

FINANCIAL REPORT 2025



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Nishi-Nippon Financial Holdings, Inc.

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Consolidated Balance Sheet

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Assets:			
Cash and due from banks (Note 5)	¥1,674,158	¥2,200,594	\$11,196,887
Call loans and bills bought	—	7,570	—
Commercial paper and other debt purchased	49,426	47,653	330,570
Money held in trust (Note 26)	11,691	11,699	78,190
Securities (Notes 3, 5, 24 and 25)	1,691,673	1,803,150	11,314,027
Loans and bills discounted (Notes 4, 5, 6 and 24)	9,921,416	9,178,238	66,355,111
Foreign exchange assets (Note 7)	7,942	9,361	53,119
Other assets (Notes 5 and 8)	93,818	101,896	627,463
Tangible fixed assets (Notes 9 and 15)	115,006	115,958	769,169
Intangible fixed assets	6,263	5,193	41,892
Asset for retirement benefits (Note 28)	25,185	24,964	168,439
Deferred tax assets (Note 29)	14,434	1,083	96,536
Customers' liabilities for acceptances and guarantees	14,125	18,559	94,475
Reserve for possible loan losses (Note 24)	(42,132)	(42,302)	(281,786)
Reserve for devaluation of securities	(557)	(557)	(3,728)
Total assets	¥13,582,451	¥13,483,062	\$90,840,368
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 5, 10, and 24)	¥10,506,940	¥10,424,915	\$70,271,137
Call money and bills sold	24,670	104,542	165,000
Payables under repurchase agreements (Note 5)	221,418	226,248	1,480,860
Guarantee deposits received under securities lending transactions (Note 5)	107,480	238,191	718,835
Borrowed money (Notes 5, 11 and 24)	1,978,725	1,759,123	13,233,850
Foreign exchange liabilities (Note 7)	546	720	3,654
Borrowed money from trust account	7,721	5,349	51,640
Other liabilities (Note 12)	142,662	93,590	954,134
Provision for share-based remuneration for directors	10	11	73
Liability for retirement benefits (Note 28)	1,771	1,973	11,845
Reserve for retirement benefits for directors and corporate auditors	208	236	1,396
Reserve for reimbursement of deposits	245	392	1,639
Reserve for other contingent losses	1,231	1,182	8,235
Reserve under the special laws	20	17	135
Deferred tax liabilities (Note 29)	1,570	7,329	10,501
Deferred tax liabilities on revaluation of premises (Note 15)	14,972	14,613	100,135
Acceptances and guarantees	14,125	18,559	94,475
Total liabilities	13,024,320	12,896,997	87,107,550
Net assets:			
Capital stock (Note 13)	50,000	50,000	334,403
Capital surplus	116,515	117,584	779,261
Earned surplus	365,262	342,608	2,442,902
Treasury stock (Note 14)	(7,521)	(6,584)	(50,304)
Total shareholders' equity	524,256	503,609	3,506,263
Net unrealized gains on securities available for sale, net of taxes (Note 25)	(3,550)	43,262	(23,744)
Net deferred gains (losses) on hedging instruments, net of taxes	86	711	578
Revaluation of premises, net of taxes (Note 15)	29,159	29,678	195,019
Retirement benefits liability adjustments, net of taxes (Note 28)	(2,382)	(1,379)	(15,935)
Total accumulated other comprehensive income	23,312	72,272	155,917
Non-controlling interests	10,561	10,183	70,637
Total net assets (Note 35)	558,130	586,065	3,732,818
Total liabilities and net assets	¥13,582,451	¥13,483,062	\$90,840,368

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥93,553	¥83,845	\$625,695
Interest and dividends on securities	30,001	28,672	200,654
Other interest income (Note 16)	7,041	3,794	47,096
Trust fees	12	0	84
Fees and commissions	37,629	37,790	251,666
Trading income	589	1,036	3,939
Other operating income (Note 17)	11,864	13,047	79,352
Other income (Note 18)	15,790	17,461	105,610
Total income	196,484	185,647	1,314,099
Expenses:			
Interest expenses:			
Interest on deposits	7,400	574	49,492
Interest on call money and bills sold	2,096	1,380	14,018
Interest on payables under repurchase agreements	12,251	15,291	81,939
Interest on guarantee deposits received under securities lending transactions	143	38	957
Interest on borrowings	1,482	923	9,915
Other interest expenses	4,385	7,094	29,332
Fees and commissions	14,211	13,770	95,046
Other operating expenses (Note 19)	16,404	19,297	109,717
General and administrative expenses (Note 20)	84,103	83,468	562,489
Other expenses (Note 21)	8,988	8,952	60,116
Total expenses	151,467	150,792	1,013,024
Profit (loss) before income taxes	45,016	34,855	301,074
Income taxes (Note 29)			
Current	12,076	11,022	80,768
Deferred	1,424	(374)	9,526
Total income taxes	13,500	10,648	90,295
Profit (loss)	31,515	24,206	210,778
Profit (loss) attributable to:			
Non-controlling interests	533	630	3,565
Owners of parent (Note 35)	¥30,982	¥23,576	\$207,213

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Profit (loss)	¥31,515	¥24,206	\$210,778
Other comprehensive income:			
Net unrealized gains on securities available for sale	(46,712)	17,598	(312,416)
Net deferred gains (losses) on hedging instruments	(624)	(304)	(4,179)
Gains on revaluation of premises	(421)	—	(2,822)
Retirement benefits liability adjustments	(988)	13,462	(6,613)
Share of other comprehensive income of affiliates accounted for by the equity method	(17)	31	(118)
Total other comprehensive income (Note 22)	(¥48,765)	¥30,787	(\$326,150)
Comprehensive income	(¥17,250)	¥54,994	(\$115,371)
Comprehensive income attributable to owners of parent	(¥17,880)	¥54,241	(\$119,584)
Comprehensive income attributable to non-controlling interests	¥630	¥752	\$4,213

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Shareholders' equity			
Capital stock (Note 13)			
Balance at beginning of the year	¥50,000	¥50,000	\$334,403
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥50,000	¥50,000	\$334,403
Capital surplus			
Balance at beginning of the year	¥117,584	¥118,706	\$786,413
Changes during the year			
Sale of treasury stock	0	0	1
Retirement of treasury stock	(1,069)	(1,121)	(7,153)
Changes in owners of parent interests in transactions with non-controlling shareholders	—	0	—
Total changes during the year	(1,069)	(1,121)	(7,152)
Balance at end of the year	¥116,515	¥117,584	\$779,261
Earned surplus			
Balance at beginning of the year	¥342,608	¥325,460	\$2,291,392
Cumulative effects of changes in accounting policies	—	1,259	—
Restated balance	342,608	326,720	2,291,392
Changes during the year			
Cash dividends paid (Note 36)	(8,425)	(7,435)	(56,350)
Profit (loss) attributable to owners of parent	30,982	23,576	207,213
Reversal of revaluation of premises	96	(252)	648
Total changes during the year	22,653	15,888	151,510
Balance at end of the year	¥365,262	¥342,608	\$2,442,902
Treasury stock (Note 14)			
Balance at beginning of the year	(¥6,584)	(¥5,698)	(\$44,037)
Changes during the year			
Acquisition of treasury stock	(2,011)	(2,008)	(13,451)
Sale of treasury stock	4	0	31
Retirement of treasury stock	1,069	1,121	7,153
Total changes during the year	(937)	(885)	(6,267)
Balance at end of the year	(¥7,521)	(¥6,584)	(\$50,304)
Total shareholders' equity			
Balance at beginning of the year	¥503,609	¥488,468	\$3,368,171
Cumulative effects of changes in accounting policies	—	1,259	—
Restated balance	503,609	489,728	3,368,171
Changes during the year			
Cash dividends paid (Note 36)	(8,425)	(7,435)	(56,350)
Profit (loss) attributable to owners of parent	30,982	23,576	207,213
Acquisition of treasury stock	(2,011)	(2,008)	(13,451)
Sale of treasury stock	4	0	32
Changes in owners of parent interests in transactions with non-controlling shareholders	—	0	—
Reversal of revaluation of premises	96	(252)	648
Total changes during the year	20,647	13,880	138,091
Balance at end of the year	¥524,256	¥503,609	\$3,506,263

Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Accumulated other comprehensive income			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥43,262	¥25,757	\$289,340
Changes during the year			
Net changes in items other than shareholders' equity	(46,812)	17,504	(313,084)
Total changes during the year	(46,812)	17,504	(313,084)
Balance at end of the year	(¥3,550)	¥43,262	(\$23,744)
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	¥711	¥1,015	\$4,757
Changes during the year			
Net changes in items other than shareholders' equity	(624)	(304)	(4,179)
Total changes during the year	(624)	(304)	(4,179)
Balance at end of the year	¥86	¥711	\$578
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,678	¥29,425	\$198,489
Changes during the year			
Net changes in items other than shareholders' equity	(518)	252	(3,470)
Total changes during the year	(518)	252	(3,470)
Balance at end of the year	¥29,159	¥29,678	\$195,019
Retirement benefits liability adjustments			
Balance at beginning of the year	(¥1,379)	(¥14,843)	(\$9,224)
Changes during the year			
Net changes in items other than shareholders' equity	(1,003)	13,464	(6,711)
Total changes during the year	(1,003)	13,464	(6,711)
Balance at end of the year	(¥2,382)	(¥1,379)	(\$15,935)
Total accumulated other comprehensive income			
Balance at beginning of the year	¥72,272	¥41,355	\$483,363
Changes during the year			
Net changes in items other than shareholders' equity	(48,959)	30,917	(327,446)
Total changes during the year	(48,959)	30,917	(327,446)
Balance at end of the year	¥23,312	¥72,272	\$155,917
Non-controlling interests			
Balance at beginning of the year	¥10,183	¥9,620	\$68,108
Changes during the year			
Net changes in items other than shareholders' equity	378	562	2,528
Total changes during the year	378	562	2,528
Balance at end of the year	¥10,561	¥10,183	\$70,637
Total net assets			
Balance at beginning of the year	¥586,065	¥539,444	\$3,919,644
Cumulative effects of changes in accounting policies	—	1,259	—
Restated balance	586,065	540,704	3,919,644
Changes during the year			
Cash dividends paid (Note 36)	(8,425)	(7,435)	(56,350)
Profit (loss) attributable to owners of parent	30,982	23,576	207,213
Acquisition of treasury stock	(2,011)	(2,008)	(13,451)
Sale of treasury stock	4	0	32
Changes in owners of parent interests in transactions with non-controlling shareholders	—	0	—
Reversal of revaluation of premises	96	(252)	648
Net changes in items other than shareholders' equity	(48,581)	31,480	(324,917)
Total changes during the year	(27,934)	45,361	(186,826)
Balance at end of the year	¥558,130	¥586,065	\$3,732,818

