leave taken and acquisition rate (%)



Initiatives to support work-life balance

We promote the use of leave systems to help employees achieve a work-life balance. The leave system has gone through further enhancement. From April 2024, the employees can take annual paid leave in hourly increments, and the conditions for taking nursing care leave have been relaxed.

In addition, as part of the “Hyakujushi Childcare Support Program,” we have strengthened support for employees who are on maternity and childcare leave and are encouraging male employees to take childcare leave.

Male childcare leave participation rate



DX (Digital Transformation) Initiatives

In order to adapt to changes in the environment, the Hyakujushi Group will transform its business processes, business model, and organization by utilizing data and digital technology, aiming to provide new value and experiences to customers, and dramatically improving business productivity. Furthermore, by actively engaging in efforts for the digital transformation of customers and communities, we will promote the digital shift of society and economy.

DX strategy

The Hyakujushi Group has defined DX as the “growth engine that will transform business through data and digital technology,” and formulated DX strategy to effectively promote each medium-term management plan strategy through DX.

By concentrating on the six focus areas of the DX strategy, providing customers and communities with new values and experiences, and dramatically improving productivity, we aim to solve the Hyakujushi Group Material Issues. We believe that these efforts in turn will create local communities with well-being and improve the sustainability of our Group’s management.

Main initiatives

- Build DX promotion framework
- Provide customers and communities with new values and experiences
- Dramatically improve productivity

Related individual strategies

- Community co-creation
- Corporate customer strategy
- Retail customer strategy
- Work reform
- Channel reform

DX promotion

Key focus areas	Value offered	Stakeholders
Enhance non-face-to-face channels	Create an environment in which customers can access our services anywhere, anytime	Corporate customersRetail customers
Data utilization, etc.	Personalized proposals and services based on data	Corporate customersRetail customersCommunities
Support digital transformation of customers/communities	Utilize DX to solve customers’ management issues and social issues in the community	Corporate customersCommunities
Digital transformation of branches/work	Alleviate the burden of customers’ procedural tasks in branches, reduce wait times and streamline branch/head office operations	Corporate customersRetail customersEmployees
Develop/hire DX human resources	An organization where all employees leverage DX to proactively bring about change	Employees
Create new businesses	Promote digital transformation of local communities and economic revitalization through creation of new businesses	Corporate customersRetail customersCommunities

Status of DX promotion

	Indicator	KPI	FY 2023 result
Sustainability KPI (FY 2030)	No. of digitally-connected customers	400,000	59,000
	ICT consulting business partners	100	104
DX strategy KPI (FY 2025)	114 Banking app	No. of users	200,000
		Ratio of active users	70%
		Ratio of transactions through Banking app	79.2%
	Reduction of administrative work related to deposits and loans at branches	30%	5.4%
	Increase in DX human resources (compared to FY 2022)	(20%)	(13.1%)
	Average of self-diagnosis results using the DX Promotion Index	Up by 10 employees	Up by 3 employees
		3.0	2.0

Build DX promotion framework

Establishment of the Digital Innovation Division

The Bank’s Corporate Planning Division has taken the lead in implementing DX in the six focus areas defined in the DX strategy.

Amid society making rapid progress in digitalization in recent years, we established the Digital Innovation Division in April 2024 to timely and appropriately address the increasingly diverse challenges and needs of our customers.

This reorganization will enable us to build a system that leads the promotion of company-wide data utilization and digitalization efforts. We will work to enhance customer convenience, provide services tailored to individual needs, and address regional social issues, thereby contributing to improving the well-being of corporate and retail customers as well as the local communities.

Digital Innovation Division

Innovation Promotion Group

- Planning and formulation of DX strategies and system development plans
- Planning and formulation of measures using digital technology
- Investigation, research into practical application, planning, and formulation of advanced digital technologies
- Development of DX human resources
- Planning and formulation of banking app features and marketing

Data Analysis Group

- Planning and formulation of measures using data, development of data infrastructure, and data analysis
- Investigation, research into practical application, planning, and formulation of advanced data analysis and utilization technologies
- Development of DX human resources

Aiming to improve CX (customer experience value) through DX



Hisaichi Ishii
General Manager, Digital Innovation Division

The medium-term management plan positions DX as a growth engine to realize our management strategy, which means that DX is a means, not a goal. For this reason, we always keep in mind that our ultimate goal is to improve CX (customer experience value) through DX.

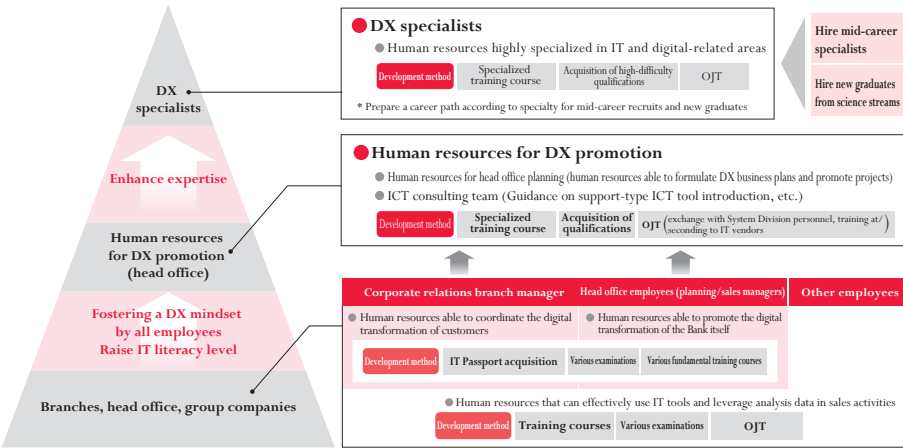
The next important aspect of DX promotion is the importance of instilling a customer-centric approach and encouraging every employee to make DX a personal matter. In terms of the IT investments and work reforms necessary for DX, it is necessary to have an objective understanding of the tasks to be accomplished from the perspective of overall optimization. The role of our division, therefore, is to view customers and the Bank as clients, clarify the actual conditions and challenges using the power of data science, and serve as a consulting team that provides support towards achieving challenges.

We aim to create local communities with well-being through the improvement of CX by leading DX promotion with these two points in mind.

Develop/hire DX human resources

DX promotion requires human resources with knowledge and skills in both banking operations and DX, capable of planning and promoting system implementation measures, as well as human resources with advanced knowledge and skills in data and digital fields.

As part of our medium-term management plan and DX strategy, we have set the KPI of creating 10 more DX human resources (compared to FY 2022 year end) and have been focusing on the development of such human resources. In order to accelerate DX initiatives, we established the Digital Innovation Division in April 2024, which lead to increased demand for DX human resources. We plan to flexibly review the personnel structure and training system in light of the progress of initiatives and future outlook.



► Provide customers and communities with new values and experiences

■ Enhance non-face-to-face channels

- Corporate customer strategy
- Retail customer strategy
- Channel reform

Secure diverse touchpoints with customers

In February 2023, the Bank launched the 114 Banking app for retail customers which offers more convenience than our conventional online banking service. It has since been used by approximately 70,000 customers since then.

To further improve customer convenience, we added features such as card loan borrowing, repayment, and inquiries in March 2024. We plan to add features for buying and selling investment trusts, inquiries, switching between multiple accounts, and paperless account management during FY 2024. We will continue to work on increasing the number of users by promoting them through in-store and workplace announcements, advertisements, and campaigns, enhancing the convenience of the banking app through further functional enhancements, and by organically linking with face-to-face channels to create a customer experience that is seamless between real and digital channels.



Introduce a corporate portal

The Bank is considering introduction of a corporate portal with features to strengthen connections with corporate customers and individual business owners and support the digitalization of transactions. The corporate portal is a membership portal site that includes functions such as confirmation of transaction details such as deposits, fund transfer services, electronic contracts for business loans, and electronic delivery of documents, and greatly expands the range of transactions that can be conducted without visiting a branch and leads to greater business efficiency for customers.



■ Data utilization, etc.

- Corporate customer strategy
- Retail customer strategy
- Work reform

Implement database marketing

In FY 2023, the Bank engaged in database marketing based on the analysis of data held. We can now offer various proposals and notifications to customers more efficiently than before with the introduction of a system in April 2024 that automatically sends emails and SMS messages.

Going forward, with our 114 Banking app as the core, we will enhance non-face-to-face channel functions to maintain and expand customer touchpoints and utilize data obtained through each channel so that we may provide timely proposals and services aligned with each customer’s needs.

Improve efficiency and sophistication of sales activities

As customers’ lifestyles and values diversify, there is a growing need for more customer-centric sales activities. However, at the same time, the number of employees at sales branches is decreasing and the workforce is becoming younger. It is necessary to improve the efficiency and sophistication of sales activities under these circumstances. We are considering a data accumulation and analysis platform, as well as a sales activity support system that can uncover potential customer needs through integrated data management and help monitor and improve the sales activities of our staff, something that has not been possible with conventional CRM(*).

*CRM: Customer relationship management system primarily aimed at strengthening relationships with customers.

■ Support digital transformation of customers/communities

- Corporate customer strategy

Sophistication of ICT consulting service and close support

DX is becoming increasingly important in order to solve management issues faced by customers, such as the digital transformation of society and the economy, labor shortages, and so on. The Bank has been collaborating with other Hyakujushi Group companies in relation to not only back-office work such as accounting and human resource management, but also the sophistication of ICT consulting services including front-office work such as sales support and order management. In this way, we have supported the digital transformation of local customers and local governments.

As a result of smooth collaboration between branches and the ICT consulting team of the Consulting Division in responding to the strong digitalization needs of our customers, we have achieved our sustainability KPI well ahead of schedule (doubling the number of ICT consulting clients by FY 2030: 100 clients).

► Dramatically improve productivity

■ Digital transformation of branches/work

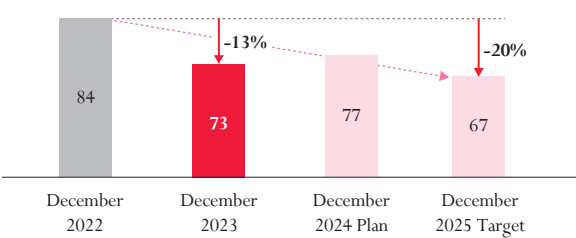
- Work reform
- Channel reform

Reduction of administrative work related to deposits and loans at branches

We are promoting the enhancement of non-face-to-face channels and the digitalization of operations to reduce administrative tasks at branches and create time for providing high-value-added services to customers.

The DX strategy KPI (as of December 2025) was reduced by 13% in December 2023 compared to 20% in December 2022.

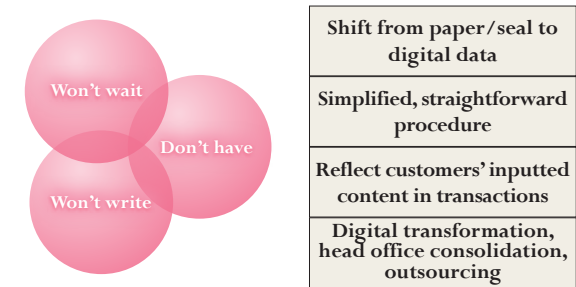
Reduction of administrative workload (monthly) (1000 hours)



Introduction of in-store tablet devices

With the aims of alleviating the burden of customers filling out forms in the branch and reducing wait times, we introduced in-store tablet devices in March 2024. Data entry tasks that were previously performed in the back office of branches have been automated, leading to improved operational efficiency and paperless operations at branches.

Although the services initially provided were limited to address and telephone number changes for individuals, we plan to add functions such as opening ordinary deposit accounts and changing ATM usage limits during FY 2024.



Further expansion of digitized banking transactions areas

The Bank already offers the Hyakujushi Bank MyPage Service, which makes it possible for customers to complete personal loan applications and contracts entirely online, and we are also developing a system to digitize business loan contracts with corporate customers.

Loan contracts have been paper-based up until now, requiring customers to prepare necessary documents such as signatures and seals or certificates, which also required significant time for our employees to prepare and organize the documents received.

By digitizing business loan contracts, these time-consuming processes are eliminated, customers can sign contracts at their preferred location and time, and there is also the benefit of eliminating the need for revenue stamps to be affixed to contracts.

In addition, although we currently send customers paper documents such as transfer receipts, interest statements, and notifications of various fee deductions, we are promoting electronic delivery to conserve paper resources and improve convenience for customers.



Future initiatives

We are focusing on smartphones as one of the tools to improve operational efficiency for employees. We are currently considering distributing business smartphones to all employees which are currently provided mainly to employees at branches and head office, and introducing business apps that will improve the efficiency of both over-the-counter and liaison operations. Furthermore, we will continue to proactively promote the in-store digital transformation through initiatives such as introducing a branch appointment service and enhancing in-store tablet service functions in order to improve branch convenience as well as secure time and personnel for consulting sales aimed at solving customers’ issues and concerns.



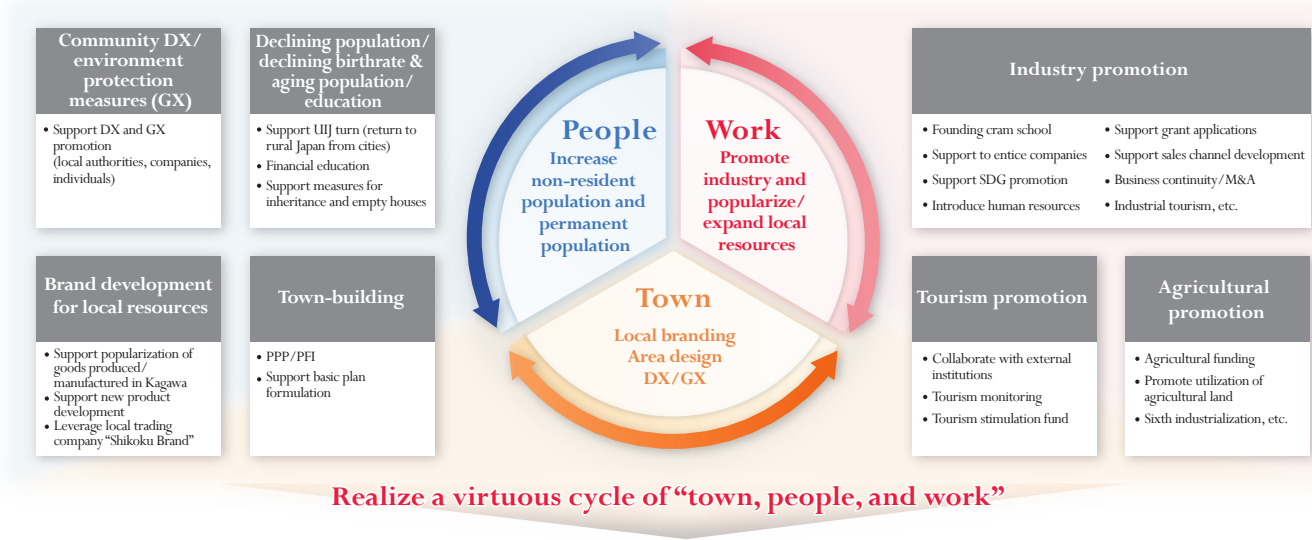
Evolution of the General Consulting Group

The Group will combine its strengths to work with customers and communities to resolve issues they face by mutually combining consulting and financing services.

Community co-creation strategy

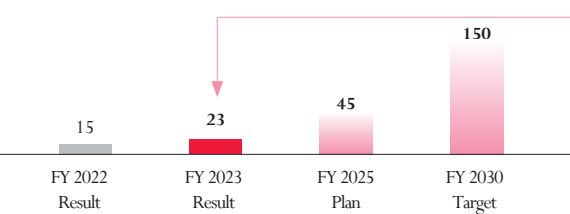
Revitalize “towns” by establishing co-creation frameworks with local public authorities, etc.

By strengthening collaboration with local public authorities and external companies and organizations who engage in regional revitalization, we aim to create a co-creation system that generates new value for the region, and revitalize “towns” that support the circulation of work and people in the region.



Realize a virtuous cycle of “town, people, and work”

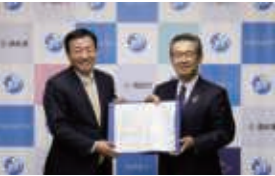
Total number of initiatives aimed at solving local issues (cumulative) (Cases)



- Support for developing high-value-added tourism products for Kotohira-Gu
- Contract awarded for the interim evaluation of the Higashikagawa City Tourism Basic Plan
- Participation in the Kagawa PPP/PFI Regional Platform, etc.

Conclusion an agreement with Takamatsu City and other cities regarding the Corporate Version of Hometown Tax Donation System

We have concluded an agreement with Takamatsu City to introduce customers who wish to make donations through the Corporate Version of Hometown Tax Donation System. We are also working on contracts with other local public authorities within Kagawa Prefecture, including Tadotsu Town and Miki Town, to help revitalize the regional economy.



Initiatives for tourism promotion

Support for development of new specialties for Mt. Yashima

To revitalize tourism on Mt. Yashima, we developed a kamaboko fish cake in collaboration with our customers to be savored while sightseeing, taking the inspiration from the local raccoon dog legend. We will continue to work on creating new tourism content going forward.



Opening of “#114base”

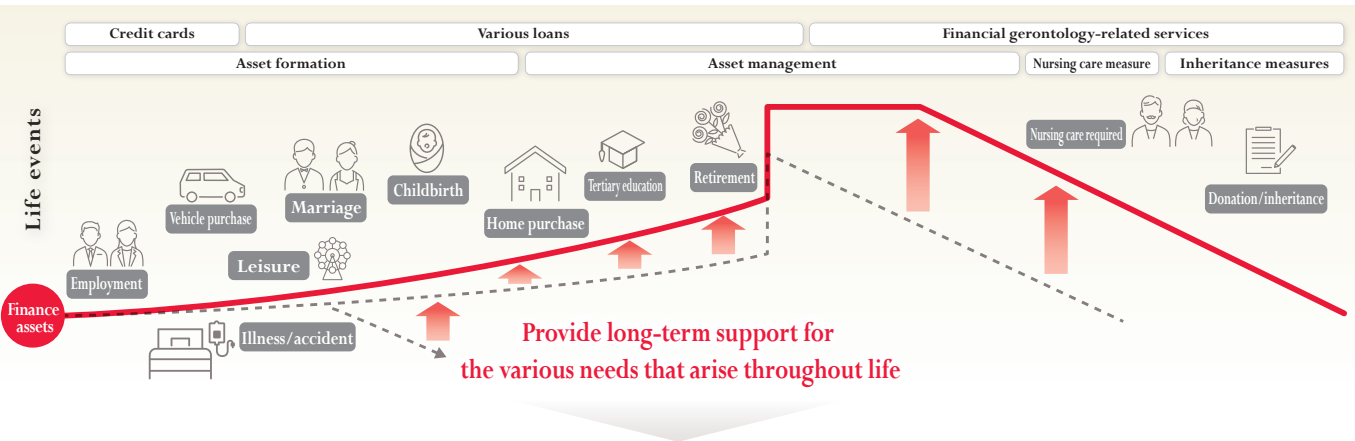
We opened “#114base” within the new Takamatsu Station building Takamatsu Orne in March 2024. It is a new type of store that co-creates value with local community members and contributes to regional revitalization through initiatives such as introducing attractive products and produce from local businesses and hosting events and workshops.



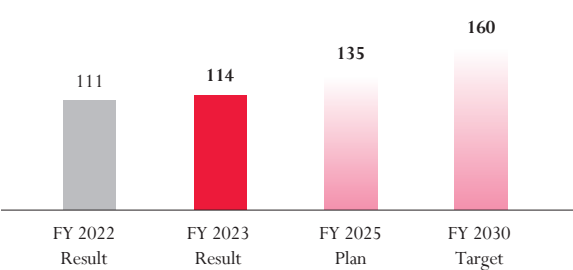
Retail customer strategy

Supporting customers’ total life designs through strengthening our consulting function

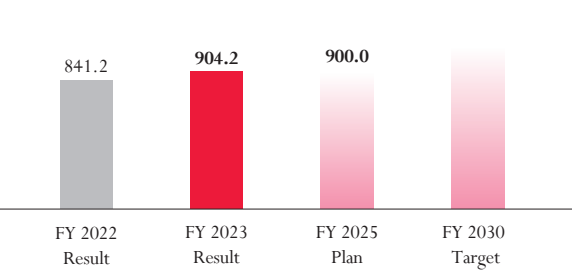
Amid this era of 100-year lifetimes, in order to respond to the various needs that arise over the course of our customers’ lives, we will strengthen our consulting function and provide support for steady asset formation so that retail customers may live without anxiety in the future, and ultimately enhance their lifetime value.



No. of customers provided with asset formation support: (1000 people)



Life design asset balance (Billions of yen)



Support for asset formation

Amid the increasing shift from saving to investment, we have held various seminars and campaigns for NISA, a core product for asset formation, and launched the Investment Trust Account/NISA Account Online Opening Service to enhance customer convenience.

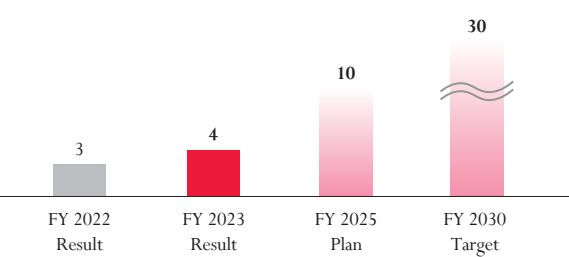
We will continue to provide optimal financial services and propose products that meet the diverse needs and life plans of our customers.

Strengthening financial education initiatives

With the growing importance of financial education, we are focusing on financial education aimed at students and working adults to improve financial literacy in the region. In FY 2023, we provided financial education to 4,132 people through ways such as directly visiting and giving lectures for students.



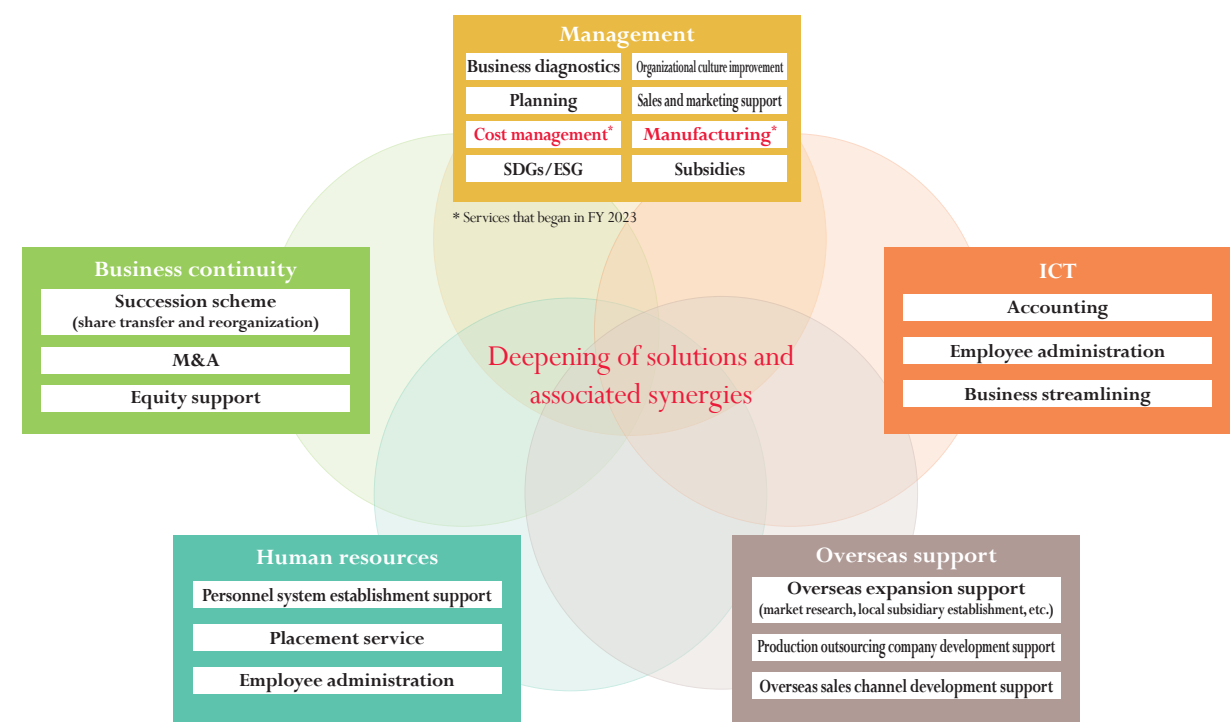
No. of people who have completed financial education courses (cumulative) (1000 people)



Corporate customer strategy

Strengthen our corporate consulting function

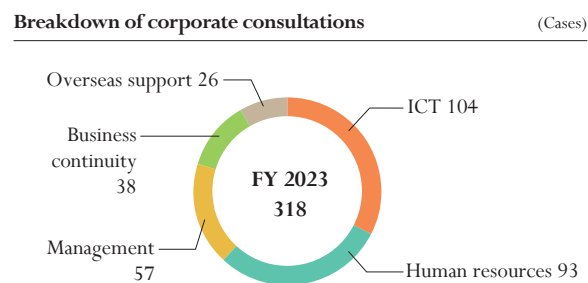
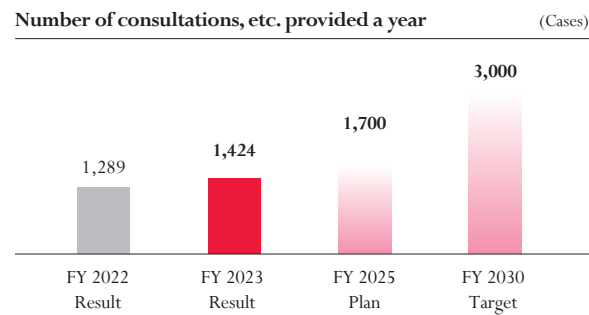
- In order to meet the increasingly diverse and complex needs of our customers, we will further deepen the consulting and solution areas we provide and strengthen our functions as a specialized consulting group. In addition, we will take on new challenges in areas that contribute to solving issues faced by customers and communities, thereby strengthening ability to solve issues and contributing to the sustainable growth of local companies, while also strengthening fee businesses that are not based on assets.
- In FY 2023, we began offering Cost Management Support Service, Manufacturing Support Service, and 114 SDGs Internal Penetration Service.



► Deepening of consulting and solution areas

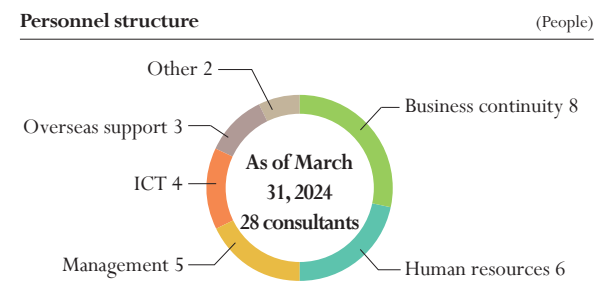
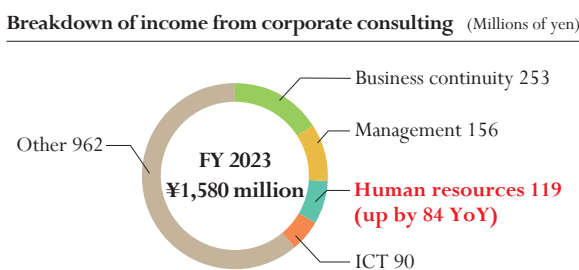
■ Number of consultations

- We have been steadily increasing the number of consultations etc. provided a year by expanding the consulting and solution menu to address the management issues shared with customers through business feasibility evaluations and strengthening the system by hiring specialized human resources.
- The number of corporate consultations provided by the Group has also been steadily increasing, and in FY 2023 more than half of corporate consultations were related to human resource solutions aimed at securing and retaining human resources and ICT solutions aimed at improving customer productivity.