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
I. Cash flows from operating activities:			
Profit (loss) before income taxes	¥45,016	¥34,855	\$301,074
Depreciation	6,243	5,992	41,756
Losses on impairment of fixed assets	66	434	446
Equity in gains of non-consolidated subsidiaries and affiliate	(1,048)	(975)	(7,013)
(Decrease) increase in reserve for possible loan losses	(169)	1,846	(1,133)
Decrease in reserve for devaluation of securities	(0)	(5)	(2)
(Decrease) increase in provision for share-based remuneration for directors	(0)	7	(4)
Increase in asset for retirement benefits	(220)	(16,926)	(1,472)
Decrease in liability for retirement benefits	(202)	(2,674)	(1,352)
(Decrease) increase in reserve for retirement benefits for directors and corporate auditors	(27)	35	(185)
Decrease in reserve for reimbursement of deposits	(147)	(152)	(987)
Increase (decrease) in reserve for other contingent losses	48	(12)	327
Income from lending activities	(130,597)	(116,311)	(873,446)
Funding costs	27,759	25,303	185,655
Gains on securities	(4,004)	(4,524)	(26,780)
Gains on money held in trust	(9)	(10)	(65)
Net foreign exchange gains	(1,111)	(1,144)	(7,432)
Losses on sale of tangible fixed assets	433	311	2,900
Net increase in loans and bills discounted	(743,177)	(222,839)	(4,970,421)
Net (decrease) increase in deposits	(94,537)	385,430	(632,272)
Net increase in certificates of deposit	176,562	80,288	1,180,862
Net increase in borrowed money, exclusive of subordinated borrowings	219,602	509,413	1,468,715
Net decrease (increase) in due from banks, exclusive of central bank	2,382	(415)	15,936
Net decrease (increase) in call loans	5,796	(4,478)	38,769
Net decrease in call money	(84,701)	(447,582)	(566,489)
Net decrease in guarantee deposits received under securities lending transactions	(130,711)	(55,661)	(874,208)
Net decrease in foreign exchange assets	1,418	7,950	9,488
Net (decrease) increase in foreign exchange liabilities	(174)	216	(1,166)
Net increase in borrowed money from trust account	2,372	115	15,865
Interest and dividends received	128,319	115,321	858,206
Interest paid	(24,554)	(23,936)	(164,219)
Others	58,858	(68,685)	393,648
Subtotal	(540,515)	201,185	(3,615,002)
Income taxes paid	(11,697)	(4,165)	(78,235)
Net cash provided by (used in) operating activities	(¥552,212)	¥197,020	(\$3,693,237)
II. Cash flows from investing activities:			
Payments for purchase of securities	(¥366,824)	(¥318,064)	(\$2,453,344)
Proceeds from sale of securities	264,950	255,490	1,772,005
Proceeds from redemption of securities	147,444	134,374	986,115
Payments for increase in money held in trust	—	(4,090)	—
Proceeds from decrease in money held in trust	—	3,997	—
Payments for purchase of tangible fixed assets	(3,671)	(3,688)	(24,554)
Proceeds from sale of tangible fixed assets	259	124	1,736
Payments for purchase of intangible fixed assets	(3,321)	(1,947)	(22,213)
Net cash provided by (used in) investing activities	¥38,837	¥66,194	\$259,746
III. Cash flows from financing activities:			
Dividends paid	(¥8,417)	(¥7,430)	(\$56,294)
Dividends paid to non-controlling shareholders	(251)	(188)	(1,683)
Payments for acquisition of treasury stock	(2,011)	(2,008)	(13,451)
Proceeds from sale of treasury stock	4	0	32
Purchase of investments in subsidiaries' shares not resulting in changes in scope of consolidation	—	(1)	—
Net cash used in financing activities	(¥10,675)	(¥9,628)	(\$71,397)
IV. Effects of changes in exchange rates on cash and cash equivalents	(¥2)	¥16	(\$13)
V. Net (decrease) increase in cash and cash equivalents	(¥524,053)	¥253,603	(\$3,504,902)
VI. Cash and cash equivalents at beginning of the year	¥2,193,336	¥1,939,733	\$14,669,186
VII. Cash and cash equivalents at end of the year (Note 34)	¥1,669,283	¥2,193,336	\$11,164,284

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. (the "Company"), and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Company.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥149.52=U.S.\$1.00, the exchange rate on March 31st, 2025, has been used in translation. The translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

In the consolidated financial statements, "—" is used to denote "nil" and "0" is used to denote rounding down to zero.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (the "Group").

The number of consolidated and non-consolidated subsidiaries for the years ended March 31st, 2025 and 2024 is as follows:

	2025	2024
i) Number of consolidated subsidiaries:	8	8
ii) Number of non-consolidated subsidiaries:	14	12

(2) Application of the Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended March 31st, 2025 and 2024 is as follows:

	2025	2024
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	3	3
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	14	12
iv) Number of affiliates not accounted for by the equity method:	2	2

(3) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries are the same as the closing date for the consolidated financial statements.

(4) Trading Account Assets and Liabilities

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheet and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statement of income.

The Company's consolidated subsidiaries engaged in the banking business value securities, monetary claims, etc. held for trading purpose at the market price prevailing at the consolidated balance sheet date. Derivatives, such as swaps, futures, and option transactions, are stated at the amount assuming that they were terminated or settled at the consolidated balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

Notes to Consolidated Financial Statements

(5) Securities

Securities held to maturity are valued at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method are valued at cost determined by the moving average method. Securities available for sale are valued at fair value with cost of sales determined by the moving average method. However, shares, etc. that do not have a market value are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(6) Derivatives

Derivatives held or written are stated at fair value.

(7) Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets of the Company and its consolidated subsidiaries engaged in the banking business are depreciated by the declining-balance method; however, buildings (excluding facilities attached to buildings) acquired on or after April 1st, 1998 are depreciated by the straight-line method.

The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of other consolidated subsidiaries are depreciated mainly using the declining-balance method, based on their estimated useful lives.

(8) Intangible Fixed Assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Group (5 years).

(9) Leased Assets

The tangible fixed assets capitalized under the finance lease transactions entered into on and after April 1st, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

(10) Reserve for Possible Loan Losses

Major consolidated subsidiaries record the reserve for possible loan losses as follows:

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amounts of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable. For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

For other loans, the reserve for possible loan losses is provided mainly at an anticipated amount of losses over the next one or three years. The anticipated amount of losses was calculated by obtaining the loss rate based on the mean for a certain period of actual loss rates calculated from actual losses for one or three years and then by making necessary adjustments in accordance with future projections and other factors.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at March 31st, 2025 and 2024 were ¥ 8,499 million (\$56,844 thousand) and ¥9,460 million, respectively.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

(11) Reserve for Devaluation of Securities

In order to provide for a loss on investments, the Group estimates the amount deemed necessary based on a review of financial position, etc. of the companies' issuing securities or golf club membership.

(12) Provision for Share-based Remuneration for Directors

In order to provide for payment of compensation for directors of the Company (excluding directors who are Audit and Supervisory Committee members) under the stock compensation plan, provision for share-based remuneration for directors is made for amount of compensation that is deemed to be accrued by the end of the fiscal year under review.

(13) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors is provided at the amount that would be paid in accordance with the internally established rule at the consolidated balance sheet date if they were retired on that date.

(14) Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the consolidated subsidiaries engaged in the banking business.

(15) Reserve for Other Contingent Losses

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Group.

(16) Reserve under the Special Laws

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Company's consolidated subsidiary engaged in the securities business at an amount estimated pursuant to Article 46, Item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments services.

(17) Accounting for Retirement Benefits

In calculating the retirement benefit obligation for employees for certain consolidated subsidiaries, the retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

For other consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

(18) Recognition of Earnings

The Company recognizes revenues from contracts with customers when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. For fees and commissions that may be refunded, the Company posts refund liabilities and deducts such amounts from revenues.

(19) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the consolidated balance sheet date.

Notes to Consolidated Financial Statements

(20) Accounting for Leases

Finance lease transactions which were initially engaged by the consolidated subsidiaries prior to April 1st, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

(21) Hedge Accounting

i) Hedge accounting for interest rate risks

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for interest rate risks of certain financial assets and liabilities by using the individual hedging, which directly matches hedged items and hedging instruments. With regard to hedging transactions to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, in accordance with operational rules concerning hedge accounting, hedged items are distinguished by identical type of bonds and interest rate swaps are used as hedging instruments. Since significant terms related to those hedged items and hedging instruments are nearly identical, such hedging transactions are deemed highly effective in terms of evaluation of hedge effectiveness. No evaluation is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment, as it is ascertained that the criteria for the special treatment are continually met.

ii) Hedge accounting for foreign exchange rate risk

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25 of October 8th, 2020). The consolidated subsidiaries treat foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the subsidiaries test hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

iii) Internal contract

For internal contracts, the consolidated subsidiaries engaged in the banking business manage the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry-specific Committee Practical Guideline No. 25. Therefore, the subsidiaries either recognize gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

(22) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

Cash and Cash Equivalents in the consolidated statement of cash flows are composed of cash and due from central bank.

(23) Application of the Group Tax Sharing System

The Company and certain of its consolidated subsidiaries have applied the Group Tax Sharing System, with the Company serving as the aggregate parent corporation.

(24) Accounting Principles and Procedures When Related Accounting Standards Are Not Clear

Gains/losses from cancellation/redemption of investment trusts are recorded under "Interest and dividends on securities," provided, however, that the amount of interim dividends from investment trusts is recorded in "Loss on redemption of bonds" under "Other operating expenses" if such is negative overall.

(25) Significant Accounting Estimates

Reserve for possible loan losses:

Amount recorded on the consolidated financial statements for the fiscal year under review:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Reserve for possible loan losses	¥42,132	¥42,302	\$281,786

Information about the content of significant accounting estimates concerning disclosure items identified:

(1) Calculation method

For the calculation method of reserve for possible loan losses, see "(10) Reserve for Possible Loan Losses," under the "Summary of Significant Accounting Policies."

(2) Key assumptions

Key assumptions include: i) Future outlook of debtors' business in the assessment of debtor companies and ii) Future transition in the assessment of debtor companies and the amount to be collected in the cash flow estimation method.

Details of each assumption are as follows:

i) Future outlook of debtors' business in the assessment of debtor companies

The future outlook of debtors' business is determined by evaluating the repayment situation, financial position, business performance of each debtor.

ii) Future transition in the assessment of debtor companies and the amount to be collected in the cash flow estimation method

The future transition in the assessment of debtor companies and the amount to be collected are set by evaluating each debtor based on their repayment situation and future plans.

(3) Possible impact on consolidated financial statements for the following fiscal year

All of the key assumptions are surrounded by uncertainty. As such, a change in the assumptions based on which the original estimates were made can have a material impact on reserve for possible loan losses on consolidated financial statements for the following fiscal year.

(26) Changes in Accounting Policies

(Application of Accounting Standard for Current Income Taxes)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 of October 28th, 2022), "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of October 28th, 2022), and other standards from the beginning of the fiscal year ended March 31st, 2025. With regard to the accounting treatment of the tax effect where the gains or losses on sales resulting from sales of shares of subsidiaries among consolidated companies are deferred for tax purposes, if deferred tax assets or deferred tax liabilities were recorded on the temporary difference associated with the gains or losses on the sale of shares in question in the financial statements of the company selling the shares of the subsidiaries, the Company, previously, did not revise the amount of the deferred tax assets or deferred tax liabilities associated with the temporary difference in question in the consolidation procedures. However, moving forward, the Company has decided to reverse the deferred tax assets or deferred tax liabilities associated with the temporary difference in question.

As a result of these changes to accounting policies, the Consolidated Financial Statements for the fiscal year ended March 31st, 2024 are presented as Consolidated Financial Statements after retrospective application. Consequently, compared to that before retrospective application, deferred tax liabilities decreased by ¥1,259 million and retained earnings increased by ¥1,259 million in the Consolidated Balance Sheet for the fiscal year ended March 31st, 2024. In addition, as the cumulative effects were reflected in the net assets at the beginning of the fiscal year ended March 31st, 2024, the beginning balance of retained earnings as of April 1st, 2023 has increased by ¥1,259 million.

The impact on per share information is explained in the relevant section.

(27) Accounting Standards Issued but Not Yet Effective

"Accounting Standard for Leases" (ASBJ Statement No. 34 of September 13th, 2024)

"Implementation Guidance on Accounting Standard for Leases" (ASBJ Statement No. 33 of September 13th, 2024)

In addition, amendments to relevant ASBJ statements, implementation guidance, practical solution reports, and transferred guidance.

i) Overview

Establishes rules on accounting treatment, including a requirement to recognize assets and liabilities for all leases by lessees, just as under international accounting standards.

ii) Scheduled date of adoption

The Group plans to adopt the above-mentioned accounting standard and implementation guidance from the beginning of the fiscal year ending March 31st, 2028.

iii) Impact of the adoption of the accounting standards and implementation guidance

The Company is currently evaluating the impact of adopting this accounting standard and implementation guidance on its consolidated financial statements.

"Practical Guidelines on Accounting for Financial Instruments" (ASBJ Revised Transferred Guidance No. 9 of March 11th, 2025)

i) Overview

Establishes rules on handling investments in partnerships, etc. regarding accounting treatment and related notes for fair valuation of shares with no market prices included in the assets of partnerships, etc.

ii) Scheduled date of adoption

The Group plans to adopt the above-mentioned practical guidelines from the beginning of the fiscal year ending March 31st, 2027.

iii) Impact of the adoption of the practical guidelines

The Company is currently evaluating the impact of adopting these practical guidelines on its consolidated financial statements.

Notes to Consolidated Financial Statements

(28) Additional Information

Board Benefit Trust

The Company has introduced the Board Benefit Trust (BBT) (hereinafter, the "Plan") to make clearer the link between compensation to the Company's directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter in this section) and the Company's stock value and to further raise awareness of the need to contribute to the enhancement of corporate value over the mid- and long-term.

i) Overview of transactions

The Plan is a stock compensation plan whereby the Company's common stock (hereinafter, the "Company Stock") is acquired through a trust (hereinafter, trust set up under the Plan is referred to as the "Trust") by using money contributed by the Company, and the Company Stock and money in the amount equivalent to the fair value of the Company Stock (hereinafter, collectively the "Company Stock, Etc.") are paid to the Company's directors from the Trust. In principle, directors shall receive the Company Stock, Etc. at the time of retirement.

ii) The Company Stock remaining in the Trust

The Company Stock remaining in the Trust are recorded under net assets as treasury stock at the book value in the Trust (excluding incidental expenses). The book value of treasury stock was ¥85 million (\$569 thousand) and the number of shares of treasury stock was 114,700 shares as of March 31st, 2025.