■ Income from consulting

- Income from consulting has also been steadily increasing along with the increase in the number of consultations.
- In particular, income from human resources consulting including personnel system and placement service has been growing steadily in response to strong customer needs and amounted to ¥119 million, 340% of the previous year's level.
- Income from corporate consulting in FY 2023 increased to ¥1.5 billion (an increase of ¥400 million year on year), and we aim to continue increasing the income along with the number of consultations.
- We aim for the income per consulting personnel of ¥20 million per year in order to increase the overall income from corporate consulting.

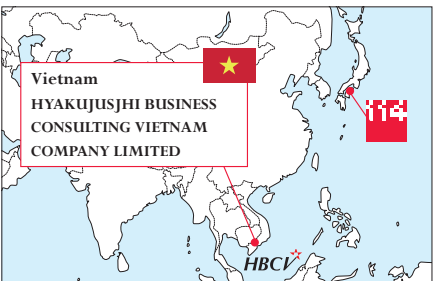


► Challenge new areas

■ Overseas expansion support

We became the first regional bank in Chugoku and Shikoku to establish a consulting local subsidiary in Ho Chi Minh City, Vietnam, and began operations in October 2023.

In order to provide more specialized services to meet the increasingly sophisticated and diverse overseas expansion needs of our clients, we provide a full range of services ranging from interviews on customer needs to expansion support and ongoing support.



■ Establishment of an investment company

We established an investment company in April 2024. We will focus on revitalizing the regional economy through financial intermediation and consulting, including the active supply of equity to customers engaged in business continuity, new businesses, and regional revitalization.



■ Entry into the advertising business

We have plans to enter the advertising business in August 2024. We will provide advertising services using the digital signage already installed in stores to SMEs facing challenges in promoting their products and services and improving visibility. We will accumulate know-how and work to provide advertising services utilizing other media in the future.

Message from the Director in Charge of Finance

We will strive to enhance corporate value through strategies aimed at improving ROE and PER

Masaaki Iwane
Director and Managing Executive Officer

Reflecting on FY 2023 performance

In FY 2023, despite the impact of rising prices and the emergence of geopolitical risks, we witnessed economic normalization with the reclassification of COVID-19 to a Class 5 infectious disease and a significant recovery in inbound tourism. In addition, the progress in wage increases and price pass-throughs brought changes to the financial environment, such as the lifting of the negative interest rate policy by the Bank of Japan.

Under this environment, the customer-oriented services business profit, which indicates the profitability of our core business, increased by ¥5.3 billion to ¥10.3 billion as the business continued to perform well.

As a result of the portfolio improvements made over the last several years to strengthen resilience to rising interest rates, the net loss related to securities transactions significantly decreased in FY 2023, leading to an increase in consolidated ordinary profit by ¥1.2 billion to ¥14.5 billion, and an increase in profit attributable to owners of parent by ¥400 million to ¥9.6 billion, marking the first profit increase in two years.

Forecast of performance for FY 2024

In FY 2024, while we will need to monitor downward pressures on the economy, such as the growing tension in the Middle East and Ukraine, exchange rate fluctuations, and rising interest rates in Japan, we believe that the local economy will continue to recover gradually.

Due to an increase in interest income on loans driven by rising domestic interest rates and an increase in consulting income, we expect that ordinary income will reach ¥74.0 billion on a non-consolidated basis (an increase of ¥500 million year on year) and ¥83.0 billion on a consolidated basis (an increase of ¥900 million year on year), with a non-consolidated profit of ¥9.5 billion (an increase of ¥600 million year on year) and profit attributable to owners of parent of ¥10.0 billion (an increase of ¥400 million year on year).

We will continue to pursue the synergies between financial and non-financial sectors toward the “evolution of the general consulting group” as outlined in the medium-term management plan, aiming for growth in both revenue and profit.

Management targets of the medium-term management plan “Let’s Create a Good 114 ♪”

The medium-term management plan “Let’s Create a Good 114 ♪” sets management targets for FY 2025 of profit attributable to owners of parent of at least ¥8.5 billion, a consolidated capital ratio of approximately 9.0%, and a non-consolidated OHR of approximately 70.0%.

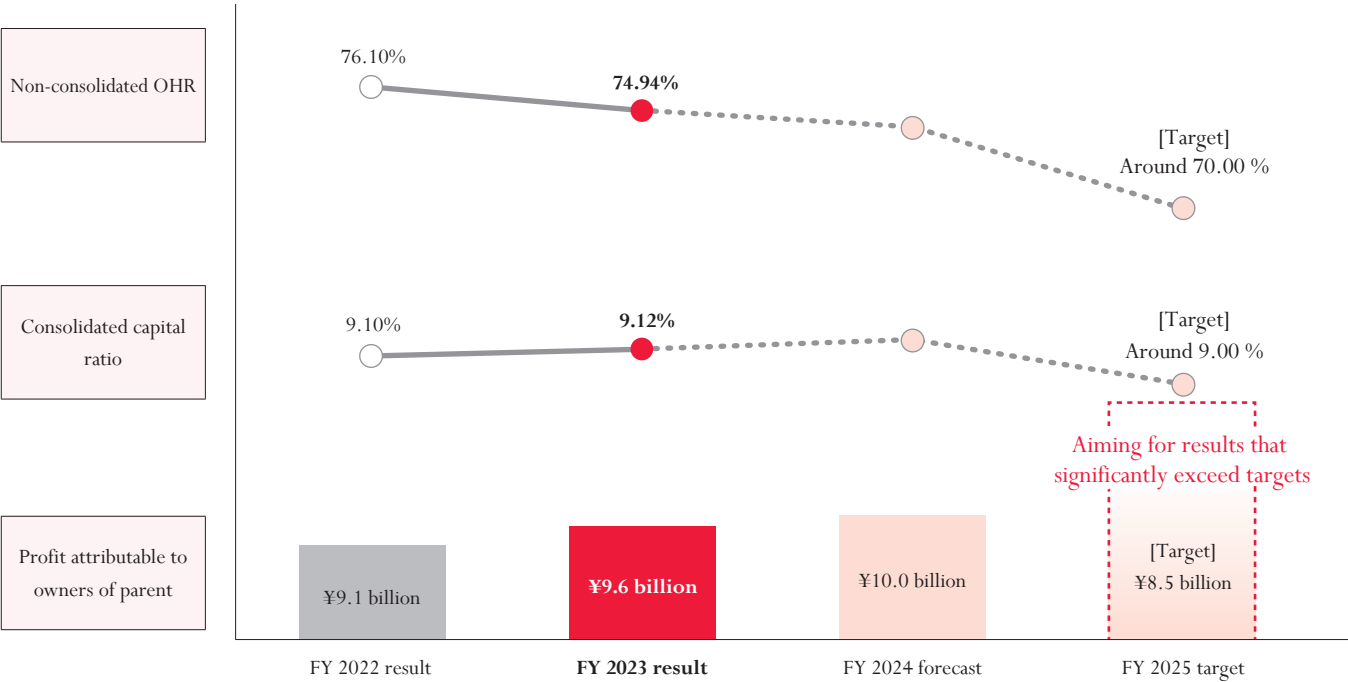
The results for the initial year of FY 2023 are favorable compared to these targets, and we believe we are on track to achieve these targets. There is no doubt we aim to steadily advance the key strategies set in the medium-term management plan and achieve the FY 2025 targets, but we are also striving to significantly exceed the targets particularly for profit attributable to owners of parent.

Non-consolidated and consolidated financial results

Non-consolidated financial results (Billions of yen)	FY 2022	FY 2023	YoY	FY 2024 (forecast)	YoY
Ordinary income	75.9	73.5	(2.4)	74.0	0.5
Core business gross profit	59.6	50.0	(9.6)	49.6	(0.3)
Interest income	40.1	38.1	(1.9)	39.7	1.5
Profit from fees and commissions	6.8	6.9	0.0	6.9	0.0
Other operating income (excluding gains or losses on bond transactions)	12.6	4.9	(7.7)	2.9	(1.9)
Of which gains on foreign exchange transactions	6.4	3.7	(2.7)	3.4	(0.2)
Of which gains or losses related to financial derivatives	6.1	1.1	(5.0)	(0.5)	(1.6)
Management expenses	32.0	32.1	0.1	33.1	1.0
Core business net income	27.6	17.9	(9.7)	16.4	(1.4)
Gains or losses on bond transactions	(17.6)	(7.1)	10.4	(2.4)	4.7
Credit-related expenses	1.4	1.1	(0.3)	3.5	2.3
Ordinary profit	11.8	13.2	1.4	14.5	1.3
Profit	8.3	8.8	0.5	9.5	0.6
Customer-oriented services business profit	5.0	10.3	5.3	11.9	1.5
Net loss related to securities transactions	(14.7)	(4.7)	9.9	(0.3)	4.4

Consolidated financial results (Billions of yen)	FY 2022	FY 2023	YoY	FY 2024 (forecast)	YoY
Ordinary income	84.8	82.1	(2.7)	83.0	+0.9
Ordinary profit	13.2	14.5	1.2	15.5	+1.0
Profit attributable to owners of parent	9.1	9.6	0.4	10.0	+0.4

Management targets of the medium-term management plan “Let’s Create a Good 114 ♪” (FY 2023 – FY 2025)



Message from the Director in Charge of Finance

Enhancing corporate value

As shown in our value creation process (▶▶▶P.11-12 “Hyakujushi Group’s Value Creation Process”), we believe that the Bank’s corporate value is enhanced by achieving the coexistence of environmental and social value with economic value, as set forth in our Long-term Vision.

The evaluation of our corporate value by investors is reflected in our stock price and market capitalization. Looking at the Bank’s stock price in terms of PBR, it has been hovering at low levels due to the effects of the bankruptcy of Lehman Brothers and the introduction of negative interest rates, and it remains at about 0.3 times (as of June 2024).

PBR can be broken down into ROE × PER, and we have organized the efforts to improve PBR from the perspectives of ROE and PER respectively in light of our value creation process.

In terms of ROE, we consider efforts to improve RORA and control financial leverage to be important, while in terms of PER, we believe that efforts to control the cost of shareholders’ equity and improve expected growth rate are important.

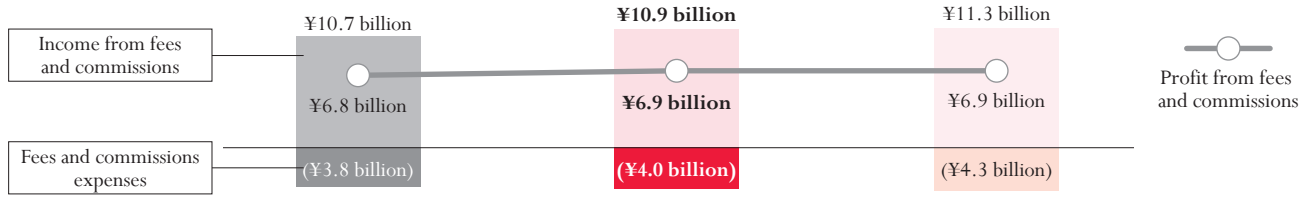
Efforts to improve consolidated ROE

We recognize that the primary cause of the low PBR is the consolidated ROE of 3.16% for FY 2023.

We have set our long-term consolidated ROE target at around 5% (by FY 2030), and we are aiming for early achievement of this target.

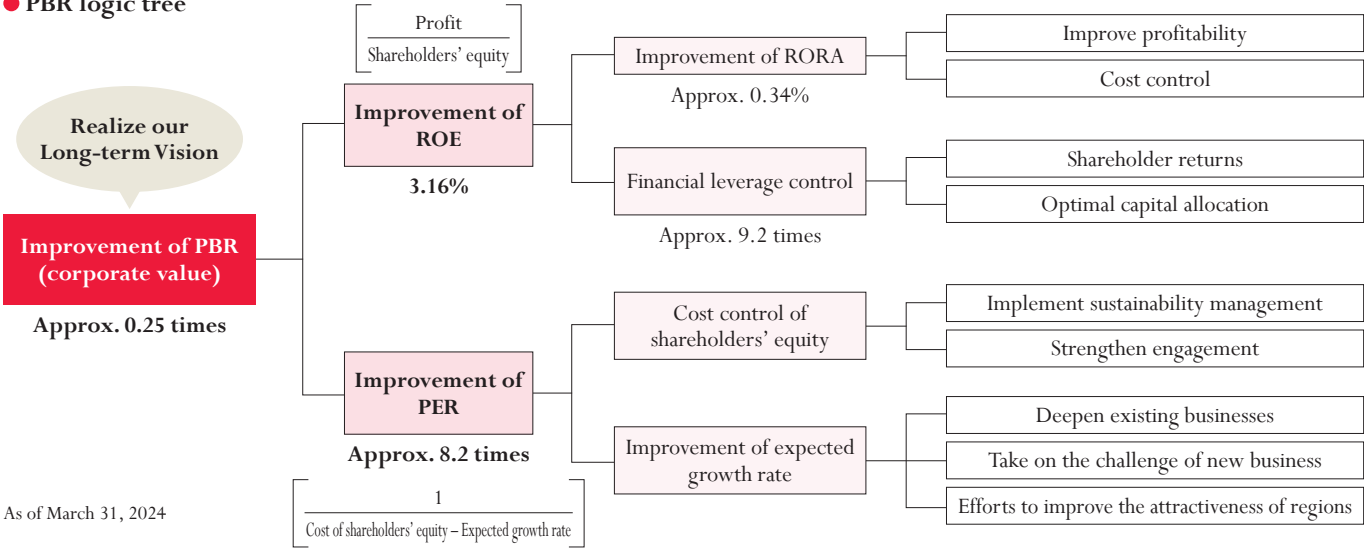
We will implement profitability improvement and cost control measures to improve RORA in order to increase our ROE. We will also pursue shareholder returns and optimal capital allocation with an awareness of financial leverage control.

The first concrete measures for improving profitability include increasing loans with a focus on returns relative to risk as we move toward a world with interest rates, and making effective use of risk assets. We are also working to strengthen non-asset-based income from fees and commissions by deepening our consulting solutions domain and taking on the challenge of new business domains (▶▶▶P.27-30 “Evolution of the General Consulting Group”). Income from fees and commissions has been on the rise, and we expect it to reach ¥11.3 billion (an increase of ¥400 million year on year) for FY 2024. However, due to the increase in the transaction amount of loans, fees and commissions expenses, such as loan guarantee fees, are expected to increase to ¥4.3 billion (an increase of ¥300 million year on year), resulting in income from fees and commissions remaining flat at ¥6.9 billion (no change from the previous year).



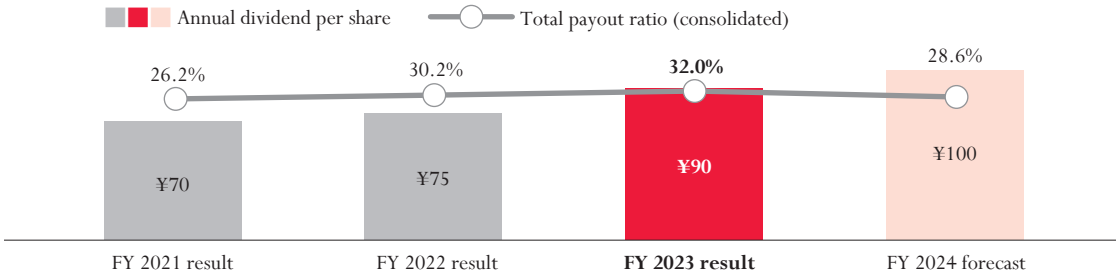
In terms of cost control, while actively investing in strategic areas such as human resources and DX, we are focusing on controlling expenses by emphasizing returns on investment and controlling credit costs through a credit management system that provides support to businesses.

PBR logic tree



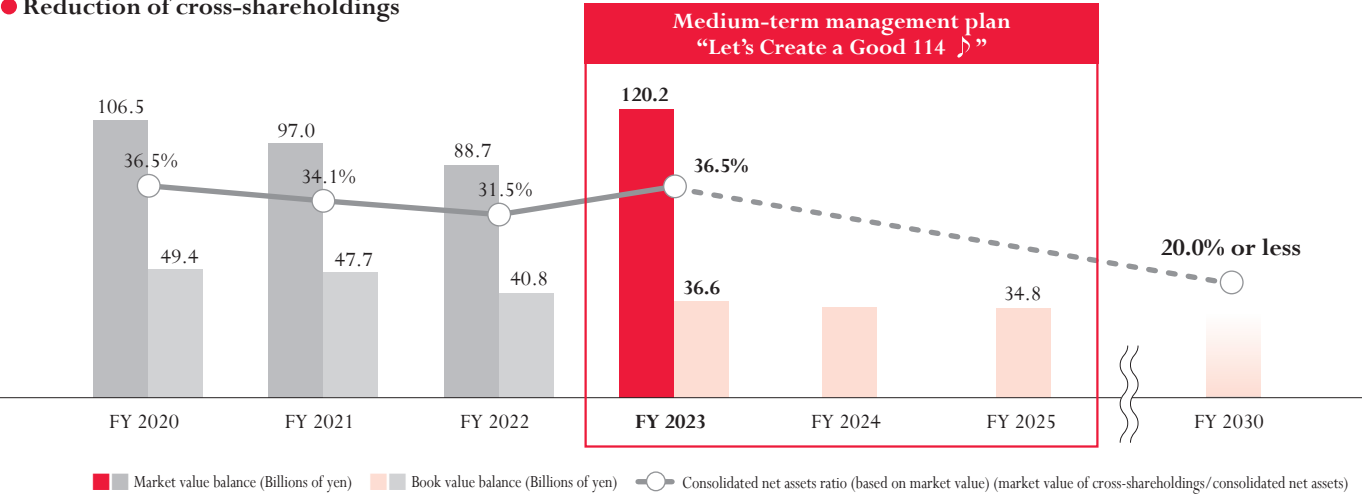
In terms of shareholder returns, the Bank sets its dividend distribution policy by comprehensively considering all factors such as the sufficiency of retained earnings, profit status, and management environment, while keeping stable shareholder returns in mind. Under this policy, we increased the dividend per share by ¥15 from the previous year to ¥90 in FY 2023. For FY 2024, we plan to further increase the dividend per share by ¥10 to ¥100.

Status of shareholder return



With respect to optimal capital allocation, we are reducing cross-shareholdings. We plan to reduce cross-shareholdings by ¥6.0 billion in book value during the period covered by the medium-term management plan, and in FY 2023, we reduced them by ¥4.2 billion in book value, which represents 70% progress against to this target. However, due to the rise in the market value of cross-shareholdings, the ratio of cross-shareholdings to consolidated net assets has increased, and further reductions are needed to achieve the plan to reduce the ratio of cross-shareholdings to consolidated net asset ratio (based on market value) to 20% or less by the end of FY 2030. We intend to accelerate the reduction of cross-shareholdings by promoting dialogue with those companies whose shares we hold and promoting the efficient use of capital.

Reduction of cross-shareholdings



Efforts to improve PER

In order to control the cost of shareholders’ equity to improve PER, we will practice sustainability management and strengthen engagement to enhance the stability of our business. In addition, to improve the expected growth rate, we consider deepening existing businesses, taking on the challenge of new business, and efforts to improve the attractiveness of the region as key measures.

As concrete examples of practicing sustainability management, we will promote sustainable finance that contributes to achieving carbon neutrality and solving environmental issues. In addition, to strengthen engagement, we will expand appropriate disclosure and dialogue with shareholders and other stakeholders to broaden awareness our value creation story.

To improve the expected growth rate, in addition to deepening existing businesses, we will expand into non-financial areas to take on challenges in new businesses and aim to create synergies between financial and non-financial sectors. As a regional bank, the growth of the regional economy is important for the Bank to boost its expected growth rate. Efforts to improve the attractiveness of regions such as creating distinctive regional industries, discovering attractive regional resources, and solving important social issues, are important measures to realize the coexistence of environmental and social value with economic value in the Bank’s value creation process, and we will continue to focus on such efforts.

Initiatives to Address Environmental Issues such as Climate Change

Initiatives toward TCFD (Task Force on Climate-related Financial Disclosures) Recommendations

In October 2021, the Bank expressed its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD)^{*1} recommendations, recognizing that addressing environmental and climate change issues is vital. The Bank’s initiatives in line with the TCFD recommendations are as follows.

^{*1} The Task Force on Climate-related Financial Disclosures (TCFD) is an international advocacy organization established in 2015 by the Financial Stability Board (FSB) to address climate change as a global challenge. It recommends disclosures to financial aspects based on the risks and opportunities of climate change from the perspective of financial market stabilization.

Governance

We have established the Hyakujushi Bank’s Environmental Policy, clearly stating the Bank’s policy on the environment.
Please see P. 17 for information on our climate change governance.



Please see our website for “Hyakujushi Bank’s Environmental Policy.”
<https://www.114bank.co.jp/company/policy/>

Strategy

In terms of the “initiatives to address environmental issues such as climate change,” which is one of the Group’s material issues, we recognize that supporting our customers and communities in their efforts to combat climate change and transition to a decarbonized society from a medium- to long-term perspective will lead to the creation and expansion of business opportunities for financial institutions. We recognize the potential impact of risks and opportunities resulting from climate change on our business activities, and manage these risks properly. We also provide a range of financial and non-financial solutions that support our customers and communities in their efforts to address climate change. We are working to increase the number of employees holding the “Basic-Level Advisor for Decarbonization” certification which is approved by the Ministry of the Environment, and actively involved in developing qualified professionals who are capable of supporting our customers’ efforts towards decarbonization. As of June 30, 2024, 227 employees held this certification.

Identified opportunities and risks

Type		Potential events and impacts	Timeline
Risks	Transition risks	<ul style="list-style-type: none">More stringent climate-related policy/regulationIncrease in credit risk for customers affected by factors such as the advance of technological innovation aimed at decarbonization	Medium to long term Medium to long term
	Physical risks	<ul style="list-style-type: none">Damage to customers’ assets resulting from abnormal weather conditionsIncrease in credit risk due to stagnation of business activities, and operational risk due to causes such as damage to the Bank’s branches	Medium to long term Medium to long term
Opportunities		<ul style="list-style-type: none">Financing renewable energy businessesAssisting customers to reduce their greenhouse gas emissionsProviding services aimed at alleviating environmental burden	Short to medium term Short to long term Short to medium term

Short term: approx. 5 years Medium term: approx. 10 years Long term: approx. 30 years

Response to opportunities arising from climate change
[Financing aimed at solving environmental issues (financial solution)]

To support our customers’ efforts towards decarbonization management and environmental protection, we have expanded and provided a range of finance products to help with their funding needs.

114 Green Loans	This loan product applies exclusively to green loan projects, such as installation of renewable energy facilities or sustainable water resources and wastewater management systems. It complies with 2020 Green Loan Principles.
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114 Sustainability-Linked Loans	This loan product sets Sustainability Performance Targets (SPTs), which are ambitious goals for SDGs and ESG initiatives, offering preferential interest rates for their achievement. It complies with 2021 Sustainability-Linked Loan Principles.
114 Positive Impact Finance	This loan product comprehensively analyzes and assesses the impact of corporate activities on the environment, society, or the economy. It sets KPIs to create positive impacts and reduce negative ones. It complies with the Principles for Positive Impact Finance, and an external evaluation firm gives a second opinion on the reporting.

[Supporting communities’ decarbonization (non-financial)]

Hyakujushi SDGs Initiatives Support Service	We assess initiatives on the SDGs and help raise awareness about the environment and about the SDGs in general by giving feedback on the results.
Hyakujushi Carbon Neutral Initiatives Support Package	We offer a range of consulting services, including CO ₂ emission assessments, emissions reduction measures, and the use of carbon credits. We work closely with our partners to find the best package of solutions.

Response to risks related to climate change

[Scenario analysis]

We conduct quantitative scenario analysis on the financial impact of climate change. Based on the following analysis, we have concluded that the financial impact of physical and transition risks was limited. As the analysis is based on certain assumptions, we intend to continue refining our methods of analysis and broaden the scope.

Type	Transition risks	Physical risks
Scenario	2°C and 1.5°C scenarios of the International Energy Agency (IEA)	2°C and 4°C scenarios of the Intergovernmental Panel on Climate Change (IPCC)
Method of analysis	We analyzed the situation of our credit portfolio in the event that a carbon tax is introduced and estimated the impact on the Bank’s finances.	We analyzed the impact on our credit portfolio of large-scale floods expected to occur by 2050 in all of our business areas and estimated the degree of impact on our financial condition.
Subject of analysis	Electricity, gas, and marine transportation sectors	All companies provided with credit
Applicable period	Until 2050	Until 2050
Result of analysis	Increase in credit costs: Up to approximately ¥6.3 billion (cumulative)	Increase in credit costs: Up to approximately ¥3.0 billion (cumulative) The impact of losses at the Bank’s business branches, and other facilities: Up to ¥0.5 billion (cumulative)

Carbon-related assets

- In the four sectors of carbon-related assets based on TCFD recommendations for disclosure (energy, transportation, materials and buildings, agriculture/food/forest products)^{*2}, carbon-related assets (excluding renewable energy businesses) account for 41.2% of the Bank’s loan balance. (As of March 31, 2024)
- Moving forward, through engagement with the relevant sectors, in addition to sustainable finance, we will strive to provide various solutions aimed at decarbonization, etc.

^{*2} Based on the industry classification table of the Ministry of the Environment.

Risk management

- We recognize that the transition risks and physical risks caused by climate change may significantly impact the Bank’s business operations, strategies, and financial planning, and we are making preparations to manage these risks through an integrated risk management framework.
- Based on the “Environmental and Social Management Policy for Financing and Investment Activity”, we support businesses striving to resolve environmental and social issues, while also working to mitigate or avoid the impact of transactions with businesses and business operators with a significant negative impact.



Please see our website for our “Environmental and Social Management Policy for Financing and Investment Activity”
<https://www.114bank.co.jp/company/policy/>

Initiatives to Address Environmental Issues such as Climate Change

Metrics and targets

Long-term targets for the reduction of CO2 emissions

We have established long-term targets for the reduction of CO2 emissions to mitigate climate change risks. By striving for these targets, we aim to reduce the CO2 emissions from our business activities over the medium to long term and contribute to the goal, established by the Japanese government, of achieving carbon neutrality by 2050.

In FY 2021, we achieved a 34.2% reduction in CO2 emissions compared to FY 2013, through various measures including the use of eco-friendly company vehicles, proper temperature control of air conditioning, and the use of renewable energy.

In FY 2022, we switched from city gas to carbon neutral city gas at some stores, training centers, welfare facilities, etc. We also implemented initiatives such as switching the garbage bags we use within the Hyakujushi Group to garbage bags made from 99% recycled materials. As a result, we achieved a 43.6% reduction in CO2 emissions compared to FY 2013.