3. Securities

Securities at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Japanese government bonds	¥359,045	¥443,955	\$2,401,318
Japanese municipal bonds	521,064	479,840	3,484,912
Corporate bonds (including government-guaranteed bonds)*	176,617	165,011	1,181,232
Stock**	134,757	162,969	901,265
Other securities***	500,188	551,372	3,345,298
Total	¥1,691,673	¥1,803,150	\$11,314,027

* Corporate bonds included bonds offered through private placement. The guarantee obligation of The Nishi-Nippon City Bank for such private placement bonds at March 31st, 2025 and 2024 were ¥13,655 million (\$91,328 thousand) and ¥17,417 million, respectively.

** Stock included stock of non-consolidated subsidiaries and affiliates of ¥14,669 million (\$98,113 thousand) and ¥14,128 million at March 31st, 2025 and 2024, respectively.

*** Other securities included investments in non-consolidated subsidiaries and affiliates of ¥4,339 million (\$29,026 thousand) and ¥3,547 million at March 31st, 2025 and 2024, respectively.

4. Loans and Bills Discounted

Loans and bills discounted at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Bills discounted*	¥9,777	¥17,195	\$65,393
Loans on notes	53,772	192,764	359,631
Loans on deed	8,964,727	8,154,942	59,956,714
Overdraft	893,138	813,336	5,973,372
Total	¥9,921,416	¥9,178,238	\$66,355,111

* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 24 of March 17th, 2022). The consolidated subsidiaries engaged in the banking business have right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥9,777 million (\$65,393 thousand) and ¥17,200 million at March 31st, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

The following table shows the claims classified under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions. Claims include corporate bonds included in "Securities" in the consolidated balance sheet (limited to corporate bonds for which the redemption of principal or interest payments, whether wholly or partly, is guaranteed by the financial institution that owns the corporate bonds, and for which the issuance is implemented through the private placement of securities as defined in Article 2, Item 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, amounts recorded in outstanding interest, temporary payments, and consideration for acceptance of payment under "Other assets" on the balance sheet, and, if securities are loaned (noted), such securities (limited to those via loan for use or lease contract).

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Claims in bankruptcy, reorganization, etc.**	¥18,231	¥20,450	\$121,932
Claims with risks***	92,687	92,836	619,901
Claims in arrears for three months or more****	375	380	2,508
Loans with altered lending conditions*****	40,757	30,581	272,585
Total	¥152,051	¥144,248	\$1,016,928

** Claims held against debtors with failed business status due to circumstances such as the commencement of bankruptcy proceedings, the commencement of corporate reorganization proceedings, or rehabilitation proceedings, and any other type of claims that are similar or equivalent thereto.

*** Claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance have deteriorated and for which it is highly unlikely that the collection of principal or receipt of interest in accordance with the contract will be possible but that do not fall under claims in bankruptcy, reorganization, etc.

**** Claims in arrears for which the principal or interest is delinquent for three months or more from the date immediately following the contractual due date, and that do not fall under claims in bankruptcy, reorganization, etc. or claims with risks.

***** Loans for which there is a reduction in or an exemption of the interest rate, a grace period for the payment of interests, a grace period for the reimbursement of the principal, a waiver of the loan claim or any other arrangement that might be considered advantageous to a debtor are made for the purpose of the reconstruction of, or support to, the management of the debtor, and that do not fall under claims in bankruptcy, reorganization, etc., claims with risks, or claims in arrears for three months or more.

The amounts given above are gross amounts before the deduction of amounts of the allowance for loan losses.

5. Assets Pledged as Collateral

Assets pledged as collateral by the Group at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Assets pledged as collateral			
Cash and due from banks	¥35	¥35	\$239
Securities	1,134,673	1,263,335	7,588,771
Loans	1,710,816	1,372,865	11,442,056
Total	¥2,845,525	¥2,636,236	\$19,031,066
Liabilities secured by the above assets			
Deposits	¥12,385	¥12,599	\$82,834
Payables under repurchase agreements	221,418	226,248	1,480,860
Guarantee deposits received under securities lending transactions	107,480	238,191	718,835
Borrowed money	1,977,957	1,757,686	13,228,716

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions at March 31st, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Other assets	¥1,400	¥1,400	\$9,363

Notes to Consolidated Financial Statements

Other assets include margin deposits for futures transactions, cash collateral paid for financial instruments, and security deposits at March 31st, 2025 and 2024. The respective amounts for each account item are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Margin deposits for futures transactions	¥611	¥611	\$4,086
Cash collateral paid for financial instruments	43,904	46,306	293,636
Deposits included in other assets	2,437	2,456	16,304

6. Contracts for Commitment Lines of Credit

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Aggregate amount under commitment contracts not yet drawn down	¥1,975,778	¥1,968,032	\$13,214,143
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	1,878,542	1,867,672	12,563,817

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Group. Many of these contracts have stipulations that allow the consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

7. Foreign Exchange

Foreign exchange assets and liabilities at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Assets:			
Foreign exchange bills bought	¥—	¥4	\$—
Foreign exchange bills receivable	189	129	1,270
Due from foreign banks (their accounts)	—	—	—
Due from foreign banks (our accounts)	7,752	9,226	51,848
Total	¥7,942	¥9,361	\$53,119
Liabilities:			
Foreign exchange bills sold	¥93	¥94	\$627
Foreign exchange bills payable	452	625	3,026
Total	¥546	¥720	\$3,654

8. Other Assets

Other assets at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Domestic exchange settlement account*	¥48	¥58	\$321
Accrued income	10,589	8,094	70,820
Prepaid expenses	655	705	4,383
Margin deposits for futures transactions	611	611	4,086
Financial derivative products	4,494	4,049	30,061
Cash collateral paid for financial instruments	43,904	46,306	293,636
Other	33,515	42,070	224,154
Total	¥93,818	¥101,896	\$627,463

* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

9. Tangible Fixed Assets

Tangible fixed assets at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Land	¥75,146	¥75,372	\$502,585
Buildings	29,766	30,595	199,079
Construction in progress	320	130	2,144
Leased assets	294	363	1,968
Other tangible fixed assets	9,478	9,496	63,391
Total	¥115,006	¥115,958	\$769,169

* The amounts of accumulated depreciation for tangible fixed assets at March 31st, 2025 and 2024 were ¥71,557 million (\$478,579 thousand) and ¥71,598 million, respectively.

The accelerated depreciation entry amounts for tangible fixed assets at March 31st, 2025 and 2024 are as follows:

Millions of yen		Thousands of U.S. dollars
2025	2024	2025
¥6,489	¥6,517	\$43,400

10. Deposits

Deposits at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Current deposits	¥455,091	¥530,868	\$3,043,681
Ordinary deposits	7,137,850	7,235,343	47,738,432
Deposits at notice	12,368	17,588	82,724
Time deposits	2,322,250	2,239,299	15,531,371
Negotiable certificates of deposit	424,274	247,711	2,837,576
Other deposits	155,104	154,103	1,037,351
Total	¥10,506,940	¥10,424,915	\$70,271,137

Notes to Consolidated Financial Statements

11. Borrowed Money

The weighted average interest rates on borrowed money is 0.12% at March 31st, 2025.

The aggregate annual maturity amounts within five years of borrowed money after March 31st, 2025 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31st		
2026	¥879,480	\$5,882,026
2027	478,823	3,202,403
2028	620,414	4,149,373
2029	7	47
2030	—	—

12. Other Liabilities

Other liabilities at March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Domestic exchange settlement account	¥436	¥496	\$2,921
Accrued income taxes	6,505	7,294	43,508
Accrued expenses	13,639	10,397	91,225
Unearned income	14,088	10,250	94,228
Financial derivative products	2,918	6,454	19,519
Lease obligations	307	374	2,059
Cash collateral received for financial instruments	941	1,531	6,293
Asset retirement obligations	1,106	1,092	7,398
Others	102,717	55,697	686,979
Total	¥142,662	¥93,590	\$954,134

13. Capital Stock

Capital stock during the year ended March 31st, 2025 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
April 1st, 2024	147,393,755	¥50,000	\$334,403
Increase	—	—	—
Decrease*	1,002,700	—	—
March 31st, 2025	146,391,055	¥50,000	\$334,403

* The decrease of 1,002,700 shares is due to retirement of treasury shares.

Capital stock during the year ended March 31st, 2024 consisted of the following:

	Common stock	Capital stock
	Issued shares	Millions of yen
April 1st, 2023	148,596,955	¥50,000
Increase	—	—
Decrease*	1,203,200	—
March 31st, 2024	147,393,755	¥50,000

* The decrease of 1,203,200 shares is due to retirement of treasury shares.

14. Treasury Stock

Treasury stock during the year ended March 31st, 2025 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
April 1st, 2024	7,106,844	(¥6,584)	(\$44,037)
Increase**	1,008,533	(2,011)	(13,451)
Decrease**	1,008,869	1,074	7,184
March 31st, 2025*	7,106,508	(¥7,521)	(\$50,304)

* The number of common shares under treasury stock at the end of the fiscal year under review includes 114,700 of the Company's own stock held by the BBT.

** The increase in the number of treasury stock by 1,008,533 shares is due to the acquisition of 1,002,700 shares of treasury stock and the demands for the purchase of 5,833 fractional shares. The decrease of 1,008,869 shares is due to retirement of 1,002,700 shares of treasury stock, the sales of 269 fraction shares, and the distribution of 5,900 shares from the BBT.

Treasury stock during the year ended March 31st, 2024 consisted of the following:

	Common stock	Treasury stock
	Number of shares	Millions of yen
April 1st, 2023	7,102,038	(¥5,698)
Increase**	1,208,557	(2,008)
Decrease**	1,203,751	1,122
March 31st, 2024*	7,106,844	(¥6,584)

* The number of common shares under treasury stock at the end of the fiscal year under review includes 120,600 of the Company's own stock held by the BBT.

** The increase in the number of treasury stock by 1,208,557 shares is due to the acquisition of 1,203,200 shares of treasury stock and the demands for the purchase of 5,357 fractional shares. The decrease of 1,203,751 shares is due to retirement of 1,203,200 shares of treasury stock, the sales of 151 fraction shares, and the distribution of 400 shares from the BBT.

15. Revaluation of Premises Account

Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31st, 1998), the consolidated subsidiaries engaged in the banking business have revalued land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

The differences at March 31st, 2025 and 2024 are not presented as the aggregate market value of land subject to revaluation exceeded the book value after revaluation.

16. Other Interest Income

Other interest income for the years ended March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Interest on call loans and bills bought	¥183	¥100	\$1,224
Interest on deposits with banks	5,179	2,092	34,644
Others	1,678	1,600	11,227
Total	¥7,041	¥3,794	\$47,096

17. Other Operating Income

Other operating income for the years ended March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gains on foreign exchange transactions	¥1,111	¥1,144	\$7,432
Gains on sale of bonds	17	686	118
Others	10,735	11,216	71,801
Total	¥11,864	¥13,047	\$79,352

18. Other Income

Other income for the years ended March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gains on sale of stock and other securities	¥12,889	¥15,448	\$86,207
Gains on money held in trust	16	13	107
Equity in earnings of affiliates	1,048	975	7,013
Gains on disposition of fixed assets	68	52	459
Recoveries of written-off claims	972	290	6,504
Rental income on land and buildings	506	505	3,386
Reversal of reserve for devaluation of securities	0	—	2
Others	288	175	1,927
Total	¥15,790	¥17,461	\$105,610

19. Other Operating Expenses

Other operating expenses for the years ended March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Losses on sale of bonds	¥7,858	¥11,024	\$52,558
Losses on redemption of bonds	257	440	1,723
Losses on devaluation of bonds	—	8	—
Others	8,288	7,824	55,435
Total	¥16,404	¥19,297	\$109,717

20. General and Administrative Expenses

General and administrative expenses for the years ended March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Salaries and allowances	¥31,284	¥30,625	\$209,233
Employee retirement benefits	662	2,810	4,433
Retirement benefits for directors and corporate auditors	48	52	326
Depreciation	6,243	5,992	41,756
Rental expenses	3,424	3,384	22,903
Taxes	6,117	5,904	40,915
Others	36,321	34,699	242,921
Total	¥84,103	¥83,468	\$562,489

21. Other Expenses

Other expenses for the years ended March 31st, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Provision for possible loan losses	¥4,398	¥5,036	\$29,416
Losses on write-offs of claims	1,526	1,498	10,210
Losses on sale of stock and other securities	451	2	3,021
Losses on devaluation of stock and other securities	335	134	2,242
Losses on disposition of tangible fixed assets	502	363	3,360
Impairment losses	66	434	446
Losses on sale of loans	125	1	839
Others	1,581	1,480	10,579
Total	¥8,988	¥8,952	\$60,116