We began operation of the solar power generation facility on the site of our former recreation facility in Tsuda, Sanuki City, Kagawa Prefecture in FY 2023 and all the electricity generated at this facility has been used for our own consumption since then. As a result of this and other efforts to further reduce CO2 emissions from our business activities, we have achieved a 58.1% reduction compared to FY 2013, meeting our interim target for FY 2030 ahead of schedule. Given this situation, we will consider upward revision of our CO2 emissions reduction targets.

(a) Target	Definition	Scope 1 and Scope 2*3 CO2 emissions
	Target	[Interim target] 50% reduction vs. FY 2013 by FY 2030 [Ultimate target] Achieve carbon neutrality by 2050

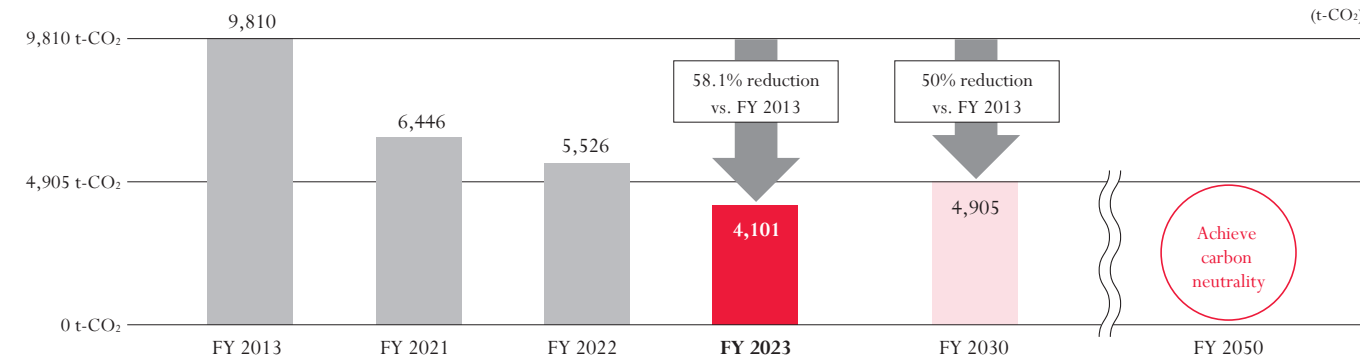
*3 Scope 1: CO2 emissions directly resulting from such processes as the combustion of fuel (gasoline, etc.) by the Bank.

Scope 2: CO2 emissions indirectly resulting from the use of electricity, etc. provided by other companies to the Bank.

(b) Results		Scope 1 (direct emissions)	Scope 2 (indirect emissions)	Total*4	Reduction (vs. FY 2013)
	FY 2022	630 t-CO2	4,896 t-CO2	5,526 t-CO2	43.6%
	FY 2023	607 t-CO2	3,494 t-CO2	4,101 t-CO2	58.1%

*4To ensure the reliability in calculating and disclosing our CO2 emissions data, we obtained third-party verification from the Japan Quality Assurance Organization for our actual emissions in FY 2023.

CO2 emissions (Scope 1 and Scope 2)



The calculated CO2 emissions (Scope 1 and 2) for the entire Hyakujushi Group in FY 2023 were 5,212 t-CO2.

Long-term targets for sustainable finance

We have established long-term targets for sustainable finance to support efforts by local communities and customers to increase sustainability through our financing and investment activities. We are striving to achieve these targets.

(a) Target	Definition	Financing and investment activities that support and promote initiatives by local communities and customers to resolve environmental and social issues
	Target	[Target period] 10 years between FY 2021 and FY 2030 [Target amount] Cumulative financing and investment of ¥500 billion (including ¥200 billion for environmental initiatives)
(b) Results	April 2021 – March 31, 2024 (cumulative)	¥195.4 billion (including ¥84.6 billion for environmental initiatives)

Initiatives to track Scope 3 emissions

For Scope 1 and 2, the Bank had set long-term targets and calculated results accordingly, however from FY 2021, we added Scope 3 categories 1 through 14 to the scope of calculation. Furthermore, from FY 2023 we expanded the calculation scope to include Scope 3 category 15.

CO2 emission results (Scope 3)

Measurement category		(t-CO2)	
		FY 2022	FY 2023
1. Purchased products and services	Photocopy paper, data communication cost, postage, books and subscription costs, stationary, etc.	2,719	2,954
2. Capital goods	Buildings for business, real estate, software	4,015	3,531
3. Fuel-and energy-related activities not covered in Scopes 1 and 2	Upstream emissions of purchased electricity, steam, and fuel	639	600
4. Upstream transportation and distribution	Shipping fees (other company transportation, the Bank is the consigner)	109	302
5.Waste generated by operations	General waste	360	370
6. Business travel	Employee business trips	337	271
7. Employee commuting	Employee commute	830	889
8 to 14. Upstream leased assets, downstream transportation and processing of sold products, etc.	(Not applicable)	(Not applicable)	(Not applicable)
Subtotal (excluding category 15)		9,009	8,917
15. Investments	Finance for corporations	(not calculated)	7,966,196
Total		–	7,975,113

The Scope 3 calculation method, emissions coefficient, etc. are in line with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain and Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain.

Following the review of the Scope 3 (category 1) calculation method for FY 2022, the actual figure was revised from 2,477 t-CO2 to 2,719 t-CO2.

<About Scope 3 category 15 (Financing and investment activities)>

Scope 3 accounts for a large proportion of indirect emissions from financing and investment activities for financial institutions. Therefore, we see this as a key metric in our efforts to address climate change. We calculated emissions for category 15 (financing and investment activities) using the PCAF Standard.*5 In FY 2023, we made the calculation for finance for corporations.

Initiatives to Address Environmental Issues such as Climate Change

We will use the assessment results in our engagement with customers to support their CO₂ reduction efforts and contribute to a decarbonized society. Furthermore, we will continue to broaden the scope and refine the calculation methods (corrections may be made to emission totals in the future due to revision of methods, customer disclosure status, etc.)

[Scope of calculation]

Finance for corporations as of March 31, 2024 (excluding project finance)

We excluded borrowers who lacked the necessary financial data from the scope of our calculations. Our calculation covers 96% of Hyakujushi Bank’s finance for corporations.

[Calculation method]

Based on the PCAF standard^{*5}, we have calculated emissions for each financing and investment recipient using the formula shown on the right.

Carbon intensity is calculated by dividing emissions by the amount of financing.

[Tracking emissions]

The emissions of each investee and borrower were calculated using a combination of bottom-up and top-down methods.

- Bottom-up method: Emissions disclosed by each company were adopted.
 - Top-down method: Estimates were made by multiplying each company’s revenue by the average emissions coefficient for its industry (using data from the Ministry of the Environment’s emissions unit database.)
- The data quality score set by PCAF is 3.5. We will continue to work on improving our information systems.

^{*5}A standard created by the PCAF (Partnership for Carbon Accounting Financials), an international initiative, for measuring and disclosing GHG emissions in financial institutions’ financing and investment portfolios.

Main sector	Subsector	Loan balance (millions of yen)	Carbon intensity (t-CO ₂ /millions of yen)	Emissions (t-CO ₂)
Energy	Petroleum and gas	39,289	5.3	209,741
	Coal	1,285	44.1	56,741
	Power utilities	87,129	6.9	597,173
Transportation	Air freight transportation	24	1.5	36
	Air passenger transportation	2,555	8.1	20,605
	Sea transportation	406,898	4.5	1,842,285
	Rail transportation	27,335	0.5	12,649
	Road freight transportation	35,554	5.3	187,368
	Automobiles and parts	37,098	3.9	144,033
Materials and buildings	Metals and mining	42,400	9.5	401,975
	Chemicals	75,357	3.7	281,496
	Construction materials	17,914	25.3	453,520
	Capital goods	339,511	4.5	1,514,910
	Real estate management and development	219,095	0.3	64,133
Agriculture/food/forest products	Beverages	5,311	1.8	9,573
	Agriculture	5,714	17.8	101,546
	Processed foods and processed meats	51,493	6.7	343,025
	Paper and forestry products	40,443	5.7	231,298
Other	Other	730,072	2.0	1,494,087
Total		2,164,475	3.7	7,966,196

Emissions

×

Amount of financing by the Bank

Total funds raised

Initiatives to alleviate environmental burden

Promote ZEB shift of branches and energy-saving at real estate properties for business operations

In November 2023, we consolidated a number of nearby branches into the Kita Branch, relocating them into a newly constructed office building as the Takamatsu Higashi Branch. The new office building earned ZEB* certification for its environmental performance. We have reduced the energy consumption by 52% through energy-saving features such as double-glazing and LED lighting, while 50% of the energy required at the premises is derived from solar power, resulting in the building’s annual net energy consumption of zero or less.

*Abbreviation for Net Zero Energy Building



External evaluation of environmental efforts

We received the Kagawa Decarbonization Excellence Award in the FY 2023 Kagawa Decarbonization Promotion Business Awards for outstanding efforts in reducing CO₂ emissions in Kagawa Prefecture. In addition, we were certified as a model business for FY 2023 under the Kagawa Prefectural Environmental Consideration Model Certification Initiative, which recognizes businesses that excel in recycling products and reducing environmental impact.



Cooperation with the local credit guarantee corporation

We signed a partnership agreement with the Kagawa Prefectural Credit Guarantee Corporation to facilitate financing for small- and medium-sized enterprises in Kagawa Prefecture and help them strengthen their business foundations. Our aim is to contribute to the sustainable growth of the local economy and society, as well as helping bring about a carbon-neutral society.

Through this collaboration, we launched the SDGs Activity Support Loan and the Decarbonization and Regional Development Loan, through which we are supporting our customers’ SDGs activities and energy-saving investments aimed at achieving carbon neutrality.



Initiatives for biodiversity conservation

Alongside efforts to tackle climate change, we see efforts to conserve biodiversity as a key issue for achieving a sustainable society. Through our involvement in the TNFD (Taskforce on Nature-related Financial Disclosures) Forum*, which we joined in April 2024, we are working to understand international trends and gather information. We are also striving to disclose nature-related financial information, address regional climate change, and protect the natural environment.

* An international initiative officially launched in June 2021 by United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Development Programme (UNDP), the UK-based environmental NGO Global Canopy, and World Wildlife Fund for Nature (WWF). It aims to develop and provide a comprehensive framework for disclosure related to natural capital and biodiversity.

Hyakujushi no Mori forest conservation activities

Since our first participation in the “Green Creation in Naoshima” event in 2004, we have signed the Hyakujushi no Mori forest matching agreement with Kagawa Prefecture and implemented forest conservation activities every year since 2008. Our employees and their families, along with 80 employees from Shikoku Alliance, carried out tree thinning activities in December 2023.

In 2023, our ongoing efforts were recognized when we were certified as a GREEN PARTNER 2023 by the Forestry Agency.



Conducting cleanup activities in various locations

It has been our custom for the staff from nearby branches and headquarters to take part in local cleanup activities, helping to beautify the community. We are also actively working to reduce marine litter. Since 2022, we have held an annual event where we engage in “plogging,” which is picking up trash while jogging. In 2024, we carried on our efforts from the previous year, working with local government staffs to collect and remove drift wastes.

In April 2024, we registered for the Kagawa Satoumi Creation Partner Program run by Kagawa Prefecture. The program aims to kindle collaboration among businesses and organizations engaged in coastal environment efforts, while helping to expand their activities.



Use of eco-friendly garbage bags

Since August 2023, we have been using eco-friendly garbage bags made from 100% biomass materials within the Bank. In June 2022, we introduced waste bags made of 99% recycled materials and have reduced our carbon emissions. We have since taken the further step of introducing eco-friendly waste bags made from 100% biomass materials. Alongside our ongoing efforts to cut carbon emissions, this will contribute to the reduction of plastic waste.

Corporate Governance

Basic stance on corporate governance

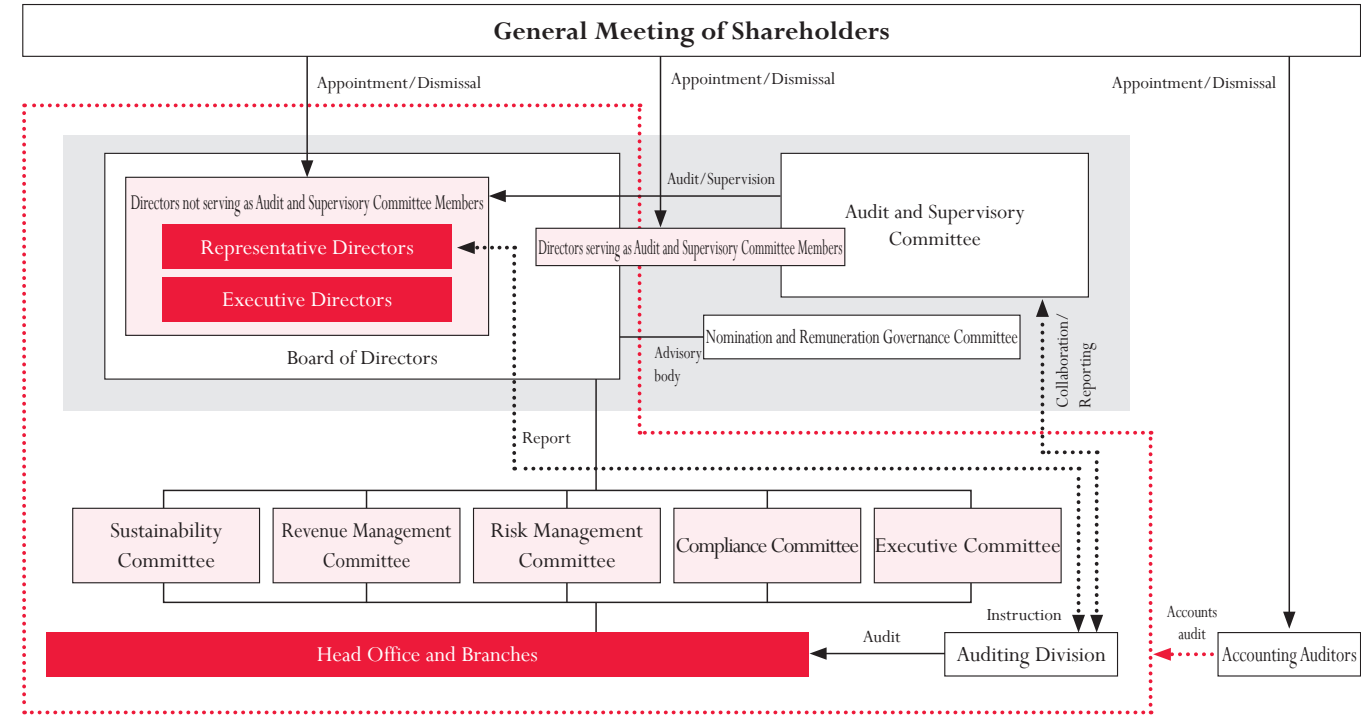
Centered on the Board of Directors and Audit and Supervisory Committee system, the Bank effectively utilizes its Sustainability Committee, Revenue Management Committee, Risk Management Committee, Compliance Committee, etc., to swiftly respond to cross-organizational matters and secure effective corporate governance.

Corporate governance framework

The Bank is a company with an Audit and Supervisory Committee and strengthens its auditing and supervising functions in relation to the execution of duties by Directors through the granting of voting rights at Board of Directors Meetings to the Directors serving as Audit and Supervisory Committee members. In addition, for the purpose of improving objectivity and transparency of the governance system, the Nomination and Remuneration Governance Committee has been established, the majority of whose members are independent Outside Directors.

Furthermore, the Bank has introduced an Executive Officer System whereby the Executive Directors appointed by the Board of Directors are in charge of business execution, and important business execution matters are discussed and determined by the Executive Committee, which consists of Managing Executive Officers and above, as well as the Sustainability Committee, Revenue Management Committee, Risk Management Committee, Compliance Committee and other committees established in order to swiftly respond to cross-organizational matters.

Corporate governance framework



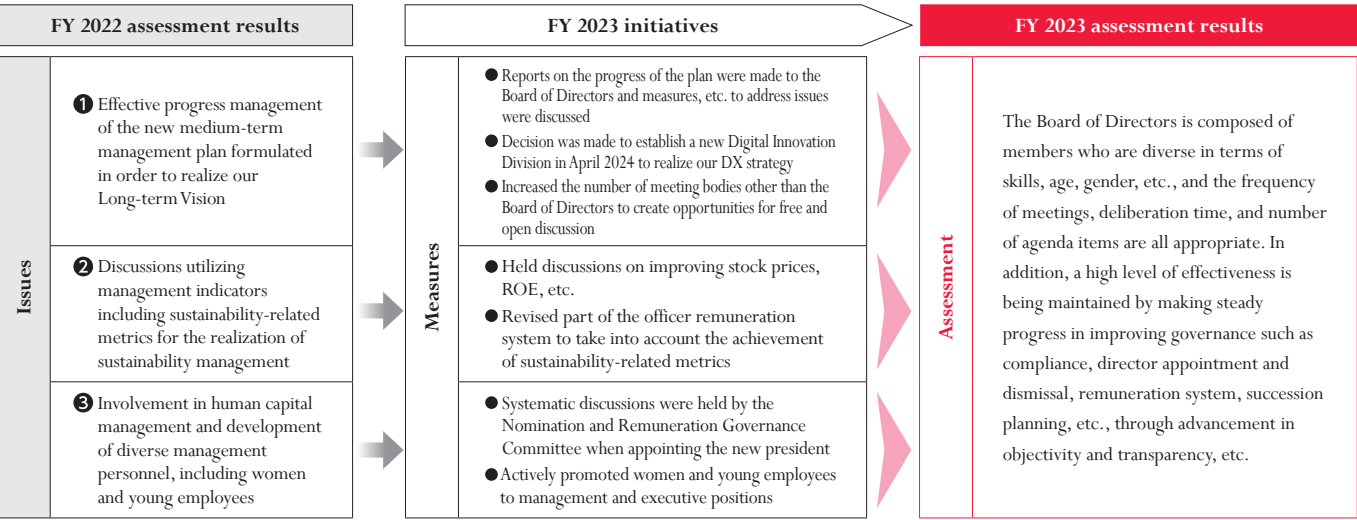
Board of Directors

The Board of Directors consists of 8 Directors (excluding Directors serving as Audit and Supervisory Committee members) and 7 Directors serving as Audit and Supervisory Committee members (including 5 Outside Directors). Directors are selected based on their expertise and skills that the Bank expects with consideration to the business environment and management strategy, and care is taken to ensure that the entire Board of Directors maintains a balance of skills that contributes to the sustainable development of the Bank's group. We also pay attention to diversity when configuring the Board of Directors, including factors such as gender, internationalism, occupational history, and age. In principle, the Board of Directors meets once a month and in addition to matters stipulated by laws and regulations or the Articles of Incorporation, passes resolutions on important matters concerning management and oversees business execution by Directors.

No. of meetings in FY 2023	12	Average attendance rate	100%
Main matters deliberated in FY 2023			
● Overview and Response to Board of Directors effectiveness assessment results			
● Review of shareholder returns, including distribution policy and acquisition of treasury stock			
● Establishment of a specialized investment subsidiary			
● Donations for the purpose of regional revitalization			
● Formulation of the Compliance Program			
● Status of initiatives for realizing management that is conscious of capital costs and stock prices			
● Formulation of DX strategy			
● Results of verifications of the rationale for cross-shareholdings			
etc.			

Assessment of Board of Directors' effectiveness

The Bank conducts an annual questionnaire targeting all Directors to evaluate the effectiveness of the Board of Directors based on an analysis of the results. The FY 2023 questionnaire covered the composition and operation of the Board of Directors, involvement in management strategy, the appointment, dismissal and remuneration of Directors, response to innovation, and matters considered important for the Board of Directors to fulfill its roles and responsibilities. The Board of Directors strives to improve its effectiveness by addressing issues identified in the assessment.



Issues the Bank recognized in FY 2023
● Involvement in effective progress management toward achieving the targets of our Long-term Vision and medium-term management plan
● Discussions utilizing management indicators including stock prices and sustainability-related metrics
● Systematic efforts to develop diverse management personnel, including women and young employees

Board of Directors skills matrix

Internal Directors (Executive Directors and Audit and Supervisory Committee Members)

Name	Expected areas of expertise						
	Management control/ Sustainability	Risk management	Human resources	IT/DX strategy	Investment management	Bank sales	Credit assessment
Yujiro Ayada	●	●			●	●	●
Masashi Mori	●	●	●	●		●	●
Kiichiro Oyama	●	●				●	
Masakazu Toyoshima	●	●		●			●
Hiroyuki Kurokawa					●	●	●
Kazuhito Tada	●				●	●	
Hiroshi Suga						●	
Masaaki Iwane	●	●			●	●	
Kazuhiro Kumihashi	●	●					
Tatsuya Sakuma	●	●		●		●	

Reasons for selection of each skill category

Name of skill category	Reasons for selection
Management control/ Sustainability	Continued growth and development in the changing business environment requires insight and experience regarding management control and sustainability management.
Risk management	Continued improvement of corporate value requires insight and experience in appropriately managing various risks.
Human resources	Sustainability management requires insight and experience regarding human resource mobilization.
IT/DX strategy	Value creation using digital technology requires insight in information technology and understanding and facilitation of digital transformation.
Investment management	Serving as the local financial infrastructure requires insight and experience regarding securities investment management and an ability to make appropriate investment decisions.
Bank sales	Serving as the local financial infrastructure requires insight regarding bank sales activities and experience as a sales branch general manager
Credit assessment	Serving as the local financial infrastructure requires insight and experience regarding corporate analysis and assessment and an ability to make appropriate credit decisions and provide appropriate corporate support services.

Outside Directors (Audit and Supervisory Committee Members)

Name	Expected areas of expertise				
	Corporate management/ Sustainability	Finance	Financial accounting	Legal affairs	Regional revitalization
Yasuko Yamada <small>Independent</small>			●		●
Tomoko Fujimoto <small>Independent</small>				●	
Noriyuki Konishi <small>Independent</small>	●		●		●
Yasushi Marumori <small>Independent</small>	●	●	●		
Seiji Kito <small>Independent</small>	●	●		●	

Reasons for selection of each skill category

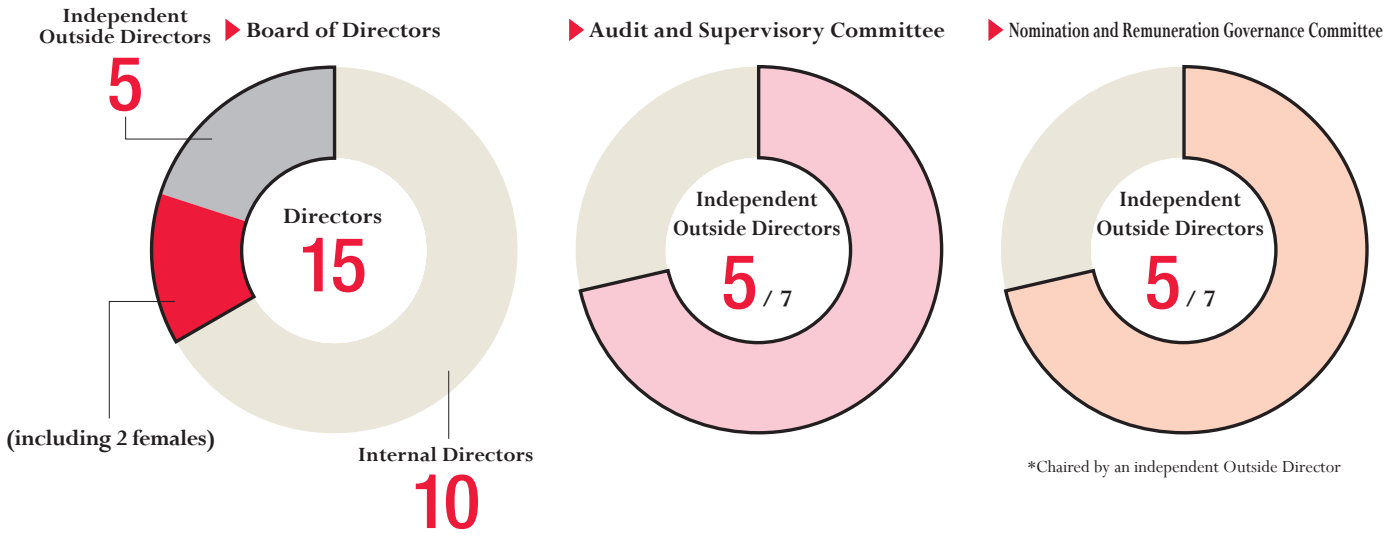
Name of skill category	Reasons for selection
Corporate management/ Sustainability	Continued growth and development in the changing business environment requires insight and experience regarding management control and sustainability management.
Finance	Making contributions to expanding business value in the finance industry requires insight and experience regarding the industry.
Financial accounting	Effective audit and supervision of financial strategies, etc. requires insight and experience in the financial and accounting fields.
Legal affairs	Continued improvement of corporate value requires insight and experience regarding appropriate risk management and human rights protection based on legal knowledge.
Regional revitalization	Realization of the Bank's corporate vision, "Prosper together with customers and communities" requires insight and experience contributing to the regional revitalization.

(Note) The above skills matrix does not represent all the expertise and experience each Director has.