22. Other Comprehensive Income

Reclassification adjustments, income taxes, and tax effects related to other comprehensive income for the years ended March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net unrealized gains on securities available for sale:			
Amount arising during the year	(¥61,958)	¥29,926	(\$414,379)
Reclassification adjustments	(4,611)	(4,952)	(30,840)
Amount before income taxes and tax effect	(66,569)	24,973	(445,219)
Income taxes and tax effect	19,856	(7,375)	132,803
Net unrealized gains on securities available for sale	(¥46,712)	¥17,598	(\$312,416)
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	(¥4,370)	(¥6,330)	(\$29,228)
Reclassification adjustments	3,471	5,892	23,214
Amount before income taxes and tax effect	(899)	(437)	(6,014)
Income taxes and tax effect	274	133	1,834
Net deferred gains (losses) on hedging instruments	(¥624)	(¥304)	(\$4,179)
Revaluation of premises:			
Amount arising during the year	¥—	¥—	\$—
Reclassification adjustments	—	—	—
Amount before income taxes and tax effect	—	—	—
Income taxes and tax effect	(421)	—	(2,822)
Revaluation of premises	(¥421)	¥—	(\$2,822)
Retirement benefits liability adjustments:			
Amount arising during the year	(¥2,311)	¥16,461	(\$15,456)
Reclassification adjustments	857	2,908	5,734
Amount before income taxes and tax effect	(1,453)	19,369	(9,722)
Income taxes and tax effect	464	(5,907)	3,108
Retirement benefits liability adjustments	(¥988)	¥13,462	(\$6,613)
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	(¥17)	¥32	(\$119)
Reclassification adjustments	0	(1)	1
Share of other comprehensive income of affiliates accounted for using the equity method	(¥17)	¥31	(\$118)
Total other comprehensive income	(¥48,765)	¥30,787	(\$326,150)

23. Lease Transactions

(1) Finance leases

- i) Information on finance lease transactions which are accounted for as operating leases at March 31st, 2025 and 2024 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥1,088	¥985	\$7,280
Total	¥1,088	¥985	\$7,280
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥987	¥955	\$6,607
Total	¥987	¥955	\$6,607
Amounts equivalent to carrying value			
Tangible fixed assets	¥100	¥29	\$673
Total	¥100	¥29	\$673

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

- ii) Future lease payments of finance leases which are accounted for as operating leases at March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Future finance lease payments			
Due within one year	¥31	¥29	\$208
Due after one year	69	—	465
Total	¥100	¥29	\$673

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

- iii) Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total lease payments during the year	¥32	¥32	\$216
The amount equivalent to depreciation expenses *	32	32	216

* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

(2) Operating leases

Future lease payments required under operating leases that are non-cancelable at March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Future operating lease payments			
Due within one year	¥231	¥229	\$1,551
Due after one year	480	563	3,212
Total	¥712	¥792	\$4,763

24. Financial Instruments

(1) Matters related to status of financial instruments

i) Policies for financial instruments

The Group is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds while taking into account market conditions and balancing duration. To conduct these businesses, the Company comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus, the Company operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Company's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

ii) Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. If the creditworthiness of major borrowers deteriorate, the value of collateral sharply declines, or other unanticipated problems arise, it could lead to an increase in credit costs, such as an unexpected write-offs or an increase in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Company assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

iii) Risk management system for financial instruments

(a) Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, in order to properly carry out write-offs and set provisions, the Group conducts self-assessments of its assets and uses an independent audit department to constantly monitor the status of the self-assessment procedures and adequacy of write-offs and provisions.

Notes to Consolidated Financial Statements

(b) Market risk management

The Group clearly separates the department responsible for conducting market transactions (the front office) from the department responsible for business administration (the back office). Furthermore, the division which is independent from the market divisions has been put in charge of risk management (the middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV (Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at March 31st, 2025 and 2024 were ¥75,816 million (\$507,066 thousand) and ¥82,256 million, respectively.

Financial instruments of the consolidated subsidiaries engaged in the banking business which are subject to the measurement include loans, deposits, securities and derivatives. The Group measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months.

The Group performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

(c) Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Group, a system of mutual controls among divisions has been put into place. As a part of this system, the divisions responsible for the Group's day-to-day cash management raise and manage marketable funds, while the divisions responsible for managing the liquidity risk monitor the Group's cash position. In this way, the Group maintains a fluid and stable cash position.

(d) Risk management for derivative transactions

The Group's derivative transactions are entered into using operational rules prepared in accordance with the Group's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

iv) Supplementary explanation of the estimated fair value of financial instruments

Because various assumptions are used in the estimation of the fair value of financial instruments, the fair value may vary when different assumptions are used.

(2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheet at March 31st, 2025 and 2024 and their fair values and valuation differences are as follows.

Stocks, etc. that do not have a market value and investments in partnerships are excluded from the table below (refer to Note 1). Notes on cash and due from banks, call loans and bills bought, negotiable certificates of deposit, call money and bills sold, securities sold under repurchase agreements, and cash collateral received for securities sent are omitted, because they comprise short-term instruments whose carrying amounts approximate their fair value.

<At March 31st, 2025>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	¥—	¥—	¥—
Available-for-sale securities*	1,653,708	1,653,708	—
ii) Loans and bills discounted	9,921,416		
Reserve for possible loan losses**	(40,574)		
	9,880,842	9,871,891	(8,950)
Total assets	¥11,534,550	¥11,525,599	(¥8,950)
Liabilities:			
i) Deposits	¥10,082,666	¥10,080,850	(¥1,815)
ii) Borrowed money	1,978,725	1,942,173	(36,552)
Total liabilities	¥12,061,391	¥12,023,023	(¥38,368)
Derivatives***			
Hedge accounting not applied	¥242	¥242	¥—
Hedge accounting applied	1,334	1,334	—
Total derivatives	¥1,576	¥1,576	¥—

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	\$—	\$—	\$—
Available-for-sale securities*	11,060,113	11,060,113	—
ii) Loans and bills discounted	66,355,111		
Reserve for possible loan losses**	(271,363)		
	66,083,748	66,023,886	(59,861)
Total assets	\$77,143,861	\$77,083,999	(\$59,861)
Liabilities:			
i) Deposits	\$67,433,561	\$67,421,415	(\$12,145)
ii) Borrowed money	13,233,850	12,989,387	(244,463)
Total liabilities	\$80,667,411	\$80,410,803	(\$256,608)
Derivatives***			
Hedge accounting not applied	\$1,619	\$1,619	\$—
Hedge accounting applied	8,922	8,922	—
Total derivatives	\$10,541	\$10,541	\$—

* Available-for-sale securities include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021).

** The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

*** Derivative transactions recorded in Other assets and Other liabilities are presented in total.

The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

Notes to Consolidated Financial Statements

<At March 31st, 2024>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	¥—	¥—	¥—
Available-for-sale securities*	1,766,125	1,766,125	—
ii) Loans and bills discounted	9,178,238		
Reserve for possible loan losses**	(40,660)		
	9,137,578	9,177,259	39,680
Total assets	¥10,903,703	¥10,943,384	¥39,680
Liabilities:			
i) Deposits	¥10,177,203	¥10,177,234	¥31
ii) Borrowed money	1,759,123	1,724,405	(34,717)
Total liabilities	¥11,936,326	¥11,901,639	(¥34,686)
Derivatives***			
Hedge accounting not applied	¥98	¥98	¥—
Hedge accounting applied	(2,503)	(2,503)	—
Total derivatives	(¥2,404)	(¥2,404)	¥—

* Available-for-sale securities include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021).

** The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

*** Derivative transactions recorded in Other assets and Other liabilities are presented in total.

The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

(Note 1) The carrying amount of stocks, etc. that do not have a market value and investments in partnerships recorded on the consolidated balance sheet are as follows, and are not included in "Available for sale securities" of fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Non-listed stocks, etc.	¥31,665	¥32,009	\$211,780
Investments in partnerships	6,299	5,015	42,133
Total	¥37,965	¥37,024	\$253,914

Notes: 1. Non-listed stocks, etc. are not within the scope of disclosures about fair value in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31st, 2020).

2. In the years ended March 31st, 2025 and 2024, impairment losses of ¥335 million (\$2,242 thousand) and ¥55 million were recorded for non-listed stocks, respectively.

3. Investments in partnerships are not within the scope of disclosures about fair value in accordance with paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31 of June 17th, 2021).

(Note 2) Repayment schedules for monetary claims and securities with stated maturity at March 31st, 2025 and 2024

<At March 31st, 2025>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥1,588,428	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	—	—	—	—	—	—
Government bonds	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	120,875	312,834	366,519	254,344	221,958	232,655
Government bonds	—	51,000	—	152,500	—	208,000
Municipal bonds	78,337	201,373	197,887	36,270	21,250	—
Corporate bonds	29,762	41,972	60,439	6,993	44,436	—
Others	12,775	18,488	108,192	58,580	156,272	24,655
Loans and bills discounted	2,736,722	1,473,763	1,241,312	894,017	991,077	2,406,100
Total	¥4,446,026	¥1,786,598	¥1,607,832	¥1,148,362	¥1,213,036	¥2,638,755

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$10,623,518	\$—	\$—	\$—	\$—	\$—
Securities:						
Held-to-maturity securities	—	—	—	—	—	—
Government bonds	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	808,425	2,092,260	2,451,306	1,701,071	1,484,473	1,556,013
Government bonds	—	341,091	—	1,019,930	—	1,391,118
Municipal bonds	523,926	1,346,800	1,323,485	242,576	142,121	—
Corporate bonds	199,053	280,716	404,224	46,774	297,191	—
Others	85,445	123,652	723,596	391,790	1,045,160	164,894
Loans and bills discounted	18,303,387	9,856,633	8,301,985	5,979,253	6,628,395	16,092,165
Total	\$29,735,331	\$11,948,894	\$10,753,292	\$7,680,325	\$8,112,868	\$17,648,178

Note: Excluded from Loans and bills discounted are ¥110,659 million (\$740,101 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥67,760 million (\$453,188 thousand) relating to those that do not have contractual maturity.

Notes to Consolidated Financial Statements

<At March 31st, 2024>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥2,114,437	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	—	—	—	—	—	—
Government bonds	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	114,972	228,396	289,611	305,813	397,083	219,856
Government bonds	18,000	—	—	118,000	132,000	208,000
Municipal bonds	42,950	140,839	198,179	79,390	21,410	—
Corporate bonds	22,913	48,067	21,406	29,473	45,626	—
Others	31,107	39,489	70,025	78,949	198,046	11,856
Loans and bills discounted	2,220,540	1,412,900	1,221,217	963,685	920,470	2,259,667
Total	¥4,449,950	¥1,641,296	¥1,510,829	¥1,269,499	¥1,317,554	¥2,479,524

Note: Excluded from Loans and bills discounted are ¥112,698 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥67,057 million relating to those that do not have contractual maturity.

(Note 3) Repayment schedules for bonds, borrowed money and other interest-bearing debts at March 31st, 2025 and 2024

<At March 31st, 2025>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥10,189,654	¥230,915	¥70,981	¥4,377	¥11,012	¥—
Call money and bills sold	24,670	—	—	—	—	—
Payables under repurchase agreements	221,418	—	—	—	—	—
Guarantee deposits received under securities lending transactions	107,480	—	—	—	—	—
Borrowed money	879,480	1,099,237	7	—	—	—
Total	¥11,422,704	¥1,330,153	¥70,988	¥4,377	¥11,012	¥—

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	\$68,149,106	\$1,544,378	\$474,725	\$29,277	\$73,649	\$—
Call money and bills sold	165,000	—	—	—	—	—
Payables under repurchase agreements	1,480,860	—	—	—	—	—
Guarantee deposits received under securities lending transactions	718,835	—	—	—	—	—
Borrowed money	5,882,026	7,351,777	47	—	—	—
Total	\$76,395,828	\$8,896,155	\$474,772	\$29,277	\$73,649	\$—

Note: Demand deposits are included under "Due in 1 year or less."

<At March 31st, 2024>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥10,167,491	¥193,259	¥50,381	¥5,410	¥8,373	¥—
Call money and bills sold	104,542	—	—	—	—	—
Payables under repurchase agreements	226,248	—	—	—	—	—
Guarantee deposits received under securities lending transactions	238,191	—	—	—	—	—
Borrowed money	407,885	730,829	620,408	—	—	—
Total	¥11,144,358	¥924,088	¥670,789	¥5,410	¥8,373	¥—

Note: Demand deposits are included under "Due in 1 year or less."

(3) Fair value information by level within the fair value hierarchy

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

i) Financial instruments measured at fair value

<At March 31st, 2025>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available for sale securities:				
Government bonds, municipal bonds, etc.	¥359,045	¥521,064	¥—	¥880,109
Corporate bonds	—	113,193	13,809	127,003
Residential mortgage-backed securities	—	49,614	—	49,614
Stocks	103,091	—	—	103,091
Other	103,604	363,664	9,690	476,959
Derivative transactions:				
Interest rates	—	930	—	930
Currencies	—	3,563	—	3,563
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	¥565,741	¥1,052,031	¥23,500	¥1,641,273
Derivative transactions:				
Interest rates	—	574	—	574
Currencies	—	2,344	—	2,344
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	¥—	¥2,918	¥—	¥2,918

Notes to Consolidated Financial Statements

Thousands of U.S. dollars				
Category	Fair value			Total
	Level 1	Level 2	Level 3	
Securities:				
Available for sale securities:				
Government bonds, municipal bonds, etc.	\$2,401,318	\$3,484,912	\$—	\$5,886,231
Corporate bonds	—	757,045	92,359	849,405
Residential mortgage-backed securities	—	331,827	—	331,827
Stocks	689,484	—	—	689,484
Other	692,912	2,432,212	64,811	3,189,936
Derivative transactions:				
Interest rates	—	6,226	—	6,226
Currencies	—	23,835	—	23,835
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	\$3,783,716	\$7,036,059	\$157,171	\$10,976,946
Derivative transactions:				
Interest rates	—	3,840	—	3,840
Currencies	—	15,679	—	15,679
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	\$—	\$19,519	\$—	\$19,519

Note: Securities do not include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021). The consolidated balance sheet amount of such investment trusts is ¥16,089 million (\$107,607 thousand).

Reconciliation of investment trusts that apply treatments as allowed by the provisions of paragraph 24-9

<At March 31st, 2025>

Millions of yen							
Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuance, and settlements, net	Amount for which the net asset value of investment trusts is regarded as the fair value	Amount for which the net asset value of investment trusts is not regarded as the fair value	Ending balance	Of gain/loss in fiscal year ended March 31st, 2025, net valuation gain/loss of investment trusts held on the consolidated balance sheet date
	Recorded in gain or loss	Recorded in other comprehensive income for the period*					
¥15,669	¥—	¥320	¥99	¥—	¥—	¥16,089	¥—

Thousands of U.S. dollars							
Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuance, and settlements, net	Amount for which the net asset value of investment trusts is regarded as the fair value	Amount for which the net asset value of investment trusts is not regarded as the fair value	Ending balance	Of gain/loss in fiscal year ended March 31st, 2025, net valuation gain/loss of investment trusts held on the consolidated balance sheet date
	Recorded in gain or loss	Recorded in other comprehensive income for the period*					
\$104,800	\$—	\$2,140	\$666	\$—	\$—	\$107,607	\$—

* Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated balance sheet.

Notes to Consolidated Financial Statements

<At March 31st, 2024>

Millions of yen				
Category	Fair value			Total
	Level 1	Level 2	Level 3	
Securities:				
Available for sale securities:				
Government bonds, municipal bonds, etc.	¥443,955	¥479,840	¥—	¥923,796
Corporate bonds	—	100,844	17,773	118,617
Residential mortgage-backed securities	—	46,393	—	46,393
Stocks	130,960	—	—	130,960
Other	122,452	397,664	9,696	529,813
Derivative transactions:				
Interest rates	—	1,345	—	1,345
Currencies	—	2,704	—	2,704
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	¥697,368	¥1,028,793	¥27,470	¥1,753,631
Derivative transactions:				
Interest rates	—	251	—	251
Currencies	—	6,202	—	6,202
Stocks	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	¥—	¥6,454	¥—	¥6,454

Note: Securities do not include investment trusts that apply treatments considering net asset value to be the fair value in accordance with paragraph 24-9 of the "Fair Value Measurement Guidance" (ASBJ Guidance No. 31, June 17th, 2021). The consolidated balance sheet amount of such investment trusts is ¥15,669 million.

Reconciliation of investment trusts that apply treatments as allowed by the provisions of paragraph 24-9

<At March 31st, 2024>

Millions of yen							
Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuance, and settlements, net	Amount for which the net asset value of investment trusts is regarded as the fair value	Amount for which the net asset value of investment trusts is not regarded as the fair value	Ending balance	Of gain/loss in fiscal year ended March 31st, 2024, net valuation gain/loss of investment trusts held on the consolidated balance sheet date
	Recorded in gain or loss	Recorded in other comprehensive income for the period*					
¥15,189	¥—	¥276	¥202	¥—	¥—	¥15,669	¥—

* Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated balance sheet.

Notes to Consolidated Financial Statements

ii) Financial instruments other than financial instruments measured at fair value

<At March 31st, 2025>

Millions of yen				
Fair value				
Category	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted:	—	—	9,871,891	9,871,891
Total assets	¥—	¥—	¥9,871,891	¥9,871,891
Deposits	—	10,080,850	—	10,080,850
Borrowings	—	1,942,173	—	1,942,173
Total liabilities	¥—	¥12,023,023	¥—	¥12,023,023

Thousands of U.S. dollars				
Fair value				
Category	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	\$—	\$—	\$—	\$—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted:	—	—	66,023,886	66,023,886
Total assets	\$—	\$—	\$66,023,886	\$66,023,886
Deposits	—	67,421,415	—	67,421,415
Borrowings	—	12,989,387	—	12,989,387
Total liabilities	\$—	\$80,410,803	\$—	\$80,410,803

<At March 31st, 2024>

Millions of yen				
Fair value				
Category	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted:	—	—	9,177,259	9,177,259
Total assets	¥—	¥—	¥9,177,259	¥9,177,259
Deposits	—	10,177,234	—	10,177,234
Borrowings	—	1,724,405	—	1,724,405
Total liabilities	¥—	¥11,901,639	¥—	¥11,901,639

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

Assets:

i) Securities

Fair value of securities that may be measured using non-adjusted quoted prices in active markets is classified as Level 1. Listed shares and government bonds are typically included here.

Fair value of securities that are measured using quoted prices and whose respective markets are not very active is classified as Level 2. Local government bonds, corporate bonds, and residential mortgage-backed securities are typically included here. For investment trusts with no transaction price on the market, in cases where there are no material restrictions that would require market participants to compensate for the risk associated with cancellation or repurchase requests, the net asset value is used as the fair value and they are classified as Level 2.

If quoted prices are not available, fair value is measured using the future cash flow present value technique and other valuation techniques. For valuation, observable inputs are used in the best manner. Such inputs include TIBOR, government bond yields, conditional prepayment rates, credit spreads, the probability of bankruptcy, and the rate of loss at the time of bankruptcy. Fair value of securities that are measured using significant unobservable inputs is classified as Level 3.

ii) Loans and bills discount

The fair value of loans and bills discounted is based on the present value of the total amount of principal and interest as categorized by loan type, internal rating, and term, discounted by the credit-risk-adjusted market interest rate. Because the fair value of loans with floating interest rates approximates their carrying value if a borrower's credit capability does not differ markedly from the borrower's credit capability after execution (since they reflect the prevailing interest rates in the short term), the carrying value is treated as the fair value. Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value. Their fair value is classified as Level 3.

Liabilities:

i) Deposits

For demand deposits, the amount which would be paid if its repayment was demanded on the consolidated balance sheet date is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of future cash flows as categorized by term duration. The prevailing interest rates are used to calculate the discount rate. Because the fair value of those demand deposits having short terms (one year or less) approximates their carrying value, the carrying value is treated as the fair value. Their fair value is classified as Level 2.

ii) Borrowed money

The fair value of borrowed money is based on the present value of the total amount of the principal and interest of the borrowed money as categorized by term duration, discounted by the remaining period of such borrowings and the credit-risk-adjusted market interest rate. For borrowed money with floating interest rates, because its fair value is deemed to approximate the carrying value, the carrying value is treated as the fair value. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value. Their fair value is classified as Level 2.

iii) Derivative transactions:

The fair value of derivative transactions for which unadjusted quoted prices in active markets may be used is classified as Level 1. Bond futures and interest rate futures are typically included here, provided, however, because the majority of derivative transactions are made over-the-counter and thus no published quoted prices exist, their fair value is measured by using valuation techniques such as the present value technique or the Black-Sholes model in accordance with the transaction type and the period until maturity. Among key inputs used for these valuation techniques are interest rates, foreign exchange rates, and volatility. The fair price is adjusted based on the credit risk of the transaction partner and the credit risk of consolidated subsidiaries engaged in the banking business. If unobservable inputs are not used or if the impact of such inputs, in the event that such inputs are used, is not significant, the fair value is classified as Level 2. Interest swaps, foreign exchange transactions, etc. are typically included here. If significant unobservable inputs are used, the fair value is classified as Level 3.

Notes to Consolidated Financial Statements

(Note 2) Information on financial instruments measured at fair value whose fair value is classified as Level 3

i) Quantitative information on significant unobservable inputs

<At March 31st, 2025>

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average inputs
Securities:				
Available for sale securities:				
Private placement bonds	present value technique	Default rates by credit rating	0.03%—0.95%	0.06%
		Coverage ratio by credit rating	4.52%—72.76%	38.94%
Preferred equity securities	present value technique	Default rates by credit rating	0.03%	0.03%
		Coverage ratio by credit rating	30.30%	30.30%

<At March 31st, 2024>

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average inputs
Securities:				
Available for sale securities:				
Private placement bonds	present value technique	Default rates by credit rating	0.03%—1.89%	0.06%
		Coverage ratio by credit rating	4.73%—73.28%	37.18%
Preferred equity securities	present value technique	Default rates by credit rating	0.03%	0.03%
		Coverage ratio by credit rating	30.12%	30.12%

ii) 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

<At March 31st, 2025>

Category	Beginning balance	Millions of yen						
		Gain or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in gain or loss for the period
		Recorded in gain or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available for sale securities:								
Private placement bonds	¥17,773	¥0	(¥201)	(¥3,762)	¥—	¥—	¥13,809	¥—
Preferred equity securities	9,595	—	1	—	—	—	9,596	—
Foreign securities	101	—	(7)	—	—	—	93	—

Thousands of U.S. dollars								
Category	Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in gain or loss for the period
		Recorded in gain or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available for sale securities:								
Private placement bonds	\$118,868	\$0	(\$1,344)	(\$25,163)	\$—	\$—	\$92,359	\$—
Preferred equity securities	64,174	—	8	—	—	—	64,183	—
Foreign securities	678	—	(50)	—	—	—	628	—

* Included in "Other operating income" and "Other operating expenses" of the consolidated statement of income.

** Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated statement of comprehensive income.

<At March 31st, 2024>

Millions of yen								
Category	Beginning balance	Gain or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in gain or loss for the period
		Recorded in gain or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available for sale securities:								
Private placement bonds	¥18,048	(¥7)	(¥59)	(¥208)	¥—	¥—	¥17,773	¥—
Preferred equity securities	9,611	—	(16)	—	—	—	9,595	—
Foreign securities	1,022	—	(20)	(900)	—	—	101	—

* Included in "Other operating income" and "Other operating expenses" of the consolidated statement of income.

** Included in "Net unrealized gains on securities available for sale" under "Other comprehensive income" in the consolidated statement of comprehensive income.

iii) Description of valuation processes used for fair value measurements

In its manual, the Group has established policies and procedures for measuring fair value, and back-office departments measure fair value accordingly. Whether the fair value thus obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy is then verified to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Group uses a valuation model that most accurately reflects the nature, characteristics, and risks of each asset. In addition, when using quoted prices obtained from third parties, the Group verifies whether the prices are valid using the methods deemed such as confirming the valuation techniques and inputs used.

iv) Narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of private placement bonds, etc. are default rates by credit rating and coverage ratios measured by consolidated subsidiaries. The default rate indicates a probability of default, that is, borrowers falling into arrears within a certain period. A significant increase (decrease) of this input can cause a significant decline (rise) in the fair value.