Reason for appointment as an Outside Director

Name (Date of appointment)	Reason for appointment	Attendance (FY 2023)	
		Board of Directors	Audit and Supervisory Committee
Yasuko Yamada (Jun. 2019)	Yasuko Yamada worked for the Kagawa Prefectural Government, holding a number of important positions in departments and divisions relating to the environment, welfare, accounting, and so forth. As such, she has ample experience in local government, possesses expertise in particular on regional revitalization and financial accounting, and has excellent personality and insights.	12/12	13/13
Tomoko Fujimoto (Jun. 2021)	Tomoko Fujimoto not only possesses highly specialized knowledge as a lawyer, but has also served in a number of public positions including the Kagawa Local Labor Council and the Takamatsu City Environment Council. As a result, she has diverse perspectives and ideas developed on the front line of local government, along with a jurist's perspective, and has excellent personality and insight.	12/12	13/13
Noriyuki Konishi (Jun. 2022)	Noriyuki Konishi possesses a high level of expertise in particular on accounting, audit, governance and reginal revitalization as an academic expert, has held important posts as Vice President of Aoyama Gakuin University and Chairperson of Japanese Association for International Accounting Studies, etc., and has excellent personality and insight.	12/12	13/13
Yasushi Marumori (Jun. 2023)	Yasushi Marumori has ample experience as a corporate manager at MUFG Bank, Ltd. and Mitsubishi UFJ Research and Consulting Co., Ltd., etc., possesses expertise in particular on finance, financial accounting and consulting, as well as experience as an outside corporate auditor of a regional bank, and has excellent personality and insight.	9/9	8/9
Seiji Kito (Jun. 2024)	Seiji Kito has ample experience as a corporate manager at Nippon Life Insurance Company and Nissay Information Technology Co., Ltd., possesses a wealth of knowledge in particular of finance, legal affairs, compliance, risk management and information systems, and has excellent personality and insight.	Appointed Director in June 2024	

Configuration of each meeting body

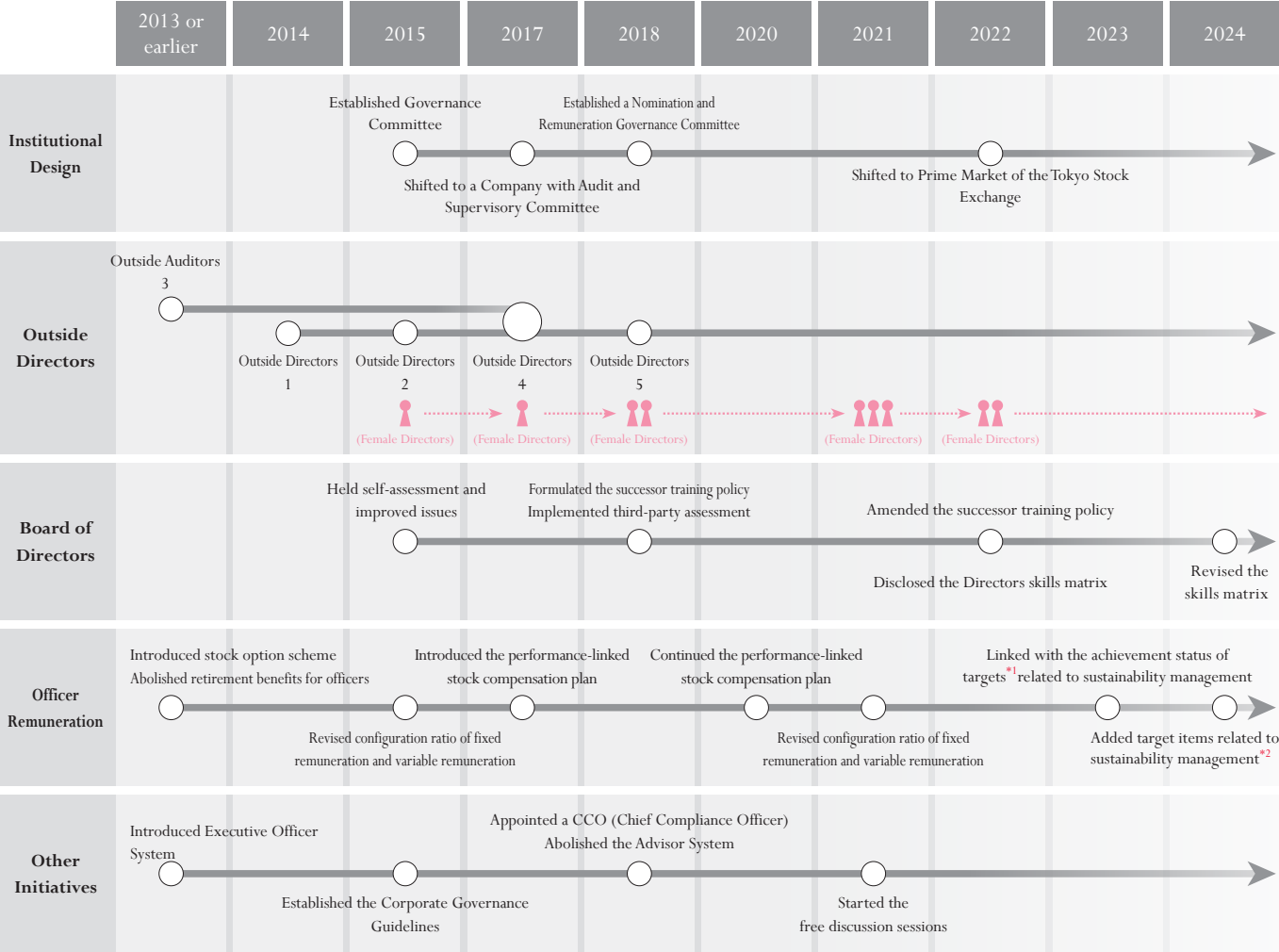


Audit and Supervisory Committee

The Audit and Supervisory Committee consists of 7 Directors (including 5 Outside Directors) serving as Audit and Supervisory Committee Members. In principle, the committee meets once a month, and occasionally as necessary to audit and supervise the execution of duties by Directors.

No. of meetings in FY 2023	13	Average attendance rate	98%
Main matters deliberated in FY 2023			
● Formulation of audit policy and audit plans			
● Preparation of audit reports			
● Determination of opinions regarding the appointment and remuneration of Directors not serving as Audit and Supervisory Committee Members			
● Appointment of Accounting Auditor			
● Consensus regarding remuneration, etc. for Accounting Auditor, etc.			
● Audit of the contents of proposals to be submitted to the Regular Annual General Meeting of Shareholders			
etc.			

Results of initiatives to strengthen governance



*1 Reduce CO2 emissions (E) Improve share of females in management (S) Reduce cross-shareholdings (G)
*2 Sustainable finance working budget (E) Engagement score (S)

Nomination and Remuneration Governance Committee (Voluntary committee)

The Nomination and Remuneration Governance Committee is chaired by an independent Outside Director and comprises of the President of the Bank, the Chairperson of the Audit and Supervisory Committee, and 5 independent Outside Directors. In principle, it meets at least twice per year as a general rule. As an advisory body to the Board of Directors, the committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; and other important matters in terms of governance and management. The Board of Directors is to respect the findings of the committee.

Free discussions

In addition to discussions at formal meeting bodies such as the Board of Directors, free discussions have been held since 2021 as an opportunity to freely and openly exchange opinions with Outside Directors. Directors, executive officers, general managers, branch general managers, and others from within the Bank participate in discussions from a medium- to long-term perspective. We are gradually increasing the number of meetings a year, and plan on enriching the content.

No. of meetings in FY 2023	10	Average attendance rate	98%
Main matters deliberated in FY 2023			
<ul style="list-style-type: none">● Succession plan for the next president (selection method, etc.)● Partially revised the officer remuneration system to incorporate sustainability management-related target metrics (non-financial indicators)● Continuation of performance-linked stock compensation plan (BIP trust) and additional contribution to the trust fund● Results of the candidate selection survey based on the succession plan● Proposal for new frameworks in FY 2024 (new Director candidates, new Executive Officer candidates, etc.)● Overview of questionnaire to assess effectiveness of Board of Directors and results thereof			
etc.			

Free discussion sessions	No. of meetings in FY 2023 10
Main themes of FY 2023	
<ul style="list-style-type: none">● Business continuity system in the event of a disaster● Current status of human capital management, etc.● DX strategy progress	
etc.	

Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2024)

Directors (excluding Directors serving as Audit and Supervisory Committee Members)



Yujiro Ayada
Chairman

Apr. 1982 Joined the Bank
Mar. 2006 General Manager, Ritsurin Branch, the Bank
Apr. 2008 General Manager, Nagoya Branch, the Bank
Apr. 2010 General Manager, Business Management Division, the Bank
Apr. 2012 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Apr. 2014 Managing Executive Officer, the Bank
Jun. 2015 Director and Managing Executive Officer, the Bank
Apr. 2016 Director and Senior Managing Executive Officer, the Bank
Apr. 2017 President, the Bank
Apr. 2024 Chairman, the Bank (to present)



Masashi Mori
Representative Director
President

Apr. 1989 Joined the Bank
Oct. 2013 General Manager, Akashi Branch, the Bank
Apr. 2016 Assistant General Manager, Credit Supervision Division, the Bank
Apr. 2018 General Manager, Executive Secretariat Office, the Bank
Apr. 2020 General Manager, Business Strategy Division, the Bank
Apr. 2021 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2022 Managing Executive Officer, the Bank
Jun. 2022 Director and Managing Executive Officer, the Bank
Apr. 2024 President, the Bank (to present)



Kiichiro Oyama
Representative Director
Director and Senior Managing
Executive Officer

Apr. 1983 Joined the Bank
Jul. 2007 Deputy General Manager, Tokyo Branch, the Bank
Jul. 2008 Deputy General Manager, Central Business Division, the Bank
Apr. 2011 General Manager, Hiroshima Branch, the Bank
Apr. 2013 Deputy General Manager, Business Management Division, the Bank
Apr. 2014 Executive Officer and General Manager, Okayama Branch, the Bank
Apr. 2017 Managing Executive Officer, the Bank
Jun. 2017 Director and Managing Executive Officer, the Bank
Apr. 2021 Director and Senior Managing Executive Officer, the Bank (to present)



Masakazu Toyoshima
Representative Director
Director, Senior Managing
Executive Officer and CCO

Apr. 1985 Joined the Bank
Oct. 2011 Deputy General Manager, Business Management Division, the Bank
Apr. 2012 Deputy General Manager, Credit Supervision Division, the Bank
Apr. 2013 General Manager, Corporate Planning Division, the Bank
Apr. 2015 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2017 Managing Executive Officer, the Bank
Jun. 2017 Director and Managing Executive Officer, the Bank
Apr. 2024 Director, Senior Managing Executive Officer and CCO, the Bank (to present)



Hiroyuki Kurokawa
Director and Managing
Executive Officer

Apr. 1986 Joined the Bank
Jan. 2009 Deputy General Manager, Tokyo Branch, the Bank
Apr. 2011 General Manager, Fukuoka Branch, the Bank
Apr. 2014 Deputy General Manager, Credit Supervision Division, the Bank
Apr. 2016 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Apr. 2019 Managing Executive Officer, the Bank
Jun. 2019 Director and Managing Executive Officer, the Bank (to present)



Kazuhito Tada
Director and Managing
Executive Officer

Apr. 1990 Joined the Bank
Apr. 2015 General Manager, Matsuyama Branch, the Bank
Apr. 2017 General Manager, Kobe Branch, the Bank
Apr. 2019 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Apr. 2021 Executive Officer and General Manager, Business Strategy Division, the Bank
Apr. 2022 Managing Executive Officer, the Bank
Jun. 2022 Director and Managing Executive Officer, the Bank (to present)



Hiroshi Suga
Director and Managing
Executive Officer

Apr. 1988 Joined the Bank
Apr. 2014 General Manager, Fukuoka Branch, the Bank
Apr. 2017 General Manager, Marugame Branch, the Bank
Apr. 2019 Executive Officer and General Manager, Marugame Branch, the Bank
Apr. 2021 Executive Officer and General Manager, Imabari Branch, the Bank
Apr. 2024 Managing Executive Officer, the Bank
Jun. 2024 Director and Managing Executive Officer, the Bank (to present)



Masaaki Iwane
Director and Managing
Executive Officer

Apr. 1994 Joined the Bank
Oct. 2016 General Manager, Mizushima Branch, the Bank
Apr. 2020 General Manager, Executive Secretariat Office, the Bank
Apr. 2022 General Manager, Treasury and International Division, the Bank
Apr. 2023 Executive Officer and General Manager, Treasury and International Division, the Bank
Apr. 2024 Managing Executive Officer, the Bank
Jun. 2024 Director and Managing Executive Officer, the Bank (to present)

Directors serving as Audit and Supervisory Committee Members



Kazuhiro Kumihashi
Director (Audit and Supervisory
Committee Member)

Apr. 1983 Joined the Bank
Oct. 2012 Deputy General Manager, Corporate Planning Division, the Bank
Apr. 2015 General Manager, Compliance and Legal Affairs Office, and Deputy General Manager, General Administration Division, the Bank
Apr. 2016 Executive Officer, General Manager, General Administration Division, and General Manager, Compliance and Legal Affairs Office, the Bank
Apr. 2018 Managing Executive Officer and General Manager, Auditing Division, the Bank
Apr. 2021 Managing Executive Officer and Advisor to Auditing Division, the Bank
Jun. 2021 Director (Audit and Supervisory Committee Member), the Bank (to present)



Tatsuya Sakuma
Director (Audit and Supervisory
Committee Member)

Apr. 1986 Joined the Bank
Apr. 2010 General Manager, Ota Branch, the Bank
Apr. 2012 Deputy General Manager, Corporate Planning Division, the Bank
Apr. 2013 General Manager, Executive Secretariat Office, the Bank
Jan. 2017 Deputy General Manager, Corporate Planning Division, the Bank
Apr. 2017 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2021 Executive Officer and General Manager, Operations Supervision Division, the Bank
Apr. 2023 Managing Executive Officer and Advisor to Auditing Division, the Bank
Jun. 2023 Director (Audit and Supervisory Committee Member), the Bank (to present)



Yasuko Yamada
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr. 1982 Joined the Kagawa Prefectural Government
Apr. 2008 Director, General Affairs Concentration Division, General Affairs Department, Kagawa Prefectural Government
Apr. 2009 Deputy Director, Environmental Policy Division, Environmental and Forestry Department, and Deputy Director, Human Rights and Social Integration Policy Division, General Affairs Department, Kagawa Prefectural Government
Apr. 2012 Director, General Affairs and Education Division, General Affairs Department, and Deputy Director, Human Rights and Social Integration Policy Division, General Affairs Department, Kagawa Prefectural Government
Apr. 2013 Secretary-General, Kagawa Prefectural University of Health Sciences
Apr. 2014 Deputy Director-General, Health and Welfare Department, Kagawa Prefectural Government
Apr. 2015 Treasurer and Chief, Accounting Bureau, Kagawa Prefectural Government
Apr. 2018 Director, The Kagawa Museum
Jun. 2019 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)



Tomoko Fujimoto
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Nov. 2006 Registered as a lawyer
Sep. 2007 Founded Tomoko Fujimoto Law Firm (to present)
Apr. 2015 Vice Chairperson, Kagawa Bar Association
Jul. 2017 Member of Kagawa Prefecture Public Interest Corporation Authorization Council (to present)
May 2018 Member of Kagawa Prefecture Gender Equality Council (to present)
Jul. 2018 Member of Kagawa Prefecture Environment Council (to present)
Mar. 2019 Member of Kagawa Prefecture Expropriation Committee
Apr. 2019 Chairperson, Kagawa Prefecture Dispute Coordinating Committee (Kagawa Labor Bureau)
Apr. 2019 Member of Compliance Advisory Committee, Shikoku Regional Development Bureau (to present)
Nov. 2019 Takamatsu City Environment Council
Apr. 2020 Trustee and Vice President (responsible for internal control and diversity promotion), Kagawa University
Apr. 2020 Member of Kagawa Prefecture Next-term General Plan Formulation Conference
Jun. 2021 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)
Nov. 2021 Chairperson, Kagawa Local Labor Council (Kagawa Labor Bureau)



Noriyuki Konishi
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr. 2004 Professor, Faculty of Economics and Concurrent Professor, School of Law, Okayama University
Apr. 2008 Head of Management Sciences, Graduate School of Humanities and Social Sciences, Okayama University
Apr. 2009 Professor, Graduate School of Professional Accountancy, Aoyama Gakuin University Professional Graduate Schools (to present)
Apr. 2012 Visiting Senior Scholar, Research Institute of Capital Formation, Development Bank of Japan
Apr. 2016 Head, Graduate School of Professional Accountancy, Aoyama Gakuin University Professional Graduate Schools
Apr. 2018 Trustee, Aoyama Gakuin School Corporation
Chairman of Japan Association of Graduate Schools for Professional Accountancy
Dec. 2019 Vice President, Aoyama Gakuin University
Oct. 2021 Chairperson, Japanese Association for International Accounting Studies (to present)
May 2022 Auditor, Japan Association of Corporate Directors (to present)
Jun. 2022 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)
Dec. 2023 Advisor to the President, Aoyama Gakuin University (to present)
Apr. 2024 Advisor, Research Institute of Capital Formation, Development Bank of Japan (to present)



Yasushi Marumori
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr. 1981 Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, Ltd.)
Apr. 2008 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank)
May 2011 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2012 Director & Senior Executive Vice President, Mitsubishi UFJ Research and Consulting Co., Ltd.
Jun. 2013 Outside Corporate Auditor, The Nanto Bank, Ltd.
Dec. 2014 Director, Mitsubishi UFJ Research and Consulting Co., Ltd.
Mar. 2015 Full-time Audit & Supervisory Board Member (Outside), Asahi Glass Co., Ltd. (currently, AGC Inc.)
Jun. 2019 Vice Chairman (Representative Director), The Mitsubishi Economic Research Institute (to present)
Jun. 2019 Outside Audit & Supervisory Board Member, TOTO LTD.
Jun. 2022 Outside Director (Audit and Supervisory Committee Member), TOTO LTD. (to present)
Jun. 2023 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)

Outside Director Interview



■ Tomoko Fujimoto Outside Director

Q1 Please tell us your assessment of the Bank’s corporate governance.

The Board of Directors really do hold free and open discussions. Since joining the board, I have been able to freely ask questions and express my opinions without fear of repercussions. I believe this is an indication that each officer is sincerely and proactively trying to incorporate the diverse knowledge and opinions of Outside Directors. Moreover, the minutes and other reports of important meetings are shared with us, and opportunities for communication with management, such as free discussion sessions, are increasing each year. I am really impressed with this level of openness. This fiscal year, I had the chance to meet one-on-one with all internal Directors. I learned about the current situation and issues of the Bank, and more importantly, I got to see their personalities and passions up close. This greatly improved the relationship with them.

A new framework was introduced in April of this year. The Nomination and Remuneration Governance Committee spent many hours discussing appointments from various perspectives, including qualifications, skills, and career. I felt that this ensured a highly transparent and appropriate process.

I hope that the Bank continues with these initiatives which take into account the importance of governance. As an Outside Director, I would like to continue to have opportunities to hear about the current challenges and issues that officers and employees are aware of.

Q2 Please tell us your assessment of the Bank’s human resources strategy and its efforts to promote DE&I and what are some of the issues you see?

In terms of female participation, the number of female division general managers increased to four in April of this year, while the share of females in management has been steadily rising each year. This is wonderful as it means that the number of female employees who have dreams, aspirations, and the courage to take the initiative of their career and take on challenges is steadily increasing.

In addition to a flexible training system tailored to the needs of employees, the Bank has a system that allows employees to work flexible hours and to take on the challenge of working at the departments and duties of their choice, so that a diverse workforce can shine in different ways. This fiscal year’s whole Bank walking event was cheerful, fun, and a great way to promote a healthy work environment.

On the other hand, some employees may find it hard to live with the idea that everyone should “do their best” all at the same time. Employees come from a wide range of backgrounds and have a wide range of lifestyles. In addition to D&I, we need to create an environment and create awareness so that “everyone wants to take on challenges and can take on challenges.” It is also vital that the management and executive-level personnel have the mindset of being “committed to giving every employee a fair chance at all times, starting at any time” while staying attuned to each person’s life circumstances.

Q3 Please tell us about what you expect from the Group in the future.

The new framework has been in place since April, and while rejuvenated, it remains a well-balanced team in terms of qualities, skills, and experience. The Bank has always listened carefully to feedback from the community and employees through various internal and external surveys and interviews, and it truly values its talent. I am confident that the new framework will further strengthen communication with customers and employees, and that the Bank will be more flexible in its management.

In promoting the “evolution of the general consulting group” set out in the current medium-term management plan, the President has also chosen the “Power of Support” as the key phrase. I think it is a great slogan. Under this slogan, management and employees will communicate closely with each other, while enjoying the joy and pleasure of cheering each other on and taking pride in supporting each other by sharing “where we are headed and what we are aiming for” throughout the Bank, thinking together, acting together, being aware of differences, acknowledging each other, and respecting each other. I believe that the stance and beliefs held by “Team 114” will be supported by the community and will be paid back as “Hyakujushi is Good!” which is what we hope to hear in the “Good 114 ♪” plan.

Enhancement of Shareholder Value

Shareholder returns

The Bank sets our dividend distribution policy by comprehensively considering all factors such as the sufficiency of retained earnings, profit status, and management environment, while keeping stable shareholder returns in mind.

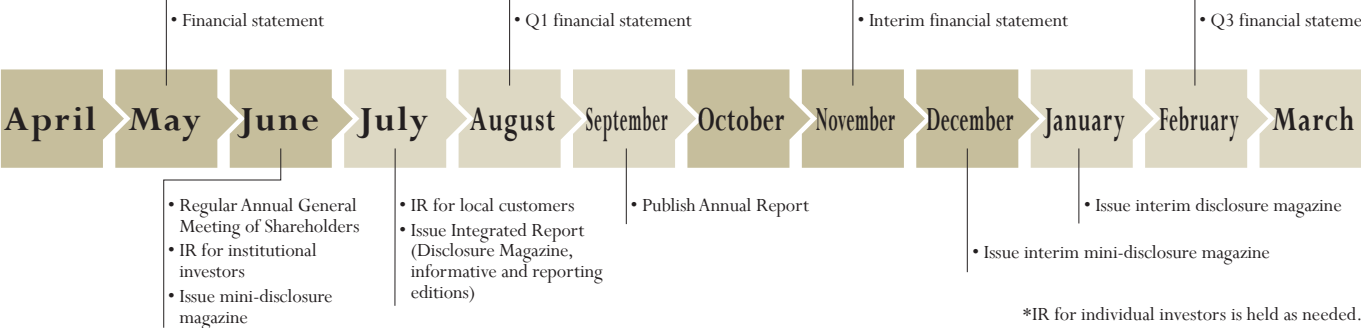
		For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Total annual dividends (billions of yen)		2.0	2.1	2.5
Dividend per share (Yen)	Interim	¥30	¥35	¥35
	Year-end	¥40	¥40	¥55
	Annual	¥70	¥75	¥90
Purchase of treasury stock (billions of yen)		1.0	0.6	0.5*
Consolidated profit (billions of yen)		11.7	9.1	9.6
Dividend payout ratio		17.6%	23.8%	26.8%
Shareholder return ratio		26.2%	30.2%	32.0%

*The amount of treasury stock repurchased for the fiscal year ended March 31, 2024 is based on the assumption that the maximum number shares will be repurchased in accordance with the treasury stock repurchase limit announced on May 10, 2024.
[Details of acquisition quota] Maximum number of shares to be repurchased: 250,000 shares; Maximum repurchase amount: ¥500 million; Repurchase period: June 17, 2024 to September 10, 2024

Proactive information disclosure

The Bank strives to enhance its recognition and reputation through the timely and appropriate provision of information to shareholders, customers and investors.

<IR Calendar>



Shareholder Benefit Program

As a way of expressing our appreciation to our shareholders for their ongoing support, increasing the attractiveness of investing in our shares, and encouraging more people to hold our shares over the long term, the Bank has introduced a shareholder benefit program.

▶ Eligible shareholders

Shareholders who have had continuous ownership* of 100 or more shares (one unit) for at least one year are eligible for the program, with March 31 of each year as the record date.

▶ Description of benefit program

Shareholders can choose their favorite item according to the number of shares they own from an exclusive catalog listing local specialties of Kagawa Prefecture as well as donation courses for social contribution activities.

This exclusive catalog is published every June.

No. of shares owned	Exclusive catalog
100 shares or more but less than 500 shares	¥2,500 equivalent
500 shares or more	¥5,000 equivalent

*The term “continuous ownership for one year or more” means that the same shareholder number is recorded in the shareholder registry as of the record date (March 31) and March 31 and September 30 of the previous year, and that the shareholding of 100 shares or more is recorded consecutively in the shareholder registry.



Efforts toward Risk Management and Compliance

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. In order to achieve sustainable growth and development together with local communities and customers, we have integrated the execution of business and financial strategies with risk management operations through our Risk Appetite Framework, and we are striving for appropriate risk-taking and risk control.

►Risk Appetite Framework

We introduced the “Risk Appetite Framework” as a management control framework to control risks by clarifying the type and amount of risk (risk appetite) we are willing to accept to achieve our business strategies and financial plans. The Risk Appetite Framework clarifies our approach to risk-taking and enables us to optimize risk-return by allowing us to pursue more profit opportunities and control risk appropriately.

Specifically, when formulating medium-term management plans, the Board of Directors determines “risk appetite” and “quantitative appetite metrics” that indicate the status of risk-taking, taking into consideration factors such as the environment and risks surrounding the Bank. In addition, the Board of Directors evaluates the business plan and soundness (capital adequacy, etc.) through stress testing, monitors the operational status, and discusses revisions to the plan, etc., as necessary.

►Risk management system

Within the structure of the Risk Appetite Framework, we have established a management framework (risk management system) in order to strike a balance between improving profitability and maintaining soundness.

Comprehensive risk management system

● Basic concepts

Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we work to achieve stability and soundness in our overall management while practicing comprehensive risk management to achieve our business strategies and financial plans.

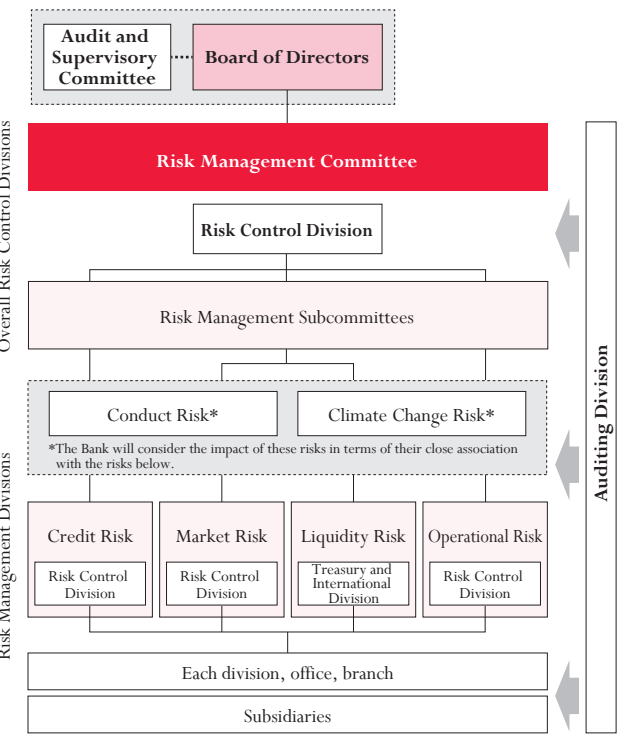
Moreover, our general policies on risk management and specific risk management for each financial year during the medium-term management plan period are determined by the Board of Directors, and through the implementation of measures in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

● Risk governance

We have defined the types of risks to manage in our risk management basic rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category appropriately, along with management rules. We have also established an independent Risk Control Division to integrate risk management and carry out comprehensive management.

Additionally, through the establishment of the Risk Management Committee and its subordinate Risk Management Subcommittees, and cross-sectional consultations on matters regarding risk management, we strive to improve and sophisticate our risk management system.

● Risk Management Framework



● Risks subject to management

Risk Classification		Outline of Risks	Division in Charge
Market Risk	Credit Risk	Risk of suffering losses due to a decline in or a loss of asset value resulting from deterioration in the financial position of credit recipients, etc.	Risk Control Division
		Risk of suffering losses due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Control Division
	Interest Rate Risk	Risk of suffering reduced profits or losses due to changes in interest rates while there is a discrepancy between interest rates or maturities of assets and liabilities	
	Foreign Exchange Risk	Risk of suffering losses on the net position of foreign currency denominated assets and liabilities resulting from exchange market fluctuations	
	Price Volatility Risk	Risk of a fall in asset values due to changes in the value of securities	
Operational Risk	Liquidity Risk	Risk of suffering losses from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
		Risk of suffering losses due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Control Division
	Process Risk	Risk of suffering losses due to executives' or employees' failure to perform duties accurately, causing accidents or fraud, or failing to detect fraud by outsiders	Operations Supervision Division
	System Risk	Risk of suffering losses due to breakdown, malfunction, deficiency, or improper use of the computer system	Compliance Management Division
	Legal Risk	Risk of suffering losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	
	Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	Personnel Division
Conduct Risk	Tangible Asset Risk	Risk of suffering losses due to damage to assets resulting from disaster or defective asset management	General Administration Division
		Risk of damage to the Bank's credibility as a result of behavior or actions by the Bank or its officers or employees that fail to meet the fair and reasonable expectations of the Bank's customers and counterparties, employees, society in general, shareholders, or others, and consequently causing losses to these stakeholders or losses in profits	
Climate Change Risk		Risk of impact on the soundness and stability of business management from the physical risks or transition risks associated with climate change, materializing in the form of other risks	

►Business continuity system

In order to maintain a minimum level of financial services and contribute to the livelihood and economic activities of local communities in the event of an emergency that threatens business continuity, such as earthquakes, storms, floods, the spread of infectious diseases, or system failures, we are developing and continuously improving systems based on our business continuity plan (BCP).

In the event of an emergency, a comprehensive task force with the president as the general manager is established to centrally manage information and promptly issue instructions to branches.

We regularly conduct our own drills to improve the effectiveness of our business continuity system, and we work to ensure that all officers and employees fully understand our business continuity system and to foster crisis awareness.

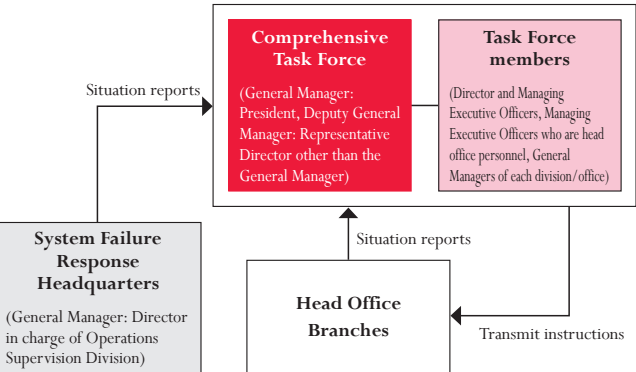
● Status of equipment installed for business continuity purposes

- Stockpiles of water, food, helmets, and other items necessary for business continuity
- Installation of damp proof barriers at the entrances and exits of branches liable to flooding
- Installation of independent power generators at key locations
- Introduction of EVs with power supply functions (at some branches)

● Initiatives for business continuity in the event of an emergency

- Identification of priority branches and operations
- Practice of ongoing business continuity drills
- Introduction of business chat for quick information sharing

● Comprehensive task force organization

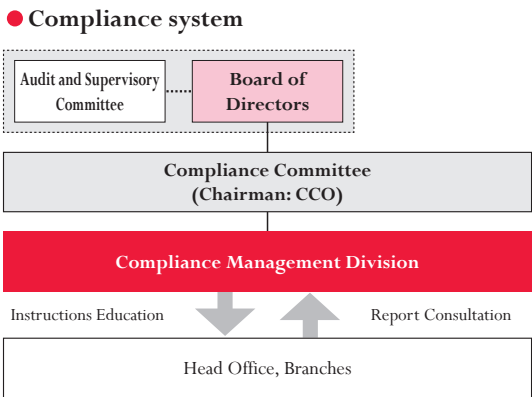


Efforts toward Risk Management and Compliance

►Compliance system

At the Bank, under the oversight of CCO (Chief Compliance Officer), who has the highest responsibility for compliance, the Compliance Management Division centrally manages all compliance-related issues.

We also appoint a manager or a person in charge at each department, office, and branch to put into practice and instill compliance, while aiming to spread compliance culture by checking the compliance status with a checklist and conducting study sessions. Furthermore, the Compliance Committee, chaired by the CCO, holds cross-organizational discussions to improve and upgrade the system.



● Formulation of the Compliance Program

We have formulated a Compliance Program as a specific implementation plan to ensure effective compliance. The formulation and reviews of the Compliance Program are determined by the Board of Directors and reports on the program’s progress and achievements are made to the Board of Directors.

● Whistleblowing system

We have established a whistleblower hotline (‘hot’ dial) and developed a system to accept reports from all officers and employees, thereby ensuring early detection of misconduct and prompt implementation of corrective measures.

● Information exchange meetings between the CCO and Audit & Supervisory Committee members

Meetings between the CCO and Audit & Supervisory Committee members are held on a regular basis to exchange opinions and information. In addition to sharing the content discussed and reported at the Compliance Committee, issues and future actions, etc., are also discussed at these meetings.

Main themes of FY 2023
● Compliance on-site guidance results
● Workplace survey results
● State of utilization of whistleblowing system
etc.

►Cyber security management system

We are strengthening our cyber security measures to protect our customers and ourselves from cyberattacks, which are becoming more and more sophisticated each year. We have established “114 CSIRT (Computer Security Incident Response Team),” a team dedicated to addressing cybersecurity, to collect and disseminate information on cyberattacks and defense measures, develop management systems, take security measures, provide human resource training and drills, and more.

►Internal audit

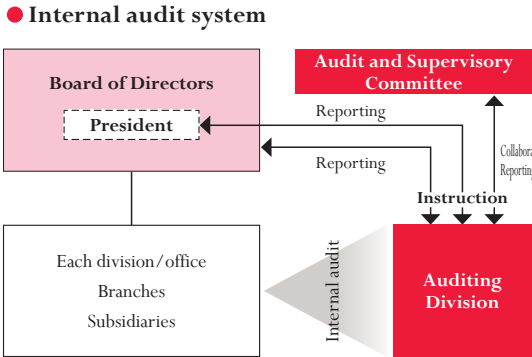
We conduct audits that contribute to the achievement of our management targets by verifying and assessing the appropriateness and effectiveness of internal management systems in the audited departments, making recommendations to improve problems and following up on the status of improvements.

● Ensuring independence and check-and-balance function

To ensure the objectivity and effectiveness of the internal audit department, the department is independent from the audited department and we enable internal audits to be conducted without undue restrictions.

● Reporting system

Problems identified through internal audits are verified and reported to the President, the Board of Directors, and the Audit and Supervisory Committee. Moreover, problems such as those deemed to have a significant impact on management are immediately reported to the President, the Board of Directors, and the Audit and Supervisory Committee.



Consolidated Financial Highlights

	Millions of yen					Thousands of U.S. dollars (Note 1)
For the years ended or as of March 31	2024	2023	2022	2021	2020	2024
FORTHEYEAR:						
Total income	¥82,172	¥84,949	¥73,147	¥68,989	¥76,895	\$542,711
Total expenses	67,890	71,739	58,108	63,877	65,928	448,385
Profit before income taxes	14,281	13,209	15,039	5,111	10,966	94,320
Income taxes-current	4,337	3,056	1,705	3,402	3,518	28,644
Income taxes-deferred	301	979	1,631	(855)	(266)	1,987
Profit attributable to non-controlling interests	—	—	—	—	—	—
Profit attributable to owners of parent	9,642	9,172	11,702	2,565	7,715	63,681
ATYEAR-END:						
Loans and bills discounted	3,428,362	3,362,245	3,159,889	3,035,782	2,847,316	22,642,903
Securities and trading account securities	1,117,828	1,044,674	1,274,877	1,272,956	1,259,734	7,382,788
Foreign exchange assets	4,793	19,938	6,236	9,429	9,793	31,655
Other assets	1,289,663	1,382,497	1,306,258	1,057,396	837,097	8,517,687
Total assets	5,840,650	5,809,359	5,747,266	5,375,569	4,953,946	38,575,061
Deposits and negotiable certificates of deposit	4,749,635	4,780,670	4,632,815	4,525,292	4,155,267	31,369,361
Foreign exchange liabilities	180	248	321	1,341	296	1,188
Other liabilities	761,641	747,336	829,786	557,229	548,544	5,030,321
Total liabilities	5,511,464	5,528,260	5,462,929	5,083,870	4,704,115	36,400,924
Common stock	37,322	37,322	37,322	37,322	37,322	246,496
Capital surplus	30,486	30,486	30,486	30,486	30,486	201,347
Retained earnings	194,802	187,908	183,444	173,620	173,374	1,286,586
Treasury stock	(569)	(513)	(2,030)	(2,071)	(1,999)	(3,758)
Total stockholders’ equity	262,041	255,204	249,223	239,357	239,184	1,730,671
Net unrealized gains on available-for-sale securities, net of taxes	49,774	14,669	25,891	42,595	15,048	328,736
Net deferred gains (losses) on hedging instruments, net of taxes	(11)	138	2,611	2,720	(7,447)	(72)
Revaluation reserve for land	7,865	7,952	7,927	7,928	7,976	51,945
Remeasurements of defined benefit plans	9,494	3,113	(1,339)	(945)	(4,971)	62,703
Total accumulated other comprehensive income	67,123	25,873	35,091	52,299	10,605	443,319
Share subscription rights	21	21	21	41	41	138
Non-controlling interests	—	—	—	—	—	—
Total net assets	329,186	281,098	284,336	291,699	249,831	2,174,136
Total liabilities and net assets	¥5,840,650	¥5,809,359	¥5,747,266	¥5,375,569	¥4,953,946	\$38,575,061

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the common accounting practice in Japan.
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥151.41 to US\$1.00 on March 31, 2024.

Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank’s management as of the time of writing. Actual results may therefore differ substantially from such statements.

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets:			
Cash and due from banks	¥1,080,562	¥1,197,854	\$7,136,662
Call loans and bills bought	5,829	—	38,498
Monetary claims bought	40,659	34,950	268,535
Trading account securities	—	9	—
Securities (Notes 6, 8, 9 and 10)	1,117,828	1,044,665	7,382,788
Loans and bills discounted (Notes 8, 10 and 11)	3,428,362	3,362,245	22,642,903
Foreign exchange assets (Note 8)	4,793	19,938	31,655
Lease receivables and investments in leases	18,020	18,677	119,014
Other assets (Notes 8 and 10)	71,965	70,679	475,298
Tangible fixed assets (Notes 13 and 14)	37,348	36,867	246,667
Intangible fixed assets	4,841	4,406	31,972
Net defined benefit asset	27,207	15,948	179,690
Deferred tax assets	722	732	4,768
Customers' liabilities for acceptances and guarantees (Note 8)	19,808	19,898	130,823
Reserve for possible loan losses	(17,298)	(17,514)	(114,246)
Total assets	¥5,840,650	¥5,809,359	\$38,575,061
As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Liabilities and net assets			
Liabilities:			
Deposits (Note 10)	¥4,676,957	¥4,696,403	\$30,889,353
Negotiable certificates of deposit	72,678	84,267	480,007
Call money and bills sold	15,673	20,360	103,513
Borrowed money (Notes 10 and 30)	615,210	624,432	4,063,205
Foreign exchange liabilities	180	248	1,188
Other liabilities	83,654	73,773	552,499
Reserve for bonuses for directors and corporate auditors	58	49	383
Net defined benefit liability	270	248	1,783
Reserve for retirement benefits for directors and corporate auditors	41	38	270
Reserve for claims on dormant accounts	117	163	772
Reserve for contingent liabilities	121	69	799
Reserve for stock-based compensation plan	216	181	1,426
Deferred tax liabilities	21,446	3,048	141,641
Deferred tax liability for land revaluation (Note 14)	5,027	5,077	33,201
Acceptance and guarantees	19,808	19,898	130,823
Total liabilities	5,511,464	5,528,260	36,400,924
Net assets :			
Stockholders' equity:			
Common stock	37,322	37,322	246,496
Capital surplus	30,486	30,486	201,347
Retained earnings	194,802	187,908	1,286,586
Treasury stock	(569)	(513)	(3,758)
Total stockholders' equity	262,041	255,204	1,730,671
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities, net of taxes	49,774	14,669	328,736
Net deferred gains (losses) on hedging instruments, net of taxes	(11)	138	(72)
Revaluation reserve for land (Note 14)	7,865	7,952	51,945
Remeasurements of defined benefit plans	9,494	3,113	62,703
Total accumulated other comprehensive income	67,123	25,873	443,319
Share subscription rights	21	21	138
Total net assets	329,186	281,098	2,174,136
Total liabilities and net assets	¥5,840,650	¥5,809,359	\$38,575,061
As of March 31	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Per share			
Net assets	¥11,527.06	¥9,719.34	\$76.131
See accompanying notes to consolidated financial statements.			

Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income:			
Interest on loans and bills discounted	¥38,696	¥32,898	\$255,570
Interest and dividends on securities	12,159	13,577	80,305
Other interest income	1,489	1,389	9,834
Fees and commissions	12,445	12,176	82,194
Other operating income	4,996	13,040	32,996
Other income (Note 17)	12,383	11,865	81,784
Total income	82,172	84,949	542,711
Expenses:			
Interest on deposits and negotiable certificates of deposit	5,166	3,488	34,119
Interest on call money and bills sold	1,359	583	8,975
Interest on borrowed money	2,510	1,861	16,577
Other interest expenses	5,234	1,971	34,568
Fees and commissions	3,373	3,144	22,277
Other operating expenses	7,254	18,036	47,909
General and administrative expenses (Note 18)	33,470	34,215	221,055
Other expenses (Note 19)	9,521	8,436	62,882
Total expenses	67,890	71,739	448,385
Profit before income taxes	14,281	13,209	94,320
Income taxes :			
Current	4,337	3,056	28,644
Deferred	301	979	1,987
Subtotal	4,639	4,036	30,638
Profit	9,642	9,172	63,681
Profit attributable to owners of parent	¥9,642	¥9,172	\$63,681
For the years ended March 31	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Per share			
Basic earnings	¥336.20	¥315.57	\$2.220
Diluted earnings	¥336.12	¥315.50	\$2.219
See accompanying notes to consolidated financial statements.			

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Profit	¥ 9,642	¥ 9,172	\$ 63,681
Other comprehensive income (loss) (Note 20)	41,336	(9,242)	273,007
Net unrealized gains (losses) on available-for-sale securities, net of taxes	35,105	(11,222)	231,853
Net deferred losses on hedging instruments, net of taxes	(150)	(2,472)	(990)
Remeasurements of defined benefit plans	6,381	4,452	42,143
Total comprehensive loss	¥50,978	¥ (70)	\$336,688
Total comprehensive loss attributable to:			
Owners of parent	¥50,978	¥ (70)	\$336,688
See accompanying notes to consolidated financial statements.			

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Stockholders' equity				Total stockholders' equity
For the years ended March 31	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2022	¥37,322	¥30,486	¥183,444	¥(2,030)	¥249,223
Changes in items during the period					
Dividends from surplus	—	—	(2,198)	—	(2,198)
Profit attributable to owners of parent	—	—	9,172	—	9,172
Purchase of treasury stock	—	—	—	(1,001)	(1,001)
Disposal of treasury stock	—	—	(0)	31	31
Cancellation of treasury stock	—	—	(2,486)	2,486	—
Transfer from revaluation reserve for land	—	—	(24)	—	(24)
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	4,463	1,516	5,980
Balance as of March 31, 2023	¥37,322	¥30,486	¥187,908	¥ (513)	¥255,204
Changes in items during the period					
Dividends from surplus	—	—	(2,163)	—	(2,163)
Profit attributable to owners of parent	—	—	9,642	—	9,642
Purchase of treasury stock	—	—	—	(727)	(727)
Disposal of treasury stock	—	—	(0)	0	0
Cancellation of treasury stock	—	—	(670)	670	—
Transfer from revaluation reserve for land	—	—	86	—	86
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	6,893	(56)	6,837
Balance as of March 31, 2024	¥37,322	¥30,486	¥194,802	¥ (569)	¥262,041

	Millions of yen						
	Accumulated other comprehensive income						Total net assets
For the years ended March 31	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	
Balance as of March 31, 2022	¥25,891	¥2,611	¥7,927	¥(1,339)	¥35,091	¥21	¥284,336
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(2,198)
Profit attributable to owners of parent	—	—	—	—	—	—	9,172
Purchase of treasury stock	—	—	—	—	—	—	(1,001)
Disposal of treasury stock	—	—	—	—	—	—	31
Cancellation of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	(24)
Net changes in items other than stockholders' equity	(11,222)	(2,472)	24	4,452	(9,218)	—	(9,218)
Total changes in items during the period	(11,222)	(2,472)	24	4,452	(9,218)	—	(3,238)
Balance as of March 31, 2023	¥14,669	¥ 138	¥7,952	¥ 3,113	¥25,873	¥21	¥281,098
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(2,163)
Profit attributable to owners of parent	—	—	—	—	—	—	9,642
Purchase of treasury stock	—	—	—	—	—	—	(727)
Disposal of treasury stock	—	—	—	—	—	—	0
Cancellation of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	86
Net changes in items other than stockholders' equity	35,105	(150)	(86)	6,381	41,250	—	41,250
Total changes in items during the period	35,105	(150)	(86)	6,381	41,250	—	48,087
Balance as of March 31, 2024	¥49,774	¥ (11)	¥7,865	¥ 9,494	¥67,123	¥21	¥329,186

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				Total stockholders' equity
For the years ended March 31	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2023	\$246,496	\$201,347	\$1,241,054	\$(3,388)	\$1,685,516
Changes in items during the period					
Dividends from surplus	—	—	(14,285)	—	(14,285)
Profit attributable to owners of parent	—	—	63,681	—	63,681
Purchase of treasury stock	—	—	—	(4,801)	(4,801)
Disposal of treasury stock	—	—	(0)	0	0
Cancellation of treasury stock	—	—	(4,425)	4,425	—
Transfer from revaluation reserve for land	—	—	567	—	567
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	45,525	(369)	45,155
Balance as of March 31, 2024	\$246,496	\$201,347	\$1,286,586	\$(3,758)	\$1,730,671

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						Total net assets
For the years ended March 31	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	
Balance as of March 31, 2023	\$ 96,882	\$ 911	\$52,519	\$20,560	\$170,880	\$138	\$1,856,535
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(14,285)
Profit attributable to owners of parent	—	—	—	—	—	—	63,681
Purchase of treasury stock	—	—	—	—	—	—	(4,801)
Disposal of treasury stock	—	—	—	—	—	—	0
Cancellation of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	567
Net changes in items other than stockholders' equity	231,853	(990)	(567)	42,143	272,439	—	272,439
Total changes in items during the period	231,853	(990)	(567)	42,143	272,439	—	317,594
Balance as of March 31, 2024	\$328,736	\$ (72)	\$51,945	\$62,703	\$443,319	\$138	\$2,174,136

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2024	2023	(Note 1) 2024
Cash flows from operating activities			
Profit before income taxes	¥ 14,281	¥ 13,209	\$ 94,320
Depreciation	2,850	3,129	18,823
Impairment losses	236	63	1,558
Net change in reserve for possible loan losses	(215)	(770)	(1,419)
Net change in reserve for bonuses for directors and corporate auditors	9	(7)	59
Net change in net defined benefit asset	(2,090)	(1,274)	(13,803)
Net change in net defined benefit liability	21	39	138
Net change in reserve for retirement benefits for directors and corporate auditors	3	(1)	19
Net change in reserve for claims on dormant accounts	(46)	37	(303)
Net change in reserve for contingent liabilities	51	(37)	336
Net change in reserve for stock-based compensation plan	35	33	231
Interest income	(52,347)	(47,866)	(345,730)
Interest expenses	14,271	7,907	94,254
Net loss related to securities transactions	4,783	14,736	31,589
Net gain related to foreign exchange	(17,333)	(16,175)	(114,477)
Net gain on disposal of fixed assets	(238)	(380)	(1,571)
Net change in trading account securities	9	(9)	59
Net change in loans and bills discounted	(66,117)	(202,355)	(436,675)
Net change in deposits	(19,445)	138,163	(128,426)
Net change in negotiable certificates of deposit	(11,589)	9,691	(76,540)
Net change in borrowed money excluding subordinated borrowings	(9,221)	(76,183)	(60,900)
Net change in due from banks other than Bank of Japan	5,379	(10,186)	35,526
Net change in call loans and others	(11,537)	3,224	(76,197)
Net change in call money and others	(4,687)	(2,893)	(30,955)
Net change in payables under securities lending transactions	—	(12,696)	—
Net change in foreign exchange assets	15,144	(13,702)	100,019
Net change in foreign exchange liabilities	(67)	(73)	(442)
Net change in lease receivables and investments in leases	657	2,587	4,339
Proceeds from fund operations	51,809	47,118	342,176
Payments on fund procurement	(14,974)	(5,796)	(98,897)
Other	10,670	(640)	70,470
Subtotal	(89,695)	(151,107)	(592,398)
Payment of income taxes	(2,756)	(1,046)	(18,202)
Net cash used in operating activities	(92,451)	(152,153)	(610,600)
Cash flows from investing activities			
Purchase of securities	(289,156)	(528,251)	(1,909,754)
Proceeds from sales of securities	115,069	474,209	759,982
Proceeds from redemption of securities	161,096	283,113	1,063,971
Purchases of tangible fixed assets	(2,210)	(1,095)	(14,596)
Purchases of intangible fixed assets	(1,714)	(1,409)	(11,320)
Proceeds from sales of tangible fixed assets	338	443	2,232
Net cash provided by (used in) investing activities	(16,577)	227,010	(109,484)
Cash flows from financing activities			
Purchase of treasury stock	(727)	(1,001)	(4,801)
Proceeds from sales of treasury stock	0	7	0
Dividends paid	(2,163)	(2,198)	(14,285)
Net cash used in financing activities	(2,891)	(3,191)	(19,093)
Effect of exchange rate changes on cash and cash equivalents	8	3	52
Net change in cash and cash equivalents	(111,912)	71,669	(739,132)
Cash and cash equivalents at beginning of year	1,158,391	1,086,721	7,650,690
Cash and cash equivalents at end of year (Note 3 (16))	¥1,046,479	¥1,158,391	\$ 6,911,558

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements
- The accompanying consolidated financial statements ofThe Hyakujushi Bank, Ltd. (hereinafter the “Bank”) and its consolidated subsidiaries (hereinafter collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.
- The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.
- The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S.\$1.00.The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.
2. Fiscal year ends
- The account closing date of the Bank and its consolidated subsidiaries is the same.
3. Significant accounting policies
- (1) Consolidation
- The consolidated financial statements include the accounts of the Bank and 8 subsidiaries.
- [Establishment of a non-consolidated subsidiary]
- HYAKUJUSHI BUSINESS CONSULTING VIETNAM COMPANY LIMITED was established on July 4, 2023.
- HYAKUJUSHI BUSINESS CONSULTING VIETNAM COMPANY LIMITED is excluded from the scope of consolidation because its assets and operating income and the Bank’s interests in its respective amounts of net profit or loss, retained earnings or accumulated other comprehensive income are not material to the extent that exclusion from consolidation would impede reasonable judgment concerning the financial position and operating results of the Group.
- There are no affiliates accounted for by the equity method as of March 31, 2024.
- Shikoku Alliance Capital Co., Ltd. and SHIKOKU BRAND inc. are affiliates not accounted for by the equity method.The non-consolidated subsidiary and the affiliated companies not accounted for by the equity method are excluded from the scope of the equity method because the Bank’s interests in their respective amounts of net profits or losses, retained earnings or accumulated other comprehensive income do not have a material impact on the consolidated financial statements.
- (2) Trading account securities
- Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value (cost of sales is calculated by the moving-average cost method).
- (3) Securities
- Held-to-maturity debt securities are stated at amortized cost using the moving-average cost method. Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities are stated at fair value (cost of sales is calculated by the moving-average cost method), whereas shares, etc. that do not have a market price are stated at cost by the moving-average cost method.
- Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.
- (4) Derivatives
- Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value.

- (5) Depreciation
- (a) Tangible fixed assets (excluding lease assets)
- Depreciation of tangible fixed assets is calculated principally using the declining-balance method (However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016). Useful lives of tangible fixed assets are as follows:
- Buildings: 10 to 50 years
- Equipment: 5 to 15 years
- Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.
- (b) Intangible fixed assets (excluding lease assets)
- Intangible fixed assets are amortized by the straight-line method. Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).
- (c) Lease assets
- Lease assets held by the Bank are depreciated over the leasing contract periods by the straight-line method with residual value at zero.
- (6) Reserve for possible loan losses
- Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.
- Reserve for possible loan losses for bankrupt or substantially bankrupt debtors is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.
- Reserve for possible loan losses for debtors not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.
- Reserve for possible loan losses on loans other than the above is provided principally at the amounts of expected losses over the next 1 year or 3 years, which are determined by making necessary adjustments considering forecasts of loss rates calculated based on the average historical default rates corresponding to a certain period consistent with those for 1 year or 3 years.
- In accordance with the Bank’s asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.
- In the case of loans to debtors who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥7,682 million (\$50,736 thousand) and ¥8,191 million as of March 31, 2024 and 2023, respectively.
- A reserve for possible losses on ordinary loans held by the Bank’s consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible losses on specific loans held by the Bank’s consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.
- (7) Reserve for bonuses for directors and corporate auditors
- A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.
- (8) Reserve for retirement benefits for directors and corporate auditors
- In order to provide for the payment of retirement benefits to directors and corporate auditors of consolidated subsidiaries, a provision is made based on the estimated amount incurred at the end of the consolidated reporting period.
- (9) Reserve for claims on dormant accounts
- A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank’s historical refund record.

(10) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

(11) Reserve for stock-based compensation plan

In order to provide for the delivery of the Bank's shares from the BIP Trust, a provision is made for an estimated amount of benefits corresponding to the number of points allotted to directors in accordance with BIP Trust's share delivery rules.

(12) Accounting method for retirement benefits

To calculate retirement benefit obligations, the Bank used the benefit formula as a method for attributing estimated retirement benefits over the period until March 31, 2024. The amortization method for prior service costs and actuarial differences is as follows:

Prior Service Costs:
Prior service costs are charged fully to income at the time of occurrence.
Actuarial Differences:
Actuarial differences of the plans are to be amortized from the fiscal year following their occurrence by the straight-line method over a fixed period of 10 years, which is within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating net defined benefit liability and retirement benefit costs, consolidated subsidiaries apply a simplified method that provides their retirement benefit obligation at an amount to be paid for voluntary termination at the balance sheet date.

(13) Basis for recognizing significant earnings and expenses

(a) Finance lease transactions
The corresponding amounts are recognized in "Other income" and "Other expenses" at the time of receipt of lease payments.

(b) Revenue from contracts with customers
Revenue from contracts with customers is the revenue recognized from service provision related to financial services such as deposit and loan services, foreign currency exchange services, and securities-related services, and is recognized at the amount expected to be received in exchange for goods or services when control of such goods or services promised by such service provision is transferred to the customer.

(14) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen primarily at the year-end rates. Translation differences arising from available-for-sale securities (bonds), including the effect of changes in exchange rates, are accounted for as net unrealized gains/losses on available-for-sale securities.

(15) Hedge accounting

(a) Hedges against interest rate fluctuations
The Bank applies the deferred hedge accounting method to interest rate swaps used to hedge interest rate risk on certain financial assets when the critical terms of the underlying hedged items (Japanese Government Bonds and U.S. Treasury Bonds) and hedging instruments (interest rate swap transactions) match.
Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter.