25. Securities

(1) Trading securities and commercial papers (including those included in "Trading account assets")

Not applicable

(2) Held-to-maturity securities

Not applicable

(3) Available-for-sale securities (including negotiable due from banks included in "Cash and due from banks")

i) Securities whose carrying value exceeds their acquisition cost

<At March 31st, 2025>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥101,864	¥33,421	¥68,442
Bonds:			
Government bonds	17,989	17,986	2
Municipal bonds	7,412	7,385	26
Corporate bonds	20,010	19,909	101
	45,412	45,282	130
Others	229,068	210,174	18,894
Total	¥376,345	¥288,878	¥87,467

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$681,277	\$223,528	\$457,748
Bonds:			
Government bonds	120,313	120,297	15
Municipal bonds	49,574	49,394	179
Corporate bonds	133,834	133,157	677
	303,721	302,849	872
Others	1,532,028	1,405,663	126,364
Total	\$2,517,027	\$1,932,041	\$584,986

<At March 31st, 2024>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥129,873	¥37,927	¥91,946
Bonds:			
Government bonds	18,041	18,020	21
Municipal bonds	6,784	6,755	29
Corporate bonds	23,648	23,346	301
	48,474	48,122	351
Others	225,481	194,327	31,154
Total	¥403,829	¥280,377	¥123,451

ii) Securities whose acquisition cost exceeds their carrying value

<At March 31st, 2025>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥1,227	¥1,314	(¥87)
Bonds:			
Government bonds	341,056	391,330	(50,274)
Municipal bonds	513,651	526,703	(13,052)
Corporate bonds	156,606	163,736	(7,130)
	1,011,314	1,081,771	(70,456)
Others	264,820	285,264	(20,443)
Total	¥1,277,362	¥1,368,350	(¥90,988)

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$8,207	\$8,792	(\$584)
Bonds:			
Government bonds	2,281,005	2,617,245	(336,239)
Municipal bonds	3,435,338	3,522,631	(87,293)
Corporate bonds	1,047,397	1,095,084	(47,686)
	6,763,742	7,234,961	(471,219)
Others	1,771,135	1,907,866	(136,730)
Total	\$8,543,085	\$9,151,621	(\$608,535)

<At March 31st, 2024>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥1,086	¥1,460	(¥373)
Bonds:			
Government bonds	425,914	456,061	(30,147)
Municipal bonds	473,056	477,090	(4,034)
Corporate bonds	141,362	144,315	(2,953)
	1,040,333	1,077,468	(37,134)
Others	320,876	343,771	(22,895)
Total	¥1,362,296	¥1,422,699	(¥60,403)

Notes to Consolidated Financial Statements

(4) Available for sale securities sold for the years ended March 31st, 2025 and 2024 are as follows:

<At March 31st, 2025>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥5,536	¥5,366	(¥388)
Bonds:			
Government bonds	97,803	—	(3,764)
Municipal bonds	—	—	—
Corporate bonds	12	0	—
	97,815	0	(3,764)
Others	114,666	7,514	(4,094)
Total	¥218,018	¥12,880	(¥8,247)

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$37,031	\$35,891	(\$2,599)
Bonds:			
Government bonds	654,116	—	(25,173)
Municipal bonds	—	—	—
Corporate bonds	80	0	—
	654,197	0	(25,173)
Others	766,895	50,257	(27,384)
Total	\$1,458,123	\$86,148	(\$55,157)

<At March 31st, 2024>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥4,208	¥8,334	(¥2)
Bonds:			
Government bonds	30,811	32	(247)
Municipal bonds	4,977	18	—
Corporate bonds	16,437	154	—
	52,227	205	(247)
Others	161,426	7,574	(10,777)
Total	¥217,862	¥16,113	(¥11,027)

(5) Devaluation of securities

Securities other than trading securities (excluding shares, etc. that do not have market prices and investments in partnerships) are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value.

There were no impairment losses for the year ended March 31st, 2025.

The amount of devaluation was ¥86 million, of which ¥78 million for stocks and ¥8 million for bonds, for the year ended March 31st, 2024.

The criteria for determining whether the fair value of a security has "significantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acquisition cost, or
2. The fair value exceeds 30% but is 50% or less of the acquisition cost and the security meets certain conditions such as the quoted market price for a certain period in the past and financial conditions of the issuer.

(6) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at March 31st, 2025 and 2024 are as follows:

<At March 31st, 2025>

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	(¥3,521)	(\$23,549)
Deferred tax liability	599	4,010
Revaluation difference (before non-controlling interest adjustment), net of taxes	(2,921)	(19,539)
Amount corresponding to non-controlling interests	(712)	(4,765)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	83	561
Unrealized gains on securities available for sale, net of taxes	(¥3,550)	(\$23,744)

<At March 31st, 2024>

	Millions of yen
Revaluation difference	¥63,048
Deferred tax liability	(19,257)
Revaluation difference (before non-controlling interest adjustment), net of taxes	43,790
Amount corresponding to non-controlling interests	(630)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	101
Unrealized gains on securities available for sale, net of taxes	¥43,262

26. Money Held in Trust

Money held in trust at March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Money held in trust for investment purposes			
Carrying value	¥4,991	¥4,999	\$33,380
Unrealized gains/losses	—	—	—
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥6,700	¥6,700	\$44,810
Carrying value	6,700	6,700	44,810
Unrealized gains/losses	—	—	—

27. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at March 31st, 2025 and 2024, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

i) Interest related transactions

<At March 31st, 2025>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥22,619	¥22,336	(¥293)	(¥293)
Receive-floating and pay-fixed	22,619	22,336	528	528
Total	¥—	¥—	¥235	¥235

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$151,282	\$149,388	(\$1,962)	(\$1,962)
Receive-floating and pay-fixed	151,282	149,388	3,536	3,536
Total	\$—	\$—	\$1,574	\$1,574

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

<At March 31st, 2024>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥20,811	¥20,711	¥6	¥6
Receive-floating and pay-fixed	20,811	20,711	133	133
Total	¥—	¥—	¥140	¥140

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

ii) Currency related transactions

<At March 31st, 2025>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥—	¥—	¥—	¥—
Forward foreign:				
Sell	7,815	—	39	39
Buy	5,745	—	(4)	(4)
Currency option:				
Sell	95,384	83,267	(770)	(78)
Buy	95,384	83,267	742	628
Total	¥—	¥—	¥6	¥585

Notes to Consolidated Financial Statements

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$—	\$—	\$—	\$—
Forward foreign:				
Sell	52,269	—	265	265
Buy	38,427	—	(28)	(28)
Currency option:				
Sell	637,935	556,897	(5,154)	(527)
Buy	637,935	556,897	4,962	4,204
Total	\$—	\$—	\$45	\$3,914

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

<At March 31st, 2024>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥13,079	¥—	¥1	¥1
Forward foreign:				
Sell	6,368	—	(197)	(197)
Buy	5,977	—	161	161
Currency option:				
Sell	90,535	70,330	(875)	182
Buy	90,535	70,330	866	253
Total	¥—	¥—	(¥41)	¥402

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

(2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at March 31st, 2025 and 2024, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

i) Interest related transactions

<At March 31st, 2025>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥8,971	¥—	¥121
Special treatment for interest rate swaps	Interest rate swaps:	Loans and bills discounted, and deposits			
	Receive-floating and pay-fixed		—	—	
	Interest rate options		—	—	
Total			¥—	¥—	¥121

Notes to Consolidated Financial Statements

Hedge accounting method Type of transactions Hedged item			Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	\$60,000	\$—	\$811
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	—	—	
	Interest rate options		—	—	
Total			\$—	\$—	\$811

<At March 31st, 2024>

			Millions of yen		
Hedge accounting method	Type of transactions	Hedged item	Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥28,737	¥9,084	¥952
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	—	—	
	Interest rate options		—	—	
Total			¥—	¥—	¥952

ii) Currency related transactions

<At March 31st, 2025>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥72,276	¥—	¥1,212
Total			¥—	¥—	¥1,212

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$483,391	\$—	\$8,110
Total			\$—	\$—	\$8,110

Note: The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25).

<At March 31st, 2024>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥144,025	¥—	(¥3,455)
Total			¥—	¥—	(¥3,455)

Note: The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25).

28. Employee Retirement Benefits

(1) Description of the retirement benefit plans

The Company's consolidated subsidiaries adopt funded or unfunded defined benefit plans and/or the defined contribution plan to provide for employee retirement benefits.

Under the defined benefit corporate pension plans (all funded), lump-sum or annuity payments are made at the amounts based on salaries and the length of service periods of the covered employees. The Nishi-Nippon City Bank, a consolidated subsidiary, has established a retirement benefit trust for its defined benefit corporate pension plan.

Under the lump-sum payment plans (principally unfunded, however, some plans have a funded status as a result of the establishment of a retirement benefit trust), retirement benefits are paid in the form of a lump sum at the amounts based on salaries and the length of service periods of the covered employees.

The consolidated subsidiaries may also pay additional retirement benefits that are not subject to actuarial calculation.

As of March 31st, 2025, the lump-sum payment plans have been adopted by 7 consolidated subsidiaries. The corporate pension fund plans have been adopted by 2 consolidated subsidiaries. The defined contribution plan has been adopted by 1 consolidated subsidiary.

For the lump-sum payment plans that certain consolidated subsidiaries have adopted, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all the eligible employees voluntarily terminated their employment at fiscal year end.

Some consolidated subsidiaries subscribe to the Japan Computer Information Service Employees' Pension Fund (multi-employer plan) but are accounted for in the same manner as the defined contribution plan because of the inability to reasonably assess the amount of pension assets that correspond to the amount of contributions by the Company.

(2) Defined benefit plans

- i) Reconciliation between the balances of retirement benefit obligation at the beginning and end of the year for the years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Retirement benefit obligation at beginning of the year	¥60,877	¥71,797	\$407,152
Service cost	1,740	2,173	11,639
Interest cost	701	87	4,689
Actuarial gain and loss	484	(8,531)	3,240
Retirement benefits paid	(4,218)	(4,650)	(28,211)
Others	—	—	—
Retirement benefit obligation at end of the year	¥59,585	¥60,877	\$398,509

- ii) Reconciliation between the balances of plan assets at the beginning and end of the year for the years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Plan assets at beginning of the year	¥83,868	¥75,188	\$560,920
Expected return on plan assets	2,757	2,472	18,441
Actuarial gain and loss	(1,894)	7,930	(12,667)
Contributions by employer	571	594	3,824
Contributions by employees	125	128	838
Retirement benefits paid	(2,430)	(2,444)	(16,254)
Others	—	—	—
Plan assets at end of the year	¥82,999	¥83,868	\$555,103

Notes to Consolidated Financial Statements

- iii) Reconciliation between the balances of retirement benefit obligation and plan assets at the end of the year and the amounts of the liability and asset for retirement benefits recognized in the consolidated balance sheet at March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Retirement benefit obligation (funded)	¥59,076	¥60,400	\$395,108
Fair value of plan assets	(82,999)	(83,868)	(555,103)
	(23,922)	(23,467)	(159,994)
Retirement benefit obligation (unfunded)	508	476	3,400
Net liability (asset) for retirement benefits in the consolidated balance sheet	(¥23,413)	(¥22,991)	(\$156,593)

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Liability for retirement benefits	¥1,771	¥1,973	\$11,845
Asset for retirement benefits	(25,185)	(24,964)	(168,439)
Net liability (asset) for retirement benefits in the consolidated balance sheet	(¥23,413)	(¥22,991)	(\$156,593)

- iv) Components of retirement benefit expenses for the years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥1,614	¥2,044	\$10,800
Interest cost	701	87	4,689
Expected return on plan assets	(2,757)	(2,472)	(18,441)
Amortization of unrecognized actuarial gain and loss	924	2,908	6,185
Others	179	241	1,198
Retirement benefit expenses	¥662	¥2,810	\$4,433

Notes: 1. Contributions by employees to corporate pension funds, etc. have been deducted from the service cost.

2. Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are reported in total under "Service cost."

- v) Items recorded in retirement benefits liability adjustments included in other comprehensive income (gross of income taxes and tax effects) for the years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial gain and loss	¥1,453	(¥19,369)	\$9,722

- vi) Items recorded in retirement benefits liability adjustments included in accumulated other comprehensive income (gross of income taxes and tax effects) at March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized actuarial gain and loss	(¥3,448)	(¥1,994)	(\$23,063)

vii) Matters concerning plan assets

(a) Percentages of each main category of the total plan assets at March 31st, 2025 and 2024 are as follows:

	2025	2024
Bonds	23%	23%
Stocks	48%	52%
Cash and deposits	0%	0%
Others	29%	25%
Total	100%	100%

Note: Retirement benefit trusts established for the corporate pension plans accounted for 23% and 22% of the total plan assets at March 31st, 2025 and 2024, respectively. Retirement benefit trusts established for the lump-sum payment plans accounted for 20% and 20% of the total plan assets at March 31st, 2025 and 2024, respectively.

(b) The expected long-term rate of return on plan assets has been estimated by taking into account the current and expected allocation of the plan assets and the current and anticipated long-term rate of return on diverse assets that constitute the plan assets.

viii) Assumptions for actuarial calculation

Major assumptions for actuarial calculation as of March 31st, 2025 and 2024

	2025	2024
1) Discount rates:	1.191%(principally)	1.191%(principally)
2) Expected long-term rate of return on plan assets:	3.30%(principally)	3.30%(principally)
3) Expected rate of pay increase:	2.74%(principally)	2.83%(principally)

(3) Defined contribution plans

Contributions of ¥0 million (\$0 thousand) and ¥0 million have been made to the defined contribution plan by the consolidated subsidiary for the years ended March 31st, 2025 and 2024, respectively.