(b) Hedging against currency fluctuations
The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Committee Practical Guideline No. 25 issued on October 8, 2020 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.
Pursuant to JICPA Industry Committee Practical Guideline No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts (foreign securities and foreign currency loans) corresponding to the foreign-currency positions.

Hedge transactions to which "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied

Among the above hedge transactions, all hedge transactions included in the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Revised Practical Solution No. 40, March 17, 2022) are subject to the exceptional treatment prescribed in the Revised Practical Solution. The details of hedge transactions to which the Revised Practical Solution is applied are as follows.
Hedge accounting method: Deferred hedge accounting
Hedging instruments: Interest rate swaps
Hedged items: Securities
Types of hedge transactions: Offset market fluctuations

(16) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31			
Cash and due from banks.....	¥1,080,562	¥1,197,854	\$7,136,662
Time deposits with banks other than Bank of Japan.....	(33,040)	(38,040)	(218,215)
Deposits with banks other than Bank of Japan.....	(665)	(836)	(4,392)
Other.....	(377)	(585)	(2,489)
Cash and cash equivalents.....	¥1,046,479	¥1,158,391	\$6,911,558

(17) Other significant accounting policies adopted

Net gains and losses from the cancellation and redemption of investment trusts (excluding ETF) are included in "Interest and dividends on securities" in the case of gains for the investment trusts as a whole, and included in "Loss on redemption of bonds" under "Other operating expenses" in the case of losses.
Gains on cancellation and redemption of investment trusts of ¥2,592 million (\$17,119 thousand) and ¥4,186 million were recorded in "Interest and dividends on securities" for the fiscal years ended March 31, 2024 and 2023, respectively.

(18) Significant accounting estimates

Reserve for possible loan losses
(i) Amounts recognized in the consolidated financial statements at the end of fiscal year
Reserve for possible loan losses: ¥17,298 million (\$114,246 thousand) and ¥17,514 million as of March 31, 2024 and 2023, respectively.
(ii) Information on the nature of significant accounting estimates for identified items
(1) Method used in making the accounting estimates
The collectability of loans and other receivables fluctuates depending on factors such as domestic and international economic trends, the business conditions of the debtors operating in areas where the Bank's wide-area network exists, mainly in its home prefecture of Kagawa, the decline in the value of real estate used as collateral, and other factors. For this reason, the Group mainly calculates the amount of expected losses from future bad debts for each debtor category and records it as reserve for possible loan losses.
The method of calculating the reserve for possible loan losses is described in "3. Significant accounting policies (6) Reserve for possible loan losses."
(2) Key assumptions used in making accounting estimates
The main assumptions used in the calculation of the reserve for possible loan losses are "the future business prospects of each debtor in determining the debtor classification."

The "future business prospects of each debtor in determining the debtor classification" consist of the assessment of the financial condition and repayment capacity of each debtor based on the impact of high prices and resources and changes in local economy. In addition to this, individual assessment of debt repayment capacity of each debtor based on the progress of each debtor's management improvement plan and other factors is conducted.
(3) Impact on the consolidated financial statements for the next fiscal year
The above "2) Key assumptions used in making accounting estimates" is subject to uncertainty as it will be affected by changes in the business environment surrounding the debtors and the success or failure of their business strategies. Therefore, in the event of an unexpected deterioration in the business conditions of major debtors or other factors that affect the assumptions used for the initial estimate, there may be a significant impact on the reserve for possible loan losses in the consolidated financial statements for the next fiscal year.

4. Additional information

Board Incentive Plan (BIP) Trust
The Bank has introduced a BIP Trust for directors (excluding directors serving as audit and supervisory committee members, outside directors and non-residents of Japan; hereinafter collectively referred to as the "Bank's directors").
(i) Transaction overview
The BIP Trust is a stock incentive plan for directors, aimed at further raising motivation to contribute to the medium- to long-term improvement of business performance and enhance the Bank's corporate value. Under the plan, a certain number of points are granted to the Bank's directors based on their ranks and the level of achievement of performance targets, and the Bank's shares corresponding to the aggregate number of points or money equivalent to the value of the Bank's shares are granted or delivered to the Bank's directors upon their retirement.
(ii) Accounting treatment for transactions delivering the Company's own stock through the trust
The Bank applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30, March 26, 2015).
(iii) Matters relating to the Bank's shares held by the trust
(1) The book values of the shares held by the trust were ¥350 million (\$2,311 thousand) and ¥226 million as of March 31, 2024 and 2023, respectively.
(2) The Bank's shares held by the trust have been recorded as treasury stock in stockholders' equity.
(3) The numbers of shares at year-end were 133 thousand and 76 thousand as of March 31, 2024 and 2023, respectively. The average numbers of shares during the year were 109 thousand and 79 thousand for the fiscal years ended March 31, 2024 and 2023, respectively.
(4) The number of shares at year-end and the average number of shares during the year in 3) above are included in the number of treasury stock to be deducted in the calculation of per share information.

5. Changes in net assets

(1) Type and number of shares issued and treasury shares are as follows:

2024	Thousands of shares			
	March 31, 2023	Increase	Decrease	March 31, 2024
Shares issued				
Common stock (Note 1)	29,100	—	310	28,790
Total	29,100	—	310	28,790
Treasury stock				
Common stock (Notes 2, 3 and 4)	180	363	310	234
Total	180	363	310	234

Notes: 1. The 310 thousand share decrease in the number of common shares is due to the cancellation of treasury stock.
2. The number of shares of common stock at the end of the fiscal years ended March 31, 2024 and 2023 includes 133 thousand and 76 thousand shares, respectively, of the Bank's shares held by the BIP Trust.
3. The 363 thousand share increase in the number of common shares of treasury stock consists of increases of 306 thousand shares due to an acquisition based on a resolution of the Board of Directors, 56 thousand shares due to an acquisition of the BIP Trust, and 1 thousand shares due to a purchase demand for fractional shares from shareholders.
4. The 310 thousand share decrease in the number of common shares of treasury stock consists of decreases of 310 thousand shares due to the cancellation of treasury stock and 0 thousand shares due to an additional purchase demand for fractional shares from shareholders.

2023	Thousands of shares			
	March 31, 2022	Increase	Decrease	March 31, 2023
Shares issued				
Common stock (Note 1)	30,000	—	900	29,100
Total	30,000	—	900	29,100
Treasury stock				
Common stock (Notes 2, 3 and 4)	506	584	910	180
Total	506	584	910	180

Notes: 1. The 900 thousand share decrease in the number of common shares is due to the cancellation of treasury stock.
2. The number of shares of common stock at the end of the fiscal years ended March 31, 2023 and 2022 includes 76 thousand and 87 thousand shares, respectively, of the Bank's shares held by the BIP Trust.
3. The 584 thousand share increase in the number of common shares of treasury stock consists of increases of 583 thousand shares due to an acquisition based on a resolution of the Board of Directors and 0 thousand shares due to a purchase demand for fractional shares from shareholders.
4. The 910 thousand share decrease in the number of common shares of treasury stock consists of decreases of 900 thousand shares due to the cancellation of treasury stock, 10 thousand shares due to the delivery of shares to the beneficiaries from the BIP Trust, and 0 thousand shares due to an additional purchase demand for fractional shares from shareholders.

(2) Matters concerning share subscription rights and own share options

The balance of share subscription rights (for stock options) as of March 31, 2024 and 2023 stood at ¥21 million (\$138 thousand) and ¥21 million, respectively. At end of the previous and current fiscal years, no shares had been earmarked for share subscription rights.

(3) Information on dividends

(a) Dividends paid

2024					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2023 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,159	¥40.0	March 31, 2023	June 30, 2023
November 10, 2023 (Meeting of the Board of Directors) (Note 2)	Common stock	1,004	35.0	September 30, 2023	December 8, 2023
2023					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2022 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,183	¥40.0	March 31, 2022	June 30, 2022
November 14, 2022 (Meeting of the Board of Directors) (Note 2)	Common stock	1,014	35.0	September 30, 2022	December 9, 2022

2024					
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2023 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	\$7,654	\$0.264	March 31, 2023	June 30, 2023
November 10, 2023 (Meeting of the Board of Directors) (Note 2)	Common stock	6,631	0.231	September 30, 2023	December 8, 2023

Notes: 1. In accordance with the resolutions approved at the Bank's Regular Annual General Meetings of Shareholders held on June 29, 2023 and June 29, 2022, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥3 million (\$19 thousand) and ¥3 million, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock.
2. In accordance with the resolutions approved at the Meetings of the Board of Directors held on November 10, 2023 and November 14, 2022, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥4 million (\$26 thousand) and ¥2 million, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock.

(b) Dividends paid after the balance-sheet date

2024						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 27, 2024 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	¥1,577	Retained earnings	¥55.0	March 31, 2024	June 28, 2024

2023						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2023 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	¥1,159	Retained earnings	¥40.0	March 31, 2023	June 30, 2023

2024						
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 27, 2024 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	\$10,415	Retained earnings	\$0.363	March 31, 2024	June 28, 2024

Note: The total dividend amounts resolved on June 27, 2024 and June 29, 2023 include the dividends for the BIP Trust of ¥7 million (\$46 thousand) and ¥3 million, respectively.

6. Securities and trading account securities

(1) Investments in affiliates

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2024 and 2023 totaled ¥86 million (\$567 thousand) and ¥50 million, respectively.

(2) Securities lending transactions

National government bonds as of March 31, 2024 and 2023 included bonds of nil and ¥10,099 million, respectively, which were lent to third parties without collateral under lending contracts.

(3) Trading account securities

Valuation profit (losses) of nil and ¥0 million were recognized for the fiscal years ended March 31, 2024 and 2023, respectively.

(4) Held-to-maturity debt securities

Consolidated balance sheet amount and fair value of held-to-maturity securities and their difference as of March 31, 2024 and 2023 were as follows:

2024	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
Fair value not exceeding consolidated balance sheet amount			
Bonds:			
Local	¥ 89,662	¥ 89,442	¥(219)
Corporate	30,055	29,972	(82)
Subtotal	119,717	119,414	(302)
Total	¥119,717	¥119,414	¥(302)
2023	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount			
Bonds:			
Local	¥36,900	¥37,068	¥168
Subtotal	36,900	37,068	168
Total	¥36,900	¥37,068	¥168

2024	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
Fair value not exceeding consolidated balance sheet amount			
Bonds:			
Local.....	\$592,180	\$590,727	\$(1,446)
Corporate.....	198,500	197,952	(541)
Subtotal	790,680	788,679	(1,994)
Total	\$790,680	\$788,679	\$(1,994)

(5) Available-for-sale securities

(a) Consolidated balance sheet amount and acquisition cost of available-for-sale securities and their difference as of March 31, 2024 and 2023 were as follows:

2024	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥146,017	¥ 44,609	¥101,407
Bonds:			
Local.....	10,557	10,544	12
Corporate.....	9,192	9,178	14
Subtotal	19,750	19,723	27
Other	85,145	82,409	2,735
Subtotal	250,913	146,742	104,170
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	3,702	4,595	(892)
Bonds:			
National	18,048	18,075	(27)
Local.....	327,688	338,966	(11,277)
Corporate.....	165,105	169,801	(4,695)
Subtotal	510,843	526,842	(15,999)
Other	224,414	240,388	(15,973)
Subtotal	738,960	771,826	(32,865)
Total	¥989,873	¥918,568	¥ 71,304

2023	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 98,773	¥ 41,497	¥ 57,276
Bonds:			
National	18,178	18,118	59
Local.....	19,786	19,669	116
Corporate.....	21,591	21,558	33
Subtotal	59,556	59,346	209
Other	56,050	55,650	399
Subtotal	214,380	156,494	57,885
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	9,996	11,821	(1,824)
Bonds:			
National	20,721	22,852	(2,131)
Local.....	335,300	344,350	(9,050)
Corporate.....	175,726	179,250	(3,523)
Subtotal	531,748	546,454	(14,705)
Other	244,695	265,185	(20,489)
Subtotal	786,441	823,461	(37,019)
Total	¥1,000,822	¥979,955	¥ 20,866

2024	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	\$ 964,381	\$ 294,623	\$ 669,751
Bonds:			
Local.....	69,724	69,638	79
Corporate.....	60,709	60,616	92
Subtotal	130,440	130,262	178
Other	562,347	544,277	18,063
Subtotal	1,657,175	969,169	687,999

Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	24,450	30,348	(5,891)
Bonds:			
National	119,199	119,377	(178)
Local.....	2,164,242	2,238,729	(74,479)
Corporate.....	1,090,449	1,121,464	(31,008)
Subtotal	3,373,905	3,479,572	(105,666)
Other	1,482,161	1,587,662	(105,495)
Subtotal	4,880,523	5,097,589	(217,059)
Total	\$6,537,698	\$6,066,759	\$ 470,933

(b) Gains and losses on sale of available-for-sale securities for the fiscal years ended March 31, 2024 and 2023 are as follows:

2024	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	¥ 6,512	¥3,753	¥ 791
Bonds:			
National	20,089	—	2,763
Local.....	13,749	16	104
Corporate.....	13,382	0	147
Subtotal	47,221	16	3,014
Other	62,850	74	4,175
Total	¥116,584	¥3,844	¥7,981

2023	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	¥ 7,539	¥2,997	¥ 127
Bonds:			
National	210,121	245	6,779
Local.....	58,610	48	96
Corporate.....	30,581	5	252
Subtotal	299,313	299	7,128
Other	158,855	134	10,870
Total	¥465,709	¥3,431	¥18,126

2024	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	\$ 43,009	\$24,787	\$ 5,224
Bonds:			
National	132,679	—	18,248
Local.....	90,806	105	686
Corporate.....	88,382	0	970
Subtotal	311,875	105	19,906
Other	415,098	488	27,574
Total	\$769,988	\$25,388	\$52,711

(6) Impairment losses on securities

For securities other than trading securities (excluding shares, etc. that do not have a market price and investments in partnerships), if the fair value has fallen significantly below their acquisition cost and the fair value is not expected to recover, said securities are recorded at fair value on the consolidated balance sheet and the valuation difference is treated as loss for the fiscal year (“impairment loss”).

Impairment losses were ¥581 million (\$3,837 thousand) (impairment losses on equity stock of ¥581 million (\$3,837 thousand)) and nil in the fiscal years ended March 31, 2024 and 2023, respectively.

The Bank determines whether fair value has decreased significantly based on the degree of such decrease. If the fair value as of the end of the fiscal year has decreased by 50 percent or greater than acquisition cost, all securities are deemed to have decreased materially. And if the fair value has decreased by 30 percent or more but less than 50 percent, the determination shall be made by taking into account changes in fair value over a certain period in the past and the performance of the issuing company concerned.

7. Net unrealized gains on available-for-sale securities

The following is a breakdown of net unrealized gains on available-for- sale securities recorded in the consolidated balance sheet:

	Thousands of U.S. dollars	
	Millions of yen	2024
Valuation difference	¥71,304	¥20,866
Available-for-sale securities...	71,304	20,866
Money held in trust	—	—
Deferred tax liabilities.....	(21,530)	(6,196)
Net unrealized gains on available-for-sale securities (before equity equivalent).....	49,774	14,669
Net unrealized gains attributable to non-controlling interests	—	—
Parent’s ownership interest of affiliates’ unrealized gains on available-for-sale securities	—	—
Net unrealized gains on available-for-sale securities	¥49,774	¥14,669

8. Loans and bills discounted

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions are as follows. Claims include corporate bonds in “Securities” in the consolidated balance sheets (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part, and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange assets, accrued interest and suspense payments in “Other assets,” and customers’ liabilities for acceptances and guarantees, as well as the securities in the case of a loan of securities (limited to those under a loan-for-use or lease agreement) that are indicated in the notes.

	Thousands of U.S. dollars	
	Millions of yen	2024
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥ 5,229	¥ 5,695
Claims with risks	24,343	29,509
Claims requiring management	22,673	26,087
Loans overdue for three months or more	186	374
Restructured loans	22,486	25,712
Sub-total	52,246	61,293
Ordinary claims.....	3,419,858	3,348,285
Total	¥3,472,105	¥3,409,579

Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto mean the claim held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Claims with risks mean the claims whose debtor is not yet in the status of failure in business although such debtor’s financial status and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, excluding the claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto.

Loans overdue for three months or more mean loans for which payment of principal or interest has been delayed for three months or more from the date following the agreed payment date, excluding the claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto and the claims with risks.

Restructured loans mean loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, concessions of principal repayment, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors, excluding the claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto, the claims with risks and the loans overdue for three months or more.

Ordinary claims mean the claims categorized as those other than the claims set forth above, whose debtors are not found to be problematic in terms of the financial status and business performance.

The above claim amounts are before deduction of reserve for possible loan losses.

Bills discounted are treated as financial transactions in accordance with “Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022).” Commercial bills and foreign bills bought are permitted to be sold or pledged and their total face value was as follows:

Bills discounted	Thousands of U.S. dollars	
	Millions of yen	2024
	2024	2023
	¥13,259	¥13,572

9. Guarantee obligations

Guarantee obligations for bonds in private placement (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) included in corporate bonds under “Securities” in the consolidated balance sheets were ¥20,492 million (\$135,341 thousand) and ¥23,707 million as of March 31, 2024 and 2023, respectively.

10. Assets pledged as collateral

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets pledged as collateral:			
Securities	¥583,033	¥561,172	\$3,850,690
Loans and bills discounted	65,118	130,080	430,077
Cash (other assets)	537	22	3,546
Total	648,689	691,275	4,284,320
Liabilities corresponding to assets pledged as collateral:			
Deposits	10,934	17,040	72,214
Borrowed money	595,134	604,762	3,930,612

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Securities.....	¥ —	¥ 71	\$ —
Other assets	30,000	30,000	198,137

As of March 31, 2024 and 2023, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥4,901 million (\$32,369 thousand) and ¥9,298 million, and guarantees and household deposits of ¥1,033 million (\$6,822 thousand) and ¥1,051 million, respectively.

11. Commitment line agreements on overdrafts and loans

Commitment line agreements on overdrafts and loans are agreements to lend funds to customers upon application up to a prescribed amount as long as there is no violation of any condition established in the contract. The balance of unused loans under these agreements as of March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unused commitments	¥1,008,134	¥1,040,754	\$6,658,305
Contracts with less than a year of contract period or contacts that are cancellable unconditionally at any time	928,079	945,905	6,129,575

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily have effect on the future cash flow of the Group. Many of these commitments have clauses that allow the Group to refuse an application from customers or reduce the limit amount with proper reasons (e.g. changes in financial situation, to secure claims, etc.). In addition, the Group may request the customers to pledge collateral such as real estate and securities at the time of the contracts if necessary and take necessary measures periodically based on a prescribed internal procedure after conclusion of contracts such as monitoring customers' business status, revising contracts and securing claims.

12. Income taxes

(1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Net unrealized losses on available-for-sale securities	¥ 9,991	¥ 11,253	\$ 65,986
Excess reserve for possible loan losses.....	6,551	6,440	43,266
Excess depreciation	970	1,016	6,406
Reserve for bonuses.....	446	488	2,945
Loss on devaluation of equity securities	342	337	2,258
Net deferred losses on hedging instruments.....	321	77	2,120
Other	2,272	2,185	15,005
Subtotal	20,895	21,799	138,002
Valuation reserve	(6,728)	(6,362)	(44,435)
Deferred tax assets	14,167	15,437	93,567
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(31,521)	(17,450)	(208,183)
Net defined benefit asset	(2,883)	(19)	(19,041)
Net deferred gains on hedging instruments.....	(315)	(137)	(2,080)
Reserve for advanced depreciation of non-current assets.....	(119)	(119)	(785)
Other	(51)	(25)	(336)
Deferred tax liabilities	(34,891)	(17,752)	(230,440)
Net deferred tax liabilities	¥(20,724)	¥ (2,315)	\$(136,873)

(2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting for the fiscal years ended March 31, 2024 and 2023.

	2024	2023
Statutory income tax rate	30.4%	30.4%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	0.5	0.5
Non-taxable income, including dividend income	(3.0)	(3.4)
Per-capita resident tax	0.4	0.4
Increase (decrease) of valuation reserve	2.6	1.1
Other	1.5	1.5
Effective income tax rate under tax-effect accounting	32.4%	30.5%

13. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2024 and 2023 amounted to ¥38,406 million (\$253,655 thousand) and ¥37,755 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,405 million (\$15,884 thousand) and ¥2,396 million as of March 31, 2024 and 2023, respectively. Reduction entry for the fiscal years ended March 31, 2024 and 2023 amounted to ¥8 million (\$2 thousand) and nil, respectively.

14. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank's land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liability for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as revaluation reserve for land in stockholders' equity.

As of March 31, 2024 and 2023, the difference between the carrying amount and the fair value of the revalued land was ¥12,007 million (\$79,301 thousand) and ¥12,322 million, respectively.

15. Asset retirement obligations

Notes on asset retirement obligations have been omitted due to immateriality.

16. Investment and rental property

Notes on investment and rental property have been omitted due to immateriality.

17. Other income

Other income includes the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Lease revenue	¥6,874	¥7,251	\$45,399
Gain on sale of equity securities ...	3,753	2,997	24,787

18. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥14,424 million (\$95,264 thousand) and ¥14,358 million for the fiscal years ended March 31, 2024 and 2023, respectively.

19. Other expenses

(1) Other expenses include the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cost of lease	¥5,614	¥5,978	\$37,078
Loan write-offs	1,347	1,433	8,896

(2) Impairment losses

During the fiscal years ended March 31, 2024 and 2023, the Bank recorded impairment losses on fixed assets as described below:

	Millions of yen		
	Impairment losses		
	2024	2023	
Kagawa Pref. ... Assets for business use and idle assets (2024: 25 locations 2023: 27 locations)	Land, buildings and movables	¥77	¥61
		land: 39	land: 21
		buildings: 32	buildings: 38
		movables: 5	movables: 2
Other	Assets for business use and idle assets (2024: 5 locations 2023: 3 locations)	Land and buildings and movables	
		¥159	¥0
		land: 145	land: 0
		buildings: 13	buildings: 0
		movables: 0	movables: 0
Total		¥236	¥63
		land: 185	land: 21
		buildings: 46	buildings: 39
		movables: 5	movables: 2

	Thousands of U.S. dollars
	Impairment losses
	2024
Kagawa Pref. ... Assets for business use and idle assets (2024: 25 locations)	Land, buildings and movables
	\$508
	land: 257
	buildings: 211
	movables: 33
Other	Assets for business use and idle assets (2024: 5 locations)
	Land and buildings
	\$1,050
	land: 957
	buildings: 85
	movables: 0
Total	\$1,558
	land: 1,221
	buildings: 303
	movables: 33

The Bank posted impairment losses of ¥236 million (\$1,558 thousand) and ¥63 million, respectively, during the fiscal years ended March 31, 2024 and 2023 on land, buildings and movables due to a fall in operating cash flows and continuous declines in land prices. The Bank reduced the carrying amounts of the corresponding assets to the recoverable amounts, and recorded the difference between the carrying amount and recoverable amount of each asset as impairment losses under other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment losses; however, jointly managed branches are treated as a single cash generating unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future.

At the Bank's consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

For the fiscal year ended March 31, 2024 and 2023, the recoverable amounts are measured using the higher of either the net selling prices or the value in use. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal.

20. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive loss:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized losses on available-for-sale securities, net of taxes:			
Amount recognized during the year	¥48,290	¥(26,745)	\$318,935
Amount of recycling	2,147	10,551	14,180
Prior to income tax effect.....	50,438	(16,194)	333,121
Income tax effect	(15,333)	4,972	(101,268)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	35,105	(11,222)	231,853
Net deferred gains (losses) on hedging instruments, net of taxes:			
Amount recognized during the year	(5,421)	(5,291)	(35,803)
Amount of recycling	5,205	1,738	34,376
Prior to income tax effect.....	(215)	(3,552)	(1,419)
Income tax effect	65	1,080	429
Net deferred losses on hedging instruments	(150)	(2,472)	(990)
Remeasurements of defined benefit plans:			
Amount recognized during the year	9,950	6,242	65,715
Amount of recycling	(781)	154	(5,158)
Prior to income tax effect.....	9,169	6,397	60,557
Income tax effect	(2,787)	(1,944)	(18,406)
Remeasurements of defined benefit plans	6,381	4,452	42,143
Total other comprehensive loss	¥41,336	¥ (9,242)	\$273,007

21. Finance leases

Information on finance leases for the fiscal years ended March 31, 2024 and 2023 are as follows:

1. As lessee
Finance lease transactions that do not transfer ownership

(1) Components of lease assets

(a) Tangible fixed assets
Primarily consisting of ATMs
(b) Intangible fixed assets
Not applicable.

(2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in “3. Significant accounting policies (5) Depreciation”.

2. As lessor

(1) Breakdown of investment in leases

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Lease receivables.....	¥16,978	¥17,557	\$112,132
Estimated residual value.....	2,799	2,791	18,486
Interest received	(1,911)	(1,929)	(12,621)
Investments in leases	¥17,866	¥18,419	\$117,997

(2) Schedule for collection of lease receivables and receivables on investments in leases by leasing contract maturity

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2024		
Up to 1 year	¥62	¥5,607
Over 1 year, up to 2 years.....	44	4,356
Over 2 years, up to 3 years	23	3,126
Over 3 years, up to 4 years	21	2,083
Over 4 years, up to 5 years	2	1,172
Over 5 years.....	—	632

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2023		
Up to 1 year	¥101	¥5,742
Over 1 year, up to 2 years.....	63	4,542
Over 2 years, up to 3 years	46	3,277
Over 3 years, up to 4 years	24	2,069
Over 4 years, up to 5 years	23	1,094
Over 5 years.....	2	832

	Thousands of U.S. dollars	
	Lease receivables	Receivables on investments in leases
2024		
Up to 1 year	\$409	\$37,031
Over 1 year, up to 2 years.....	290	28,769
Over 2 years, up to 3 years	151	20,645
Over 3 years, up to 4 years	138	13,757
Over 4 years, up to 5 years	13	7,740
Over 5 years.....	—	4,174

3. Operating leases

Not applicable for the fiscal years ended March 31, 2024 and 2023.

22. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Group provides banking services, including leasing and other financial services.The Group limits risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. It categorizes capital (risk capital) according to the size of the risk, engaging in “integrated risk management,” incorporating a capital allocation system that monitors risk versus return.The Group continues to improve efficiency in risk management, ensuring greater stability and soundness for the business as a whole.

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

The major types of financial assets held by the Group are loans and bills discounted and securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group's stockholders' equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are used as a pure investment vehicle or as a non-pure investment vehicle. In addition, certain bonds are held for resale and held-to-maturity. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and/or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

For certain interest rate swaps, individual deferred hedge accounting is applied so that the hedged items and hedging instruments directly match. Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter. In addition, the Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Committee Practical Guideline No. 25 for currency swap and foreign exchange swap transactions that are concluded for the purpose of hedging foreign exchange rate risk associated with foreign currency denominated financial assets. Hedge effectiveness of these hedge transactions is evaluated by confirming the correspondence of the position to the amount of foreign currency denominated financial assets hedged.

(3) Risk management for financial instruments

(a) Credit risk management

The Group has compiled Credit Risk Management Rules and related documents, and the Risk Management Committee (Risk Management Subcommittee) monitors and manages credit risk exposures.

In addition, the Risk Management Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits.

(b) Market risk management

The Group has established Market Risk Management Rules along with relevant documentation, and the Risk Management Committee (Risk Management Subcommittee) monitors market risk and maintains management systems. The Revenue Management Committee (Budget ALM Subcommittee) deliberates on the stability of medium and long-term profit in light of risk circumstances.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

(i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and/or profits and losses for securities, derivatives, and other market transactions. The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of ALM.

(ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

(iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

(iv) Quantitative information regarding market risks

- a. Financial instruments held for trading purposes
In measuring the VaR of interest rate risks associated with trading securities, interest rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Group applies the historical simulation method with a holding period of 10 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2024 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥8 million (\$52 thousand) (compared with ¥12 million at the end of the previous fiscal year).

- b. Financial instruments not held for trading purposes
In measuring the VaR of interest rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares and investment trusts, etc. the Group applies the historical simulation method with a holding period of 120 days, a confidence interval of 99% and an observation period of 1,200 business days.
The VaR of financial instruments not held for trading purposes amounted to ¥59,702 million (\$394,306 thousand) and ¥48,018 million as of March 31, 2024 and 2023, respectively.

- c. VaR
The Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.
However, VaR determined using the historical simulation method is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances. To supplement the limitations of VaR, the Group conducts stress testing periodically in addition to the management using VaR.

(c) Liquidity risk management

The Group has established Liquidity Risk Management Rules and other related guidelines as a basis for managing liquidity risk. The Group has also established Liquidity Crisis Response Rules to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classify them into the categories of “caution” and “crisis”, thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group's investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on the said risk.

(4) Supplementary information regarding fair value of financial instruments

Since certain assumptions are used to calculate the fair value of financial instruments, the said value may vary when differing assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2024 and 2023 are as follows. Shares, etc. that do not have a market price and investments in partnerships are not readily determinable are not included in the following table (Note 1). Notes to cash and due from banks, call loans and bills bought, monetary claims bought, foreign exchange (assets and liabilities), and call money and bills sold are omitted because the fair values approximate book values due to their short maturities.

2024	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Securities			
Held-to-maturity debt securities	¥ 119,717	¥ 119,414	¥ (302)
Available-for-sale securities	989,873	989,873	—
(2) Loans and bills discounted	3,428,362		
Reserve for possible loan losses*1	(15,889)		
	3,412,473	3,372,381	(40,092)
Total assets	4,522,064	4,481,669	(40,394)
(1) Deposits	4,676,957	4,677,266	308
(2) Negotiable certificates of deposit	72,678	72,680	2
(3) Borrowed money	615,210	614,962	(248)
Total liabilities	5,364,846	5,364,909	62
Derivative transactions*2			
Not subject to hedge accounting	568	568	—
Subject to hedge accounting	(1,369)	(1,369)	—
Total derivative transactions	¥ (801)	¥ (801)	¥ —

2023	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Trading account securities	¥ 9	¥ 9	¥ —
(2) Securities			
Held-to-maturity debt securities	36,900	37,068	168
Available-for-sale securities	1,000,822	1,000,822	—
(3) Loans and bills discounted	3,362,245		
Reserve for possible loan losses*1	(16,087)		
	3,346,158	3,321,294	(24,863)
Total assets	4,383,889	4,359,195	(24,694)
(1) Deposits	4,696,403	4,696,925	522
(2) Negotiable certificates of deposit	84,267	84,270	2
(3) Borrowed money	624,432	624,262	(169)
Total liabilities	5,405,102	5,405,458	355
Derivative transactions*2			
Not subject to hedge accounting	(314)	(314)	—
Subject to hedge accounting	(2,554)	(2,554)	—
Total derivative transactions	¥ (2,868)	¥ (2,868)	¥ —

2024	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
(1) Securities			
Held-to-maturity debt securities	\$ 790,680	\$ 788,679	\$ (1,994)
Available-for-sale securities	6,537,698	6,537,698	—
(2) Loans and bills discounted	22,642,903		
Reserve for possible loan losses*1	(104,940)		
	22,537,963	22,273,172	(264,790)
Total assets	29,866,349	29,599,557	(266,785)
(1) Deposits	30,889,353	30,891,394	2,034
(2) Negotiable certificates of deposit	480,007	480,021	13
(3) Borrowed money	4,063,205	4,061,567	(1,637)
Total liabilities	35,432,573	35,432,989	409
Derivative transactions*2			
Not subject to hedge accounting	3,751	3,751	—
Subject to hedge accounting	(9,041)	(9,041)	—
Total derivative transactions	\$ (5,290)	\$ (5,290)	\$ —

*1 General reserve for possible loan losses and specific reserve for possible loan losses for loans and bills discounted are deducted from above.

*2 Derivative transactions in the above table are recorded on a net basis with liabilities presented in parentheses.

*3 Items with no material impact have not been listed.

(Note 1) The consolidated balance sheet amount of shares, etc. that do not have a market price and investments in partnership are as follows. These are not included in Available-for-sale securities in the tables above.

Category	Thousands of U.S. dollars	
	Millions of yen	Consolidated balance sheet amount
	2024	2023
1. Private equity shares*1*2	¥2,670	¥2,653
2. Investments in partnership*3*4 ..	5,566	4,289
		36,761

*1 Private equity shares are excluded from 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 loss on private equity shares of nil and ¥5 million were recognized for the fiscal years ended March 31, 2024 and 2023, respectively.

*3 Investments in partnership are excluded from the disclosure of fair value in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

*4 Impairment loss on investments in partnership of ¥63 million (\$416 thousand) and ¥37 million were recognized for the fiscal years ended March 31, 2024 and 2023, respectively.

(Note 2) The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2024 and 2023 are as follows:

2024	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Securities:						
Held-to-maturity debt securities	¥ —	¥ —	¥119,980	¥ —	¥ —	¥ —
Local government bonds	—	—	89,800	—	—	—
Corporate bonds	—	—	30,180	—	—	—
Available-for-sale securities with maturities	37,924	143,872	155,137	197,430	226,642	52,808
National government bonds	—	18,000	—	—	—	—
Local government bonds	13,224	7,273	28,978	123,157	151,162	25,672
Corporate bonds	10,033	23,274	20,511	67,614	42,510	15,037
Other	14,666	95,325	105,647	6,658	32,969	12,098
Loans and bills discounted*	1,309,127	541,982	390,799	287,505	312,306	546,183
Total	¥1,347,051	¥685,855	¥665,917	¥484,935	¥538,949	¥598,992

2023	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Securities:						
Held-to-maturity debt securities	¥ —	¥ —	¥ 26,166	¥ 10,830	¥ —	¥ —
Local government bonds	—	—	26,166	10,830	—	—
Available-for-sale securities with maturities	52,077	86,000	154,131	156,275	330,833	75,294
National government bonds	—	18,000	—	—	—	22,000
Local government bonds	9,073	18,309	10,875	80,957	216,062	28,710
Corporate bonds	12,529	24,799	11,249	62,954	73,310	15,944
Other	30,473	24,891	132,006	12,364	41,460	8,639
Loans and bills discounted*	1,244,062	571,071	379,764	275,465	303,009	542,438
Total	¥1,296,139	¥657,071	¥560,062	¥442,571	¥633,843	¥617,733

2024	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Securities:						
Held-to-maturity debt securities	\$ —	\$ —	\$ 792,417	\$ —	\$ —	\$ —
Local government bonds	—	—	593,091	—	—	—
Corporate bonds	—	—	199,326	—	—	—
Available-for-sale securities with maturities	250,472	950,214	1,024,615	1,303,942	1,496,876	348,774
National government bonds	—	118,882	—	—	—	—
Local government bonds	87,339	48,035	191,387	813,400	998,362	169,552
Corporate bonds	66,263	153,715	135,466	446,562	280,760	99,313
Other	96,862	629,581	697,754	43,973	217,746	79,902
Loans and bills discounted*	8,646,238	3,579,565	2,581,064	1,898,850	2,062,651	3,607,311
Total	\$8,896,710	\$4,529,786	\$4,398,104	\$3,202,793	\$3,559,533	\$3,956,092

*Loans and bills discounted do not include ¥29,488 million (\$194,755 thousand) and ¥35,174 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt debtors or other loans of which repayment is not expected, or ¥10,968 million (\$72,439 thousand) and ¥11,259 million in loans with no established maturity as of March 31, 2024 and 2023, respectively.

(Note 3) The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2024 and 2023 is as follows:

2024	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥4,497,146	¥152,849	¥ 15,423	¥10,140	¥1,398	¥ —
Negotiable certificates of deposit	72,678	—	—	—	—	—
Borrowed money	140,703	336,944	136,665	324	220	352
Total	¥4,710,527	¥489,794	¥152,088	¥10,464	¥1,618	¥352

2023	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥4,497,302	¥182,443	¥ 6,299	¥10,144	¥213	¥ —
Negotiable certificates of deposit	84,267	—	—	—	—	—
Borrowed money	138,289	269,576	215,029	877	233	425
Total	¥4,719,859	¥452,019	¥221,328	¥11,021	¥446	¥425

	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2024						
Deposits*	\$29,701,776	\$1,009,503	\$ 101,862	\$66,970	\$ 9,233	\$ —
Negotiable certificates of deposit	480,007	—	—	—	—	—
Borrowed money	929,284	2,225,374	902,615	2,139	1,453	2,324
Total	\$31,111,069	\$3,234,885	\$1,004,477	\$69,110	\$10,686	\$2,324

*Among deposits, demand deposits are included in “Up to 1 year.”

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

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

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for identical assets or liabilities.

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

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

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

(1) Financial instruments measured at fair value

	Millions of yen			
	Fair Value			
2024	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
National government bonds	¥ 18,048	¥ —	¥ —	¥ 18,048
Local government bonds	—	338,246	—	338,246
Corporate bonds.....	—	153,820	20,477	174,298
Equity stock	149,720	—	—	149,720
Other	26,808	272,640	9,994	309,442
Total assets	¥194,576	¥764,707	¥30,472	¥989,756
Derivative transactions				
Interest rate related	¥ —	¥ 292	¥ —	¥ 292
Currency related	—	(1,093)	—	(1,093)
Total derivative transactions	¥ —	¥ (801)	¥ —	¥ (801)

* For investment trusts to which the treatment of deeming net asset value as fair value is applied, no note is provided regarding the fair value information by level within the fair value hierarchy. The amount of such investment trusts in the consolidated balance sheet as of March 31, 2024 is ¥117 million (\$772 thousand).

	Millions of yen			
	Fair Value			
2023	Level 1	Level 2	Level 3	Total
Trading account securities and securities:				
Trading securities				
National government bonds	¥ 9	¥ —	¥ —	¥ 9
Available-for-sale securities.....				
National government bonds	38,899	—	—	38,899
Local government bonds	—	355,087	—	355,087
Corporate bonds.....	—	173,668	23,650	197,318
Equity stock	108,770	—	—	108,770
Other	21,254	270,647	8,728	300,630
Total assets.....	¥168,934	¥799,402	¥32,378	¥1,000,715
Derivative transactions				
Interest rate related	¥ —	¥ 668	¥ —	¥ 668
Currency related	—	(3,536)	—	(3,536)
Total derivative transactions	¥ —	¥ (2,868)	¥ —	¥ (2,868)

* For investment trusts to which the treatment of deeming net asset value as fair value is applied, no note is provided regarding the fair value information by level within the fair value hierarchy. The amount of such investment trusts in the consolidated balance sheet as of March 31, 2023 is ¥115 million.

	Thousands of U.S. dollars			
	Fair Value			
2024	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
National government bonds	\$ 119,199	\$ —	\$ —	\$ 119,199
Local government bonds	—	2,233,973	—	2,233,973
Corporate bonds.....	—	1,015,917	135,242	1,151,165
Equity stock	988,838	—	—	988,838
Other	177,055	1,800,673	66,006	2,043,735
Total assets	\$1,285,093	\$5,050,571	\$201,254	\$6,536,926
Derivative transactions				
Interest rate related	\$ —	\$ 1,928	\$ —	\$ 1,928
Currency related	—	(7,218)	—	(7,218)
Total derivative transactions	\$ —	\$ (5,290)	\$ —	\$ (5,290)

* For investment trusts to which the treatment of deeming net asset value as fair value is applied, no note is provided regarding the fair value information by level within the fair value hierarchy. The amount of such investment trusts in the consolidated balance sheet is \$772 thousand.

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

	Millions of yen			
	Fair Value			
2024	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Local government bonds	¥—	¥ 89,442	¥ —	¥ 89,442
Corporate bonds.....	—	29,972	—	29,972
Loans and bills discounted	—	—	3,372,381	3,372,381
Total assets	¥—	¥ 119,414	¥3,372,381	¥3,491,796
Deposits.....	¥—	¥4,677,266	¥ —	¥4,677,266
Negotiable certificates of deposit	—	72,680	—	72,680
Borrowed money	—	614,962	—	614,962
Total liabilities.....	¥—	¥5,364,909	¥ —	¥5,364,909

	Millions of yen			
	Fair Value			
2023	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Local government bonds	¥—	¥ 37,068	¥ —	¥ 37,068
Loans and bills discounted	—	—	3,321,294	3,321,294
Total assets.....	¥—	¥ 37,068	¥3,321,294	¥3,358,363
Deposits.....	¥—	¥4,696,925	¥ —	¥4,696,925
Negotiable certificates of deposit	—	84,270	—	84,270
Borrowed money	—	624,262	—	624,262
Total liabilities.....	¥—	¥5,405,458	¥ —	¥5,405,458

	Thousands of U.S. dollars			
	Fair Value			
2024	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Local government bonds	\$—	\$ 590,727	\$ —	\$ 590,727
Corporate bonds.....	—	197,952	—	197,952
Loans and bills discounted	—	—	22,273,172	22,273,172
Total assets.....	\$—	\$ 788,679	\$22,273,172	\$23,061,858
Deposits.....	\$—	\$30,891,394	\$ —	\$30,891,394
Negotiable certificates of deposit	—	480,021	—	480,021
Borrowed money	—	4,061,567	—	4,061,567
Total liabilities.....	\$—	\$35,432,989	\$ —	\$35,432,989

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

Assets

Trading account securities and securities:

Trading account securities and securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 fair value. This mainly includes listed equity stock and national government bonds.

Securities for which published quoted market prices are available but the market is not active are classified as Level 2 fair value. This mainly includes local government bonds and corporate bonds. For investment trusts for which no market trading prices exist, the net asset value is used as fair value and classified as Level 2 fair value if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests.

When quoted market prices are not available, fair value is estimated using valuation techniques such as valuation prices obtained from third parties such as brokers or present value of future cash flows. The valuation is based on the maximum use of observable inputs, which include TIBOR, national government bond yields, swap rates, and credit spreads. When significant unobservable inputs are used in the calculation, the fair value is classified as Level 3 fair value.

The fair value of self-guaranteed privately-subscribed bonds is calculated by discounting the total amount of principal and interest by the interest rate that would be assumed if similar bonds were issued, by category based on internal rating and term, and is classified as Level 3 fair value because the discount rate is unobservable.

Notes regarding securities by purpose of holding are described in “6. Securities and trading account securities.”

Loans and bills discounted:

The fair value of loans and bills discounted is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable to a similar new loan based on the loan type, internal rating, and term, and is classified as Level 3 fair value because the relevant discount rate is unobservable. For loans to bankrupt, substantially bankrupt and likely to go bankrupt debtors, reserve for possible loan losses is provided based on the present value of estimated future cash flows or the amount expected to be collected through collateral and guarantees, etc. As the fair value approximates the amount of loans less the amount of reserve for possible loan losses on the consolidated balance sheet as of the end of the fiscal year, this value is used as fair value and classified as Level 3 fair value.

For loans and bills discounted that do not have a repayment date due to characteristics such as limiting such loans to the scope of collateral assets, book value is used as fair value because the fair value is assumed to approximate the book value based on the expected repayment period and interest rate terms, etc. Such loans and bills discounted are classified as Level 3 fair value.

Liabilities

Deposits and Negotiable certificates of deposit:

For demand deposits, the amount payable on demand at the end of the fiscal year (book value) is considered to be the fair value. The fair value of time deposits is calculated as the present value of future cash flows discounted by a certain period of time. The discount rate used is the interest rate applicable to new deposits. For those with short deposit terms (6 months or less), book value is used as fair value because the fair value approximates the book value. Such fair value is classified as Level 2 fair value.

Borrowed money:

The present value of borrowed money is calculated by discounting the total amount of principal and interest of the relevant borrowings, classified by a certain period of time, by the interest rate assumed for similar borrowings.

For those with floating interest rates, the book value is used as the fair value because the fair value is considered to approximate the book value since the floating interest rate reflects the market interest rate in a short period of time and the credit conditions of the Bank and its consolidated subsidiaries have not changed significantly since the borrowings were executed. For those with short contractual terms (1 year or less), book value is used as fair value because the fair value approximates the book value. Such fair value is classified as Level 2 fair value.

Derivative transactions:

For exchange-traded transactions, those for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value.

For over-the-counter transactions, fair value is calculated using valuation techniques such as present value techniques and option pricing models with inputs such as interest rates, exchange rates, and volatility. In addition, price adjustments are made based on the credit risk of the counterparty and the Bank’s own credit risk. When unobservable inputs are not used or their effect is not material, the Bank classifies the instruments as Level 2 fair value, and when significant unobservable inputs are used, the Bank classifies the instruments as Level 3 fair value.

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

(1) Quantitative information on significant unobservable inputs

2024	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted average of inputs
Securities:				
Available-for-sale securities:				
Privately-subscribed bonds	Present value technique	Credit spread	(0.07)% to 0.08%	0.00%

2023	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted average of inputs
Securities:				
Available-for-sale securities:				
Privately-subscribed bonds	Present value technique	Credit spread	0.06% to 0.31%	0.17%

(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 securities	
	Privately-subscribed bonds	Structured bonds
2024		
Beginning balance	¥23,650	¥8,728
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	—
Recorded in other comprehensive income (*2)	42	1,266
Purchases, sales, issuances, and settlements (net)	(3,214)	—
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	¥20,477	¥9,994
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period.....	¥ —	¥ —

	Millions of yen	
	Securities	
	Available-for-sale securities	
	Privately-subscribed bonds	Structured bonds
2023		
Beginning balance	¥26,365	¥15,170
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	(1,946)
Recorded in other comprehensive income (*2)	(68)	1,998
Purchases, sales, issuances, and settlements (net)	(2,646)	(6,493)
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	¥23,650	¥ 8,728
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period.....	¥ —	¥ —

	Thousands of U.S. dollars	
	Securities	
	Available-for-sale securities	
	Privately-subscribed bonds	Structured bonds
2024		
Beginning balance	\$156,198	\$57,644
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	—
Recorded in other comprehensive income (*2)	277	8,361
Purchases, sales, issuances, and settlements (net)	(21,227)	—
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	\$135,242	\$66,006
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period.....	\$ —	\$ —

(*1) Included in “other operating income” and “other operating expenses” in the consolidated statements of income.
(*2) Included in “net unrealized gains (losses) on available-for-sale securities” under “other comprehensive income” in the consolidated statements of comprehensive income.
(*3) Transferred out of Level 2 fair value into Level 3 fair value. Not applicable for the fiscal year.
(*4) Transferred out of Level 3 fair value into Level 2 fair value. Not applicable for the fiscal year.

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

The Group’s risk management department and middle office have established policies and procedures for the calculation of fair value, and the front office formulates a fair value model in accordance with these policies and procedures. The fair value calculated by the back office is verified by the middle office to ensure the appropriateness of the fair value valuation model and inputs, and the appropriateness of the classification of fair value levels. The results of the verification are reported to the risk management department each fiscal year to ensure the appropriateness of the fair value calculation policies and procedures.

The fair value model utilizes observable data to the extent possible. In cases where quoted market prices obtained from third parties are used, the Group verifies the appropriateness of the prices by comparing them with recalculated results using observable inputs.

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

Credit spread:

The credit spread is the additional interest rate included in the coupon rate of the privately-subscribed bonds and is an estimate calculated based on the past one year of issuance. A significant increase (decrease) in the credit spread would result in a significant decrease (increase) in the fair value.

23. Accrued retirement benefits

(1) Overview of retirement benefit scheme adopted by the Bank
As defined-benefit type plans, the Bank has established a contract-type defined benefit corporate pension plan and a retirement lump-sum payment plan. In some cases, an extra severance package is provided to employees on their retirement and so on. In addition, the Bank has set up a retirement benefit trust. The Bank’s consolidated subsidiaries have established a retirement lump-sum payment plan as defined-benefit type plans, and a defined contribution pension plan as defined-contribution type plan. Further, for the retirement lump-sum payment plan of consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated by the simplified method.

(2) Defined benefit plan

(a) Reconciliation of retirement benefit obligations at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2024	2023	2024
Retirement benefit obligations at beginning of period	¥51,691	¥58,765	\$341,397
Service costs*	1,253	1,596	8,275
Interest costs	469	139	3,097
Actuarial differences	230	(6,606)	1,519
Retirement benefits paid	(2,146)	(2,202)	(14,173)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥51,498	¥51,691	\$340,122

*Retirement benefit costs of consolidated subsidiaries that apply the simplified method are all recorded within “Service costs.”

(b) Reconciliation of pension assets at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31,	2024	2023	2024
Pension assets at beginning of period	¥67,391	¥66,833	\$445,089
Expected return on pension assets.....	1,206	1,228	7,965
Actuarial differences	10,181	(364)	67,241
Contribution from employer....	1,214	1,232	8,017
Retirement benefits paid	(1,557)	(1,538)	(10,283)
Pension assets at end of period	¥78,436	¥67,391	\$518,037

(c) Reconciliation of retirement benefit obligations and pension assets at end of period and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2024	2023	2024
Retirement benefit obligations of funded plan	¥ 51,498	¥ 51,691	\$ 340,122
Pension assets	(78,436)	(67,391)	(518,037)
	(26,937)	(15,699)	(177,907)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(26,937)	¥(15,699)	\$(177,907)

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2024	2023	2024
Net defined benefit liability.....	¥ 270	¥ 248	\$ 1,783
Net defined benefit asset	(27,207)	(15,948)	(179,690)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(26,937)	¥(15,699)	\$(177,907)

(d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31,	2024	2023	2024
Service costs*	¥ 1,253	¥ 1,596	\$ 8,275
Interest costs	469	139	3,097
Expected return on pension assets	(1,206)	(1,228)	(7,965)
Amortization of actuarial differences	(781)	154	(5,158)
Amortization of past service costs	—	—	—
Retirement benefit costs for defined benefit plans	¥ (265)	¥ 662	\$(1,750)

*Retirement benefit costs of consolidated subsidiaries that use the simplified method are recorded in a lump-sum in “Service costs.”

(e) Remeasurements of defined benefit plans in other comprehensive income

The breakdown of items (before adjusting for tax effects) recorded in remeasurements of defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31,	2024	2023	2024
Actuarial differences	¥9,169	¥6,397	\$60,557
Total	¥9,169	¥6,397	\$60,557

(f) Remeasurements of retirement benefit plans in accumulated other comprehensive income

The following is a breakdown of items (before adjusting for tax effects) recorded in remeasurements of retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2024	2023	2024
Unrecognized actuarial differences	¥13,641	¥4,472	\$90,093
Total	¥13,641	¥4,472	\$90,093

(g) Items related to pension assets

(i) The following is the percentage of total pension assets by main category:

	2024	2023
As of March 31,		
Bonds	12.3%	15.5%
Stocks.....	39.3	35.6
Life insurers’ general account	21.0	24.6
Other	27.4	24.3
Total	100.0%	100.0%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (20.0% and 18.4% as of March 31, 2024 and 2023, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (23.6% and 21.6% as of March 31, 2024 and 2023, respectively).

(ii) Method for determining expected long-term rate of return on pension assets:

To determine expected long-term rate of return on pension assets, the Bank considers the current and projected pension asset allocations, as well as long-term rate of current returns and expected returns from each category consisting of pension assets.

(h) Assumptions for making actuarial calculation

Major assumptions for actuarial calculations at the end of the fiscal year

	2024	2023
1) Discount rate	0.91%	0.91%
2) Expected long-term rate of return.....	mainly 2.00% to 3.00%	mainly 2.00% to 3.00%
3) Assumed salary increase rate	3.22%	3.22%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$46 thousand) and ¥7 million for the years ended March 31, 2024 and 2023, respectively.

24. Stock options

1. Amount and title of expense recognized for stock options

Not applicable.

2. Stock option details, size, and changes

(1) Stock option details

	2014 stock options	2015 stock options	2016 stock options
Category and number of grant recipients	The Bank's ten directors (excluding outside directors)	The Bank's nine directors (excluding outside directors)	The Bank's eight directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 13,660 shares	Common stock: 9,430 shares	Common stock: 13,770 shares
Grant date	July 25, 2014	July 24, 2015	July 26, 2016
Vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified	No service period specified
Exercise period	July 26, 2014 to July 25, 2044	July 25, 2015 to July 24, 2045	July 27, 2016 to July 26, 2046

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

(2) Stock option size and changes

(a) Number of stock options

	2014 stock options	2015 stock options	2016 stock options
Prior to vesting (shares):			
Prior fiscal year end	1,140	1,720	3,680
Granted	—	—	—
Expired	—	—	—
Vested shares	—	—	—
Unvested shares	1,140	1,720	3,680
After vesting (shares):			
Prior fiscal year end	—	—	—
Vested shares	—	—	—
Exercised	—	—	—
Expired	—	—	—
Unexercised.....	—	—	—

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

(b) Unit price information (in year)

	2014 stock options	2015 stock options	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise.....	—	—	—
Fair value on grant date	Per share: ¥3,350	Per share: ¥4,090	Per share: ¥2,850

Note: Converted to the price equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

3. Method for estimating number of vested stock options

In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

25. Derivative transactions

(1) Type of transactions

The Group undertakes the following derivative transactions: interest-rate swaps and others for interest rate-related transactions; currency swaps, forward exchange contracts and currency options for currency-related transactions; and bond futures for bond-related transactions.

(2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank’s assets and liabilities.