(4) Multi-employer plan

Contributions of ¥26 million (\$175 thousand) and ¥25 million have been made to the corporate pension fund plan (multi-employer plan) for the years ended March 31st, 2025 and 2024, which is accounted for in the same manner as the defined contribution plan.

i) Latest amount of pension assets accumulated under the multi-employer plan

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Amount of pension assets	¥263,204	¥255,330	\$1,760,330
Amount of actuarial liabilities for the purpose of pension financing valuation	214,192	206,318	1,432,533
Balance	49,012	49,012	327,797

ii) Percentages of the Group's premiums within the multi-employer plan

	2025	2024
Percentages of the Group's premiums	0.38%	0.36%

iii) Supplementary explanations

Main factors behind the Balance in i) above are general reserves (previous fiscal year: ¥49,012 million, fiscal year under review: ¥49,012 million (\$327,797 thousand)).

The percentages in ii) above do not match the actual percentages borne by the Group.

29. Income Taxes

- (1) The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Reserve for possible loan losses	¥12,713	¥12,788	\$85,029
Liability for retirement benefits	1,793	1,848	11,993
Accumulated depreciation	2,137	2,111	14,298
Loss carryforwards for tax purposes	26	20	178
Unrealized gains on securities available for sale, net	599	—	4,010
Others	7,161	7,689	47,895
Subtotal	24,432	24,458	163,405
Valuation allowance	(7,753)	(7,386)	(51,856)
Total deferred tax assets	16,678	17,072	111,548
Deferred tax liabilities:			
Reserve fund for deferred income of fixed assets	(0)	(0)	(5)
Unrealized losses on securities attributable to partition of corporation, net	(23)	(23)	(158)
Gains on establishment of a retirement benefit trust	(3,065)	(3,179)	(20,500)
Asset retirement obligations	(118)	(121)	(792)
Share of retained earnings of affiliates accounted for by the equity method	(565)	(421)	(3,781)
Unrealized gains on securities available for sale, net	—	(19,257)	—
Others	(41)	(315)	(275)
Total deferred tax liabilities	(3,814)	(23,318)	(25,513)
Net deferred tax assets (liabilities)	¥12,863	(¥6,246)	\$86,035

Note: As presented in "Changes in Accounting Policies", the Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 of October 28th, 2022), etc. from the beginning of the fiscal year ended March 31st, 2025. As a result of these changes to accounting policies, the deferred tax assets and deferred tax liabilities for the fiscal year ended March 31st, 2024 are presented as deferred tax assets and deferred tax liabilities after retrospective application.

- (2) The reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statement of income for the year ended March 31st, 2025 and 2024 are as follows:

Since the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting is equal to or less than 5% of the statutory effective tax rate, notes are omitted for the year ended March 31st, 2025 and 2024.

- (3) Accounting treatment of national and local income tax or accounting treatment of tax effect accounting thereof

The Company and some of its consolidated subsidiaries have adopted the Group Tax Sharing System. Accordingly, national and local income tax are accounted for, or tax effect accounting thereof is accounted for and disclosed in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42 of August 12th, 2021).

- (4) Adjustments to deferred tax assets and deferred tax liabilities resulting from a change in the income tax rate

Following the enactment of the "Act for Partial Amendment of the Income Tax Act, etc." on March 31st, 2025 (Act No. 13 of 2025), a "special corporate tax for defense" will become applicable for fiscal years beginning on or after April 1st, 2026. In accordance with this change, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from the current 30.5% to 31.4% for temporary differences expected to be eliminated in the fiscal years beginning on or after April 1st, 2026. As a result of the tax rate change, for the current fiscal year, deferred tax assets increased by ¥164 million (\$1,101 thousand), deferred tax liabilities by ¥69 million (\$463 thousand), net unrealized gains on securities available for sale, net of taxes by ¥51 million (\$341 thousand), and retirement benefits liability adjustments, net of taxes by ¥21 million (\$142 thousand), while income taxes-deferred decreased by ¥23 million (\$154 thousand). Deferred tax liabilities on revaluation of premises increased by ¥421 million (\$2,822 thousand), while revaluation of premises, net of taxes decreased by the same amount.

30. Asset Retirement Obligations

Information on asset retirement obligations is as follows:

Asset retirement obligations that are recorded in the consolidated balance sheet

(1) Overview of asset retirement obligations

The Group recognizes asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Group also recognizes asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

(3) Changes in total asset retirement obligations for the years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at beginning of the year	¥1,092	¥1,079	\$7,309
Increase due to acquisition of tangible fixed assets	8	15	58
Adjustment for passage of time	13	12	87
Decrease due to fulfillment of asset retirement obligation	8	14	56
Balance at end of the year	¥1,106	¥1,092	\$7,398

31. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

<In 2025>

	Millions of yen		
	Reporting segment Banking	Other	Total
Fees and commissions	¥24,732	¥9,298	¥34,031
Deposit-taking and lending	9,223	5,013	14,236
Forex businesses	7,237	—	7,237
Securities-related businesses	3,345	3,945	7,290
Agency transactions	1,956	2	1,959
Ordinary revenues other than fees and commissions	56	9,450	9,506
Revenue from contracts with customers	24,788	18,749	43,538
Ordinary revenues other than the above	147,266	5,610	152,877
Ordinary revenues from third party customers	¥172,055	¥24,359	¥196,415

	Thousands of U.S. dollars		
	Reporting segment Banking	Other	Total
Fees and commissions	\$165,413	\$62,190	\$227,603
Deposit-taking and lending	61,687	33,529	95,216
Forex businesses	48,402	—	48,402
Securities-related businesses	22,374	26,387	48,761
Agency transactions	13,086	18	13,105
Ordinary revenues other than fees and commissions	375	63,208	63,583
Revenue from contracts with customers	165,788	125,398	291,187
Ordinary revenues other than the above	984,929	37,522	1,022,452
Ordinary revenues from third party customers	\$1,150,718	\$162,920	\$1,313,639

Note: "Other" is a business segment that is not included in reporting segments and includes credit guarantees, credit cards, financial instruments transactions, and other financial businesses as well as information system service businesses.

Notes to Consolidated Financial Statements

<In 2024>

	Millions of yen		
	Reporting segment Banking	Other	Total
Fees and commissions	¥25,105	¥8,854	¥33,960
Deposit-taking and lending	10,147	4,836	14,984
Forex businesses	7,045	—	7,045
Securities-related businesses	2,737	3,656	6,393
Agency transactions	2,269	1	2,270
Ordinary revenues other than fees and commissions	20	9,561	9,582
Revenue from contracts with customers	25,126	18,416	43,542
Ordinary revenues other than the above	135,722	6,330	142,052
Ordinary revenues from third party customers	¥160,848	¥24,746	¥185,595

Note: "Other" is a business segment that is not included in reporting segments and includes credit guarantees, credit cards, financial instruments transactions, and other financial businesses as well as information system service businesses.

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in "2. Summary of Significant Accounting Policies, (18) Recognition of Earnings."

(3) Balance of contract liabilities and the transaction price allocated to the remaining performance obligations

i) Balance of contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Receivables from contracts with customers (beginning balance)	¥3,241	¥3,088	\$21,680
Receivables from contracts with customers (ending balance)	3,303	3,241	22,091
Contract liabilities (beginning balance)	359	391	2,404
Contract liabilities (ending balance)	343	359	2,298

Notes: 1. Contract liabilities are mainly related to advances received from customers and their balance decreases as they are appropriated when recognizing earnings.

2. Of the amount of income recognized, the amount included in the balance of contract liabilities (beginning balance) was ¥375 million for the previous fiscal year and ¥351 million (\$2,348 thousand) for the fiscal year under review.

ii) Transaction price allocated to the remaining performance obligations

The Group does not have significant transactions with an original expected duration of one year or more. Accordingly, the Group has applied the practical expedient and omitted information on the remaining performance obligations.

32. Business Segment Information

(1) Segment information

i) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of 8 consolidated subsidiaries and 3 affiliates. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which The Nishi-Nippon City Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

Notes to Consolidated Financial Statements

ii) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies". The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

iii) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

<In 2025>

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥172,055	¥24,359	¥196,415	¥—	¥196,415
Internal ordinary income among segments	1,495	14,702	16,198	(16,198)	—
Total ordinary income	173,550	39,062	212,613	(16,198)	196,415
Segment profit	39,460	14,776	54,236	(8,699)	45,537
Segment assets	13,529,394	533,457	14,062,851	(480,399)	13,582,451
Segment liabilities	13,003,482	100,961	13,104,444	(80,123)	13,024,320
Other items					
Depreciation	6,014	231	6,245	(2)	6,243
Interest and dividend income	128,535	11,104	139,639	(9,042)	130,597
Interest expenses	27,768	291	28,059	(300)	27,759
Increase in tangible and intangible fixed assets	6,678	314	6,992	—	6,992

	Thousands of U.S. dollars				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	\$1,150,718	\$162,920	\$1,313,639	\$—	\$1,313,639
Internal ordinary income among segments	10,000	98,334	108,334	(108,334)	—
Total ordinary income	1,160,719	261,254	1,421,973	(108,334)	1,313,639
Segment profit	263,911	98,826	362,738	(58,181)	304,557
Segment assets	90,485,516	3,567,798	94,053,314	(3,212,945)	90,840,368
Segment liabilities	86,968,183	675,238	87,643,421	(535,871)	87,107,550
Other items					
Depreciation	40,224	1,547	41,771	(15)	41,756
Interest and dividend income	859,652	74,267	933,920	(60,474)	873,446
Interest expenses	185,714	1,950	187,664	(2,009)	185,655
Increase in tangible and intangible fixed assets	44,663	2,105	46,768	—	46,768

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card, financial instruments exchange and system information service.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

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

5. As presented in "Changes in Accounting Policies", the Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 of October 28th, 2022), etc. from the beginning of the fiscal year ended March 31st, 2025.

Notes to Consolidated Financial Statements

<In 2024>

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥160,848	¥24,746	¥185,595	¥—	¥185,595
Internal ordinary income among segments	1,452	14,235	15,687	(15,687)	—
Total ordinary income	162,301	38,981	201,282	(15,687)	185,595
Segment profit	28,285	15,576	43,861	(8,252)	35,609
Segment assets	13,429,242	534,973	13,964,216	(481,153)	13,483,062
Segment liabilities	12,872,849	104,997	12,977,847	(80,849)	12,896,997
Other items					
Depreciation	5,718	274	5,993	(0)	5,992
Interest and dividend income	114,136	10,608	124,744	(8,432)	116,311
Interest expenses	25,295	138	25,434	(130)	25,303
Increase in tangible and intangible fixed assets	5,443	193	5,636	—	5,636

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card, financial instruments exchange and system information service.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

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

5. As presented in "Changes in Accounting Policies", the Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 of October 28th, 2022), etc. from the beginning of the fiscal year ended March 31st, 2025. As a result of these changes to accounting policies, the Consolidated Financial Statements for the fiscal year ended March 31st, 2024 are presented as Consolidated Financial Statements after retrospective application.

Consequently, compared to that before retrospective application, the segment liabilities of the "banking business" decreased by ¥1,259 million for the fiscal year ended March 31st, 2024.

(2) Related information

Ordinary income by services:

<In 2025>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥102,586	¥44,508	¥49,320	¥196,415

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$686,103	\$297,673	\$329,861	\$1,313,639

Note: Ordinary income is presented instead of net sales.

<In 2024>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥93,119	¥47,052	¥45,423	¥185,595

Note: Ordinary income is presented instead of net sales.

(3) Impairment losses on tangible fixed assets by reportable segments

<In 2025>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥66	¥—	¥66

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Impairment losses	\$446	\$—	\$446

<In 2024>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥434	¥—	¥434

(4) Amortization and balance of goodwill by reportable segments

Not applicable

(5) Information of gain from negative goodwill by reportable segments

Not applicable

33. Related Party Transactions

There are no related party transactions to report for the years ended March 31st, 2025 and 2024.