Fair value of interest rate-related transactions as of March 31, 2024 and 2023 were as follows:

2024	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥27,023	¥26,658	¥(111)	¥(111)
Variable rate receivable/fixed rate payable	27,023	26,658	403	403
Others:				
Sell	4,663	4,140	(41)	32
Buy	4,663	4,140	41	15
Total			¥ 292	¥ 339

2023	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥29,747	¥28,186	¥ 30	¥ 30
Variable rate receivable/fixed rate payable	29,747	28,186	313	313
Others:				
Sell	6,313	5,922	(47)	49
Buy	6,313	5,922	47	16
Total			¥344	¥409

2024	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	\$178,475	\$176,064	\$ (733)	\$ (733)
Variable rate receivable/fixed rate payable.....	178,475	176,064	2,661	2,661
Others:				
Sell	30,797	27,342	(270)	211
Buy	30,797	27,342	270	99
Total			\$1,928	\$2,238

Fair value of currency-related transactions as of March 31, 2024 and 2023 were as follows:

2024	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps	¥ 7,919	¥ 301	¥ 3	¥ 3
Forward exchange contracts:				
Sell	153,153	27,660	(10,102)	(10,102)
Buy	155,078	27,660	10,448	10,448
Currency options:				
Sell	107,239	77,789	(5,256)	(544)
Buy	107,239	77,789	5,238	1,392
Others:				
Sell	175,536	175,536	(318)	(298)
Buy	175,536	175,536	262	2,222
Total			¥ 275	¥ 3,121

2023	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps	¥ 7,082	¥ 7,082	¥ 2	¥ 2
Forward exchange contracts:				
Sell	150,201	40,316	(2,612)	(2,612)
Buy	138,363	41,405	2,572	2,572
Currency options:				
Sell	112,237	87,715	(6,513)	(1,164)
Buy	112,237	87,715	6,343	1,968
Others:				
Sell	210,522	210,255	4,508	4,535
Buy	210,522	210,255	(4,958)	(2,343)
Total			¥ (658)	¥ 2,957

2024	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps	\$ 52,301	\$ 1,987	\$ 19	\$ 19
Forward exchange contracts:				
Sell	1,011,511	182,682	(66,719)	(66,719)
Buy	1,024,225	182,682	69,004	69,004
Currency options:				
Sell	708,268	513,763	(34,713)	(3,592)
Buy	708,268	513,763	34,594	9,193
Others:				
Sell	1,159,342	1,159,342	(2,100)	(1,968)
Buy	1,159,342	1,159,342	1,730	14,675
Total			\$ 1,816	\$ 20,612

(3) Derivative transactions subject to hedge accounting

The following are the contracted value or the amount equivalent to the principal and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the fiscal year. The contracted value, other price or value below does not indicate by itself the market risk of the derivative transaction.

(a) Interest rate-related transactions

As of March 31, 2024

Not applicable.

As of March 31, 2023

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over	
				1 year	Fair value
General accounting rules	Interest rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥23,100	¥23,100	¥323
Total					¥323

Note: In general, deferred hedge accounting method is applied to hedging transactions for interest rate risk arising from financial assets.

(b) Currency-related transactions

As of March 31, 2024

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥ 75,705	¥68,134	¥(1,774)
	Monetary swaps		144,332	—	404
		Total			¥(1,369)

As of March 31, 2023

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥ 33,421	¥26,706	¥(1,039)
	Monetary swaps		104,834	—	(1,838)
		Total			¥(2,878)

As of March 31, 2024

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	\$500,000	\$449,996	\$(11,716)
	Monetary swaps		953,252	—	2,668
		Total			\$ (9,041)

Note: In general, deferred hedge accounting is applied according to “Accounting and Auditing for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guideline No. 25).

26. Revenue recognition

Disaggregation of revenue from contracts with customers

Category	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Operating income	¥82,146	¥84,888	\$542,540
Of which, Fees and commissions	12,443	12,175	82,180
Foreign exchange services	2,790	2,805	18,426
Deposit and loan services	2,351	2,878	15,527
Securities-related services	1,216	1,097	8,031
Guarantee services	353	380	2,331
Agency services.....	84	91	554
Others.....	5,646	4,922	37,289

(Note)The above table also includes income based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

27. Segment information

(1) Overview of reportable segments

Reportable segments are the Group’s constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities.The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable securities and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by Hyakujushi Lease Co., Ltd.

(2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment

The method of accounting treatment applied to reportable segments is the same as that described in “3. Significant accounting policies.”

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

(3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment

Information about reportable segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2024 and 2023 is as follows:

2024	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	¥ 72,968	¥ 7,080	¥ 80,048	¥ 2,097	¥ 82,146	¥ —	¥ 82,146
Inter-segment transactions.....	573	520	1,094	3,577	4,671	(4,671)	—
Total	¥ 73,541	¥ 7,601	¥ 81,143	¥ 5,674	¥ 86,818	¥ (4,671)	¥ 82,146
Segment profit	¥ 13,278	¥ 391	¥ 13,669	¥ 1,435	¥ 15,105	¥ (547)	¥ 14,557
Segment assets	¥5,819,507	¥27,289	¥5,846,796	¥24,348	¥5,871,145	¥(30,494)	¥5,840,650
Segment liabilities	¥5,508,167	¥21,411	¥5,529,579	¥ 9,493	¥5,539,073	¥(27,608)	¥5,511,464
Other items:.....							
Depreciation	¥ 2,331	¥ 175	¥ 2,506	¥ 300	¥ 2,806	¥ 43	¥ 2,850
Interest income	52,457	343	52,800	116	52,917	(570)	52,347
Interest expenses	14,263	61	14,324	22	14,347	(75)	14,271
Gain from disposal of tangible assets	2	29	32	—	32	(6)	26
Loss from disposal of tangible assets	47	—	47	17	65	—	65
Impairment losses	236	—	236	—	236	—	236
Tax expenses	4,141	73	4,215	435	4,650	(11)	4,639
Increases in tangible fixed assets and intangible fixed assets.....	3,566	—	3,566	269	3,836	84	3,920

2023	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	¥ 75,414	¥ 7,382	¥ 82,796	¥ 2,091	¥ 84,888	¥ —	¥ 84,888
Inter-segment transactions.....	583	563	1,147	3,414	4,561	(4,561)	—
Total	¥ 75,998	¥ 7,945	¥ 83,943	¥ 5,506	¥ 89,450	¥ (4,561)	¥ 84,888
Segment profit	¥ 11,871	¥ 489	¥ 12,361	¥ 1,593	¥ 13,954	¥ (658)	¥ 13,295
Segment assets	¥5,789,023	¥25,614	¥5,814,637	¥23,654	¥5,838,291	¥(28,932)	¥5,809,359
Segment liabilities	¥5,524,635	¥20,279	¥5,544,915	¥ 9,412	¥5,554,328	¥(26,067)	¥5,528,260
Other items:.....							
Depreciation	¥ 2,654	¥ 145	¥ 2,800	¥ 287	¥ 3,088	¥ 41	¥ 3,129
Interest income	48,087	278	48,365	86	48,452	(585)	47,866
Interest expenses	7,906	63	7,970	25	7,995	(88)	7,907
Gain from disposal of tangible assets	0	65	65	—	65	(4)	61
Loss from disposal of tangible assets	74	0	74	10	84	0	84
Impairment losses	63	—	63	—	63	—	63
Tax expenses	3,448	121	3,570	507	4,077	(41)	4,036
Increases in tangible fixed assets and intangible fixed assets.....	2,139	2	2,142	300	2,442	68	2,510

2024	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	\$ 481,923	\$ 46,760	\$ 528,683	\$ 13,849	\$ 542,540	\$ —	\$ 542,540
Inter-segment transactions.....	3,784	3,434	7,225	23,624	30,850	(30,850)	—
Total	\$ 485,707	\$ 50,201	\$ 535,915	\$ 37,474	\$ 573,396	\$ (30,850)	\$ 542,540
Segment profit	\$ 87,695	\$ 2,582	\$ 90,278	\$ 9,477	\$ 99,762	\$ (3,612)	\$ 96,142
Segment assets	\$38,435,420	\$180,232	\$38,615,652	\$160,808	\$38,776,467	\$ (201,400)	\$38,575,061
Segment liabilities	\$36,379,149	\$141,410	\$36,520,566	\$ 62,697	\$36,583,270	\$ (182,339)	\$36,400,924
Other items:.....							
Depreciation	\$ 15,395	\$ 1,155	\$ 16,551	\$ 1,981	\$ 18,532	\$ 283	\$ 18,823
Interest income	346,456	2,265	348,722	766	349,494	(3,764)	345,730
Interest expenses	94,201	402	94,604	145	94,755	(495)	94,254
Gain from disposal of tangible assets	13	191	211	—	211	(39)	171
Loss from disposal of tangible assets	310	—	310	112	429	—	429
Impairment losses	1,558	—	1,558	—	1,558	—	1,558
Tax expenses	27,349	482	27,838	2,872	30,711	(72)	30,638
Increases in tangible fixed assets and intangible fixed assets.....	23,551	—	23,551	1,776	25,335	554	25,889

Notes: 1. In place of sales, which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.

2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.

3. For the fiscal year ended March 31, 2024, the amounts in the column of “Adjustment” under the following line items primarily represent the elimination arising from the inter-segment transactions: Segment profit, Segment assets, Segment liabilities, Depreciation, Interest income, Interest expenses, Gain from disposal of tangible assets, Tax expenses and Increases in tangible fixed assets and intangible fixed assets.

For the fiscal year ended March 31, 2023, the amounts in the column of “Adjustment” under the following line items primarily represent the elimination arising from the inter-segment transactions: Segment profit, Segment assets, Segment liabilities, Depreciation, Interest income, Interest expenses, Gain from disposal of tangible assets, Loss from disposal of tangible assets, Impairment losses, Tax expenses and Increases in tangible fixed assets and intangible fixed assets.

4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

1. Information on each service

Millions of yen					
	Lending services	Securities investment services	Leasing services	Other	Total
2024					
Income from external customers	¥40,085	¥17,219	¥7,080	¥17,760	¥82,146

Millions of yen					
	Lending services	Securities investment services	Leasing services	Other	Total
2023					
Income from external customers	¥34,809	¥18,106	¥7,382	¥24,589	¥84,888

Thousands of U.S. dollars					
	Lending services	Securities investment services	Leasing services	Other	Total
2024					
Income from external customers	\$264,744	\$113,724	\$46,760	\$117,297	\$542,540

2. Information on each area

(1) Ordinary income

Information is omitted since the amount attributed to income from external customers in Japan accounts for more than 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Information is omitted since the amount attributed to tangible fixed assets located in Japan accounts for more than 90% of the tangible fixed assets in the consolidated balance sheets.

3. Information on each major customer

Information is omitted since there are no specific customers from whom ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

(Information on impairment losses on fixed assets by reportable segment)

Information regarding impairment losses on fixed assets by reportable segment for the years ended March 31, 2024 and 2023 was as follows:

Millions of yen						
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
2024						
Impairment losses on fixed assets.....	¥236	¥—	¥236	¥—	¥—	¥236

Millions of yen						
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
2023						
Impairment losses on fixed assets.....	¥63	¥—	¥63	¥—	¥—	¥63

Thousands of U.S. dollars						
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
2024						
Impairment losses on fixed assets.....	\$1,558	\$—	\$1,558	\$—	\$—	\$1,558

28.Related-party transactions

Not applicable to the fiscal years ended March 31, 2024 and 2023.

29.Per share data

Amounts per share as of March 31, 2024 and 2023 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2024	2023	2024
Net assets per share	¥11,527.06	¥9,719.34	\$76.131
Basic earnings per share	336.20	315.57	2.220
Diluted earnings per share	336.12	315.50	2.219

Notes: 1. Net assets per share figures are calculated on the basis of the following

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2024	2023	2024
Net assets	¥329,186	¥281,098	\$2,174,136
Amount excluded from net assets . (of which, share subscription rights)	21	21	138
Net assets attributable to common stock at the fiscal year-end	329,164	281,077	2,173,991
Number of common stock at the fiscal-year end for calculation of net assets per share (in thousands)	28,555	28,919	

2. Basic and diluted earnings per share figures are calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2024	2023	2024
Basic earnings per share			
Profit attributable to owners of parent.....	¥9,642	¥9,172	\$63,681
Amount not attributable to common stockholders	—	—	—
Profit attributable to common stockholders	9,642	9,172	63,681
Average number of common stock during the year (in thousands)	28,679	29,066	
Diluted earnings per share			
Increase in number of common stock (in thousands)	6	6	
(of which, share subscription rights)	6	6	

3. The Bank's own stock remaining in the BIP Trust recorded as treasury stock in stockholders' equity is included in treasury stock to be deducted in the calculation of net assets per share, basic earnings per share, and diluted earnings per share.

The number of the said treasury stock deducted at year-end in the calculation of net assets per share was 133 thousand shares and 76 thousand shares as of March 31, 2024 and 2023, respectively. Moreover, the average number of the said treasury stock deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 109 thousand shares and 79 thousand shares for the fiscal years ended March 31, 2024 and 2023, respectively.

30.Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2024 is 0.24%.

Annual maturities of borrowed money as of March 31, 2024 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year	¥140,703	\$ 929,284
Over 1 year, up to 2 years.....	121,714	803,870
Over 2 years, up to 3 years	215,230	1,421,504
Over 3 years, up to 4 years	135,057	891,995
Over 4 years, up to 5 years	1,607	10,613
Over 5 years.....	899	5,937

31.Subsequent event

Acquisition and cancellation of treasury stock

At a meeting of the Board of Directors held on May 10, 2024, the Bank resolved to acquire its treasury stock in accordance with the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and implemented the acquisition as described below. In addition, with regard to the cancellation of its treasury stock in accordance with the provisions of Article 178 of the Companies Act, which was resolved at the same meeting of the Board of Directors, the total number of shares to be cancelled was confirmed as described below. (Note 1)

Furthermore, at a meeting of the Board of Directors held on September 20, 2024, the Bank resolved to cancel its treasury stock in accordance with the provisions of Article 178 of the Companies Act. (Note 2)

1. Details of treasury stock acquired

- (1) Type of shares acquired: Common stock
- (2) Total number of shares acquired: 159,800 shares
- (3) Total cost of stock acquired: ¥499.8058 million (\$3,301 thousand)
- (4) Period of acquisition of treasury stock: From June 17, 2024 to August 20, 2024
- (5) Method of acquisition: Market purchase on the Tokyo Stock Exchange

2. Details of treasury stock cancelled

- (1) Type of shares cancelled: Common stock
- (2) Total number of shares cancelled:
 - 159,800 shares (Note 1)
 - 200 shares (Note 2)
 - 160,000 shares in total (Ratio to the total number of shares issued before cancellation: 0.56%)
- (3) Date of completion of cancellation: September 30, 2024
- (4) Total number of shares issued after cancellation: 28,630,000 shares

Independent Auditor’s Report

The Board of Directors
The Hyakujushi Bank, Ltd.

The Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Adequacy of borrower classification in determining the reserve for possible loan losses	
Description of Key Audit Matter	Auditor’s Response
The Group has a wide-area retail network in Japan in 11 prefectures surrounding the Seto Inland Sea and urban areas, mainly in Kagawa Prefecture, with their lending operations representing a core business activity. As of March 31, 2024, loans and	<p>In considering the adequacy of the borrower classification, our audit procedures consisted primarily of the following:</p> <ul style="list-style-type: none"> We evaluated the Group’s internal controls for determining the borrower classification.

bills discounted and advances of 3,428,362 million yen were recorded in the consolidated balance sheet, accounting for 58% of consolidated assets of 5,840,650 million yen.

The collectability of loans to customers by the Group is subject to uncertainties mainly due to economic trends in Japan and overseas, fluctuations in the business conditions of borrowers who operate in Kagawa Prefecture and the surrounding region, and fluctuations in the economic environment such as a decline in the value of secured real estate. As a result, a provision for additional losses arising from new non-performing loans may affect the Group’s financial position and cash flow conditions.

As such, the Group calculates the amounts of expected loans that cannot be collected and records them as a reserve for possible loan losses.

The reserve for possible loan losses included in the consolidated balance sheet as of March 31, 2024, was 17,298 million yen. The method of the calculating the reserve for possible loan losses is described in “(6) Reserve for possible loan losses” and “(18) Significant accounting estimates” under “3. Significant accounting policies” of Notes to Consolidated Financial Statements.

The reserve for possible loan losses is calculated in accordance with the Group’s pre-established self-assessment provision policy. The calculation process includes the determination of the borrower classification, which involves assessing the borrower’s ability to repay loans based on its repayment status, financial position, business performance, and future prospects, including the impact of inflation and rising resource prices.

In determining the classification of borrowers, it is important to determine the outlook for improvement in business performance (including the details of management improvement plans, etc.) as

The controls tested included, but were not limited to, controls to evaluate the accuracy and completeness of schedules used in determining the borrower classification and controls over the underlying credit rating data concerning the borrower.

- We selected samples taking into account the type of business, the location of the borrower, the financial position and repayment capacity, the Group’s lending policy, and potential credit risk estimated from external information. In order to identify risk scenarios where credit risk is assumed to be high from a different perspective than those described above and select borrowers for which there are concerns about deterioration in their future business performance outlook, we performed analysis using a self-assessment anomaly detection tool (a tool used in self-assessment audits to provide support for the selection of testing targets by identifying the location of credit risk through visualization from the standpoint of industries, branches, and regions based on the credit information and financial information of borrowers and by identifying inconsistencies between borrower classifications that are based on a borrower classification predictive model using machine learning for each borrower and borrower classifications that are determined by the Group), and also selected borrowers corresponding to risk scenarios set in consideration of the results of the analysis.

- We inspected data on the recent repayment status of sampled borrowers, their financial position, business performance, and future cash flows, and other business prospects by inspecting information related to the Group’s self-assessment, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of the actual financial position, financial statements, and

there are many cases where uncertainty associated with future business performance increases, especially for entities for which a downgrade in the borrower classification has a certain degree of impact on profit or loss and whose repayment status and financial conditions have deteriorated, entities which have obtained loans following the Group's examination of their future business outlook and growth potential (entities for which an assessment of business feasibility is necessary), and entities which have developed management improvement plans (entities for which a business improvement plan has been formulated).

The above-mentioned outlook for improvement in business performance for borrowers, including debt repayment capacity and business improvement plans, is based on significant assumptions, such as forecasts of future sales and expenses of borrowers. Therefore, the outlook for such improvement is affected by changes in the economic environment surrounding the borrower and the success or failure of its business strategy, and the determination of borrower classification will depend more on the judgment of management.

Accordingly, we have determined that the adequacy of borrower classification in determining the reserve for possible loan losses with respect to entities for which a downgrade in the borrower classification has a certain degree of impact on profit or loss and whose repayment status and financial conditions have deteriorated, entities for which an assessment of business feasibility is necessary, and entities for which a business improvement plan has been formulated to be a key audit matter.

the trial balances. In addition, we examined consistency with reports obtained from credit agencies, made comparisons with available external information, made inquiries to responsible personnel and the head of the loan department, and considered responses received as necessary to supplement our understanding.

- We examined the reasonableness and feasibility of business improvement plans by analyzing the trends from past results of the major planned items such as sales and profits or losses of borrowers, etc., evaluating the accuracy of estimates based on the historical degree of achievement of business improvement plans in previous years, and performing a comprehensive analysis that included the degree of the impact of changes in the economic environment surrounding the borrower such as inflation and rising resource prices. Furthermore, we examined the consistency of the borrower's financial plan and results with reports obtained from credit agencies, made comparisons with available external information, made inquiries to responsible personnel and the head of the loan department, and considered responses received as necessary to supplement our understanding.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



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

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

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

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



Convenience Translation

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

Fee-related Information

The fees for the audits of the financial statements of The Hyakujushi Bank, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 71 million yen and 14 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

October 25, 2024

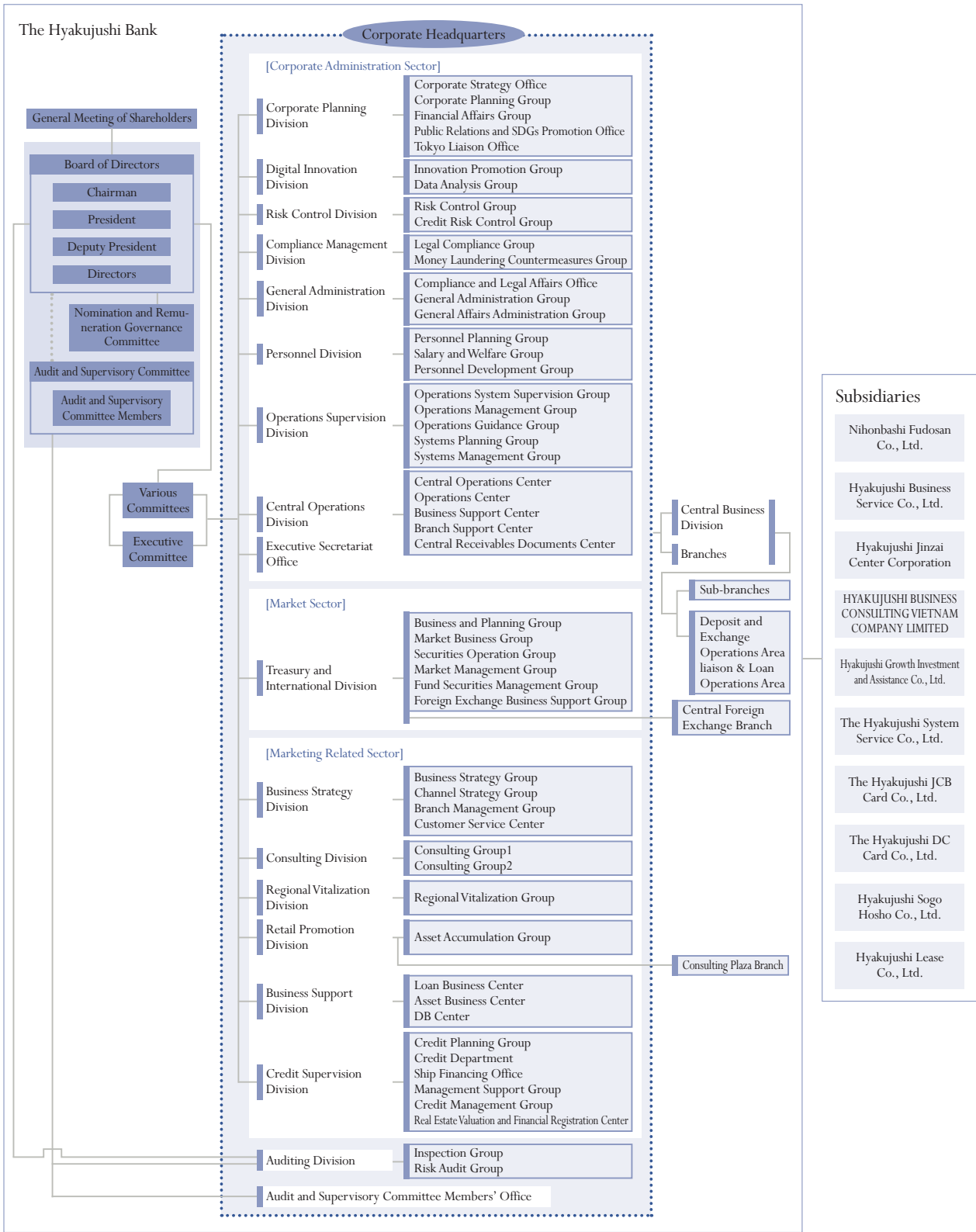
Mayumi Ikai
Mayumi Ikai
Designated Engagement Partner
Certified Public Accountant

Teruaki Kawaguchi
Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

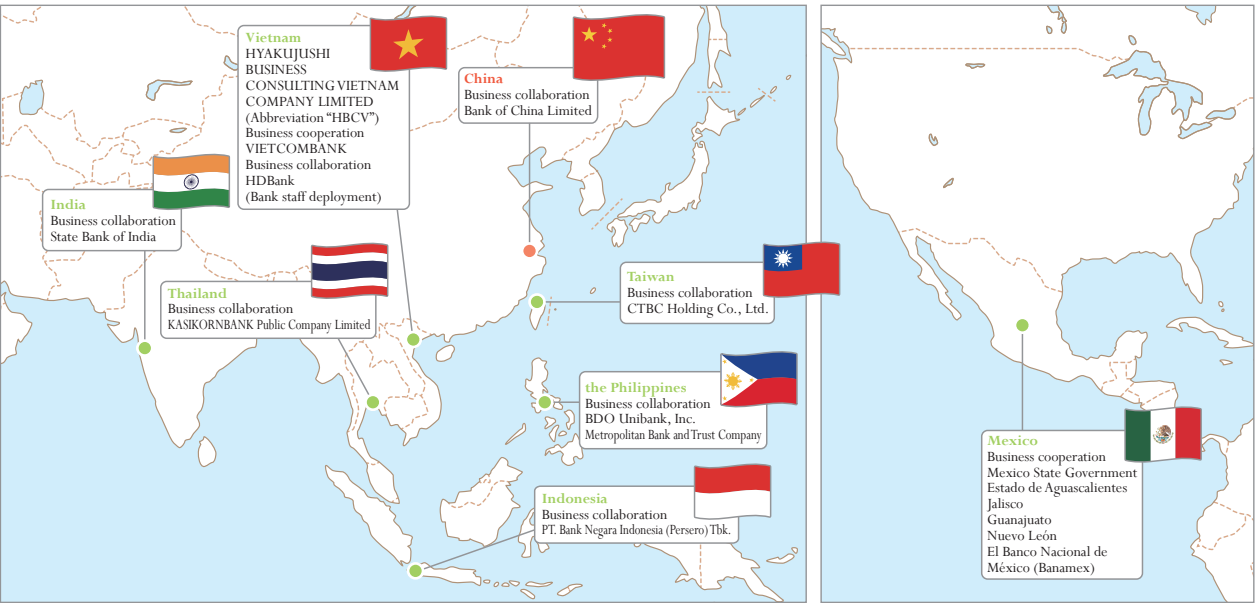
Profile (as of March 31, 2024)

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥5,805.8 billion
Deposits and negotiable certificates of deposit	¥4,765.2 billion
Loans and bills discounted	¥3,433.1 billion
Paid-in capital	¥37.3 billion
Total shares issued	28,790 thousand shares
Employees	1,963
Offices	133 (Head Office, 100 branches, 22 sub-branches, 6 Quick Square, 5 Consulting Plaza)
Non-branch ATMs and CDs	140 locations

Organization (as of July 1, 2024)



Overseas Support Organizations (as of March 31, 2024)



List of Major Shareholders (as of March 31, 2024)

Name	Address	No. of shares held (thousand shares)	Ratio of shares held to the total number of shares outstanding (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	2,430	8.47
Custody Bank of Japan, Ltd.	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	1,454	5.07
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	671	2.33
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	629	2.19
TAIHEIYO CEMENT CORPORATION (Note) 2	1-1, Koishikawa 1-chome, Bunkyo-ku, Tokyo	595	2.07
MORGAN STANLEY & CO.LLC Matthew Berke (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1585 Broadway New York, New York 10036, U.S.A (9-7, Otemachi 1-Chome, Chiyoda-ku, Tokyo)	565	1.97
NAMBA HOLDINGS CORPORATION	9-1-2803, Oosaki 2-chome, Shinagawa-ku, Tokyo	556	1.93
NH Foods Ltd. (Note) 3	4-9, Umeda 2-Chome, Kita-ku, Osaka	505	1.76
SUMITOMO LIFE INSURANCE COMPANY	18-24, Tsukiji 7-Chome, Chuo-ku, Tokyo	500	1.74
Tadano Ltd.	34, Shindencho, Takamatsu-shi, Kagawa Prefecture	438	1.52
Total	—	8,347	29.09

(Notes)
1. The 101 thousand treasury shares held by the Bank are excluded from the number of shares outstanding.
2. The number of shares held by TAIHEIYO CEMENT CORPORATION includes 595 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by TAIHEIYO CEMENT CORPORATION.
3. The number of shares held by NH Foods Ltd. includes 373 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.

THE HYAKUJUSHI BANK, LTD.

5-1, Kamei-cho, Takamatsu, Kagawa 760-8574, Japan
<https://www.114bank.co.jp>