34. Reconciliation of Cash and Cash Equivalents

The reconciliation between "Cash and cash equivalents" in the consolidated statement of cash flows and each account in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and due from banks on the consolidated balance sheet	¥1,674,158	¥2,200,594	\$11,196,887
Due from banks, exclusive of central bank	(4,874)	(7,257)	(32,603)
Cash and cash equivalents on the consolidated statement of cash flows	¥1,669,283	¥2,193,336	\$11,164,284

35. Per Share Information

	Yen		U.S. dollars
	2025	2024	2025
Net assets per share at end of the year	¥3,931.29	¥4,105.02	\$26.292
Profit (loss) attributable to owners of parent per share	221.37	167.11	1.480

(Note 1) Basis for net assets per share as of March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net assets	¥558,130	¥586,065	\$3,732,818
Items to be deducted from net assets	10,561	10,183	70,637
Non-controlling interests	10,561	10,183	70,637
Net assets attributable to common stock	547,569	575,881	3,662,180

	Shares	
	2025	2024
Number of shares of common stock outstanding at end of the year	139,284,547	140,286,911

* The Company's own stock that remains in the BBT, which is posted as treasury stock under shareholders' equity, is included in treasury stock, which is subtracted from the total number of outstanding shares at the end of the fiscal year for the purpose of calculating net assets per share.

The number of said treasury stock outstanding at the end of the fiscal year that was subtracted for the purpose of calculating net assets per share was 120,600 shares and 114,700 shares for the previous fiscal year and the fiscal year under review, respectively.

** As presented in "Changes in Accounting Policies", the Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No.27 of October 28th, 2022), etc. from the beginning of the fiscal year ended March 31st, 2025. As a result of these changes to accounting policies, the Consolidated Financial Statements for the fiscal year ended March 31st, 2024 are presented as Consolidated Financial Statements after retrospective application.

Consequently, compared to that before retrospective application, net assets per share at end of the year increased by ¥8.98 for the fiscal year ended March 31st, 2024.

Notes to Consolidated Financial Statements

(Note 2) Basis for profit (loss) attributable to owners of parent per share for the years ended March 31st, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Basis:			
Profit (loss) attributable to owners of parent	¥30,982	¥23,576	\$207,213
Items not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent available for shareholders of common stock	30,982	23,576	207,213
	Shares		
	2025	2024	
Average number of shares of common stock outstanding during the year	139,957,057	141,082,010	

* The Company's own stock that remains in the BBT, which is posted as treasury stock under shareholders' equity, is included in treasury stock, which is subtracted in computing the average number of shares of common stock outstanding during the year for the purpose of calculating profit (loss) attributable to owners of parent per share.

The average number of shares during the year of said treasury stock that was subtracted for the purpose of calculating profit (loss) attributable to owners of parent per share was 120,725 shares and 116,558 shares for the previous fiscal year and the fiscal year under review, respectively.

** As presented in "Changes in Accounting Policies", the Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No.27 of October 28th, 2022), etc. from the beginning of the fiscal year ended March 31st, 2025. As a result of these changes to accounting policies, the Consolidated Financial Statements for the fiscal year ended March 31st, 2024 are presented as Consolidated Financial Statements after retrospective application.

These changes to accounting policies have no impact on profit (loss) attributable to owners of parent per share.

(Note 3) Diluted profit (loss) attributable to owners of parent per share for the years ended March 31st, 2025 and 2024 was not presented because the Group had no dilutive shares during the years.

36. Cash Dividends

Cash dividends paid during the years ended March 31st, 2025 and 2024 are as follows:

<In 2025>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 27th, 2024 Ordinary General Meeting of Shareholders	Cash dividends (¥30.0 per share)	¥4,212	\$28,175	March 31st, 2024	June 28th, 2024
November 6th, 2024 Meeting of Board of Directors	Cash dividends (¥30.0 per share)	¥4,212	\$28,175	September 30th, 2024	December 10th, 2024

* The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 27th, 2024 includes dividends of ¥3 million (\$24 thousand) on the Company's own stock that remains in the BBT.

** The total amount of dividends resolved by the Board of Directors on November 6th, 2024 includes dividends of ¥3 million (\$23 thousand) on the Company's own stock that remains in the BBT.

<In 2024>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 29th, 2023 Ordinary General Meeting of Shareholders	Cash dividends (¥27.5 per share)	¥3,895		March 31st, 2023	June 30th, 2023
November 7th, 2023 Meeting of Board of Directors	Cash dividends (¥25.0 per share)	¥3,540		September 30th, 2023	December 8th, 2023

* The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 29th, 2023 includes dividends of ¥3 million on the Company's own stock that remains in the BBT.

** The total amount of dividends resolved by the Board of Directors on November 7th, 2023 includes dividends of ¥3 million on the Company's own stock that remains in the BBT.

37. Subsequent Event

The following appropriation of earned surplus for the year ended March 31st, 2025 was approved at the shareholders' meeting held on June 27th, 2025:

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 27th, 2025 Ordinary General Meeting of Shareholders	Cash dividends (¥45.0 per share)	¥6,273	\$41,960	March 31st, 2025	June 30th, 2025

* The total amount of dividends resolved by the Ordinary General Meeting of Shareholders on June 27th, 2025 includes dividends of ¥5 million (\$34 thousand) on the Company's own stock that remains in the BBT.

Interim Information (Unaudited)

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Year ended March 31st, 2025

	Millions of yen	
	Interim	Full-year
	from April 1st, 2024 to September 30th, 2024	from April 1st, 2024 to March 31st, 2025
Ordinary income	¥94,855	¥196,415
Profit (loss) before income taxes	23,418	45,016
Profit (loss) attributable to owners of parent	16,420	30,982

	yen	
	Interim	Full-year
	from April 1st, 2024 to September 30th, 2024	from April 1st, 2024 to March 31st, 2025
Profit (loss) attributable to owners of parent per share	¥117.04	¥221.37

	Thousands of U.S. dollars	
	Interim	Full-year
	from April 1st, 2024 to September 30th, 2024	from April 1st, 2024 to March 31st, 2025
Ordinary income	\$634,399	\$1,313,639
Profit (loss) before income taxes	156,627	301,074
Profit (loss) attributable to owners of parent	109,821	207,213

	U.S. dollars	
	Interim	Full-year
	from April 1st, 2024 to September 30th, 2024	from April 1st, 2024 to March 31st, 2025
Profit (loss) attributable to owners of parent per share	\$0.78	\$1.48

Non-Consolidated Balance Sheet (Unaudited)

The Nishi-Nippon City Bank, Ltd.

March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Assets:			
Cash and due from banks	¥1,608,546	¥2,161,345	\$10,758,069
Call loans	45,000	33,570	300,963
Money held in trust	11,691	11,699	78,190
Securities	1,652,704	1,765,672	11,053,399
Loans and bills discounted	9,695,529	8,959,421	64,844,362
Foreign exchange assets	7,942	9,361	53,119
Other assets	78,733	84,773	526,578
Tangible fixed assets	109,221	110,087	730,481
Intangible fixed assets	5,797	4,800	38,771
Prepaid pension cost	28,625	26,845	191,448
Deferred tax assets	11,044	—	73,863
Customers' liabilities for acceptances and guarantees	12,596	17,033	84,242
Reserve for possible loan losses	(37,289)	(37,357)	(249,397)
Reserve for devaluation of securities	(436)	(436)	(2,918)
Total assets	¥13,229,705	¥13,146,816	\$88,481,175
Liabilities and Net assets:			
Liabilities:			
Deposits	¥10,249,947	¥10,184,730	\$68,552,353
Call money and bills sold	24,670	104,542	165,000
Payables under repurchase agreements	221,418	226,248	1,480,860
Guarantee deposits received under securities lending transactions	107,480	238,191	718,835
Borrowed money	1,971,625	1,749,973	13,186,365
Foreign exchange liabilities	546	720	3,654
Borrowed money from trust account	7,721	5,349	51,640
Other liabilities	99,238	48,066	663,716
Reserve for employee retirement benefits	200	165	1,342
Reserve for reimbursement of deposits	227	366	1,522
Reserve for other contingent losses	1,179	1,148	7,887
Deferred tax liabilities	—	8,030	—
Deferred tax liabilities on revaluation of premises	14,722	14,343	98,462
Acceptances and guarantees	12,596	17,033	84,242
Total liabilities	12,711,574	12,598,911	85,015,882
Net assets:			
Capital stock	85,745	85,745	573,472
Capital surplus			
Capital reserve	85,684	85,684	573,060
Earned surplus			
Legal reserve	61	61	411
Reserve for deferred capital gains	1	1	11
Unappropriated retained earnings	325,319	306,758	2,175,759
Total shareholders' equity	496,812	478,250	3,322,715
Net unrealized gains on securities available for sale, net of taxes	(7,927)	39,263	(53,019)
Net deferred gains (losses) on hedging instruments, net of taxes	86	711	578
Revaluation of premises, net of taxes	29,159	29,679	195,019
Total valuation and translation adjustments	21,318	69,654	142,577
Total net assets	518,130	547,905	3,465,293
Total liabilities and net assets	¥13,229,705	¥13,146,816	\$88,481,175

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Income:			
Interest income:			
Interest on loans and discounts	¥89,688	¥79,924	\$599,844
Interest and dividends on securities	29,357	28,037	196,346
Other interest income	5,308	2,207	35,502
Trust fees	12	0	84
Fees and commissions	27,817	28,504	186,045
Trading income	9	6	64
Other operating income	2,122	3,030	14,197
Other income	14,250	15,803	95,307
Total income	168,567	157,513	1,127,393
Expenses:			
Interest expenses:			
Interest on deposits	7,190	541	48,093
Interest on call money and bills sold	2,096	1,380	14,018
Interest on payables under repurchase agreements	12,251	15,291	81,939
Interest on borrowings	1,479	920	9,894
Interest on guarantee deposits received under securities lending transactions	143	38	957
Other interest expenses	4,378	7,089	29,285
Fees and commissions	17,046	16,695	114,008
Other operating expenses	8,115	11,468	54,275
General and administrative expenses	70,256	69,692	469,883
Other expenses	7,097	7,267	47,470
Total expenses	130,056	130,386	869,825
Income before income taxes	38,511	27,127	257,567
Income taxes			
Current	10,106	8,490	67,591
Deferred	1,363	(206)	9,117
Total income taxes	11,469	8,284	76,708
Net income	¥27,042	¥18,842	\$180,859

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$573,472
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$573,472
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$573,060
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$573,060
Total capital surplus			
Balance at beginning of the year	¥85,684	¥85,684	\$573,060
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$573,060
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$411
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$411
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥1	¥1	\$11
Changes during the year	(0)	(0)	(0)
Transfer from reserve for deferred capital gains	(0)	(0)	(0)
Total changes during the year	(0)	(0)	(0)
Balance at end of the year	¥1	¥1	\$11
Unappropriated retained earnings			
Balance at beginning of the year	¥306,758	¥296,356	\$2,051,618
Changes during the year			
Cash dividends paid	(8,579)	(8,189)	(57,377)
Transfer from reserve for deferred capital gains	0	0	0
Net income	27,042	18,842	180,859
Reversal of revaluation of premises	98	(252)	658
Total changes during the year	18,561	10,401	124,140
Balance at end of the year	¥325,319	¥306,758	\$2,175,759

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total earned surplus			
Balance at beginning of the year	¥306,821	¥296,420	\$2,052,042
Changes during the year			
Cash dividends paid	(8,579)	(8,189)	(57,377)
Net income	27,042	18,842	180,859
Reversal of revaluation of premises	98	(252)	658
Total changes during the year	18,561	10,401	124,140
Balance at end of the year	¥325,382	¥306,821	\$2,176,182
Total shareholders' equity			
Balance at beginning of the year	¥478,250	¥467,849	\$3,198,575
Changes during the year			
Cash dividends paid	(8,579)	(8,189)	(57,377)
Net income	27,042	18,842	180,859
Reversal of revaluation of premises	98	(252)	658
Total changes during the year	18,561	10,401	124,140
Balance at end of the year	¥496,812	¥478,250	\$3,322,715
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥39,263	¥22,874	\$262,597
Changes during the year			
Net changes in items other than shareholders' equity	(47,191)	16,389	(315,617)
Total changes during the year	(47,191)	16,389	(315,617)
Balance at end of the year	(¥7,927)	¥39,263	(\$53,019)
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	¥711	¥1,015	\$4,757
Changes during the year			
Net changes in items other than shareholders' equity	(624)	(304)	(4,179)
Total changes during the year	(624)	(304)	(4,179)
Balance at end of the year	¥86	¥711	\$578
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,679	¥29,427	\$198,499
Changes during the year			
Net changes in items other than shareholders' equity	(520)	252	(3,480)
Total changes during the year	(520)	252	(3,480)
Balance at end of the year	¥29,159	¥29,679	\$195,019
Total valuation and translation adjustments			
Balance at beginning of the year	¥69,654	¥53,317	\$465,855
Changes during the year			
Net changes in items other than shareholders' equity	(48,336)	16,337	(323,277)
Total changes during the year	(48,336)	16,337	(323,277)
Balance at end of the year	¥21,318	¥69,654	\$142,577

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total net assets			
Balance at beginning of the year	¥547,905	¥521,167	\$3,664,430
Changes during the year			
Cash dividends paid	(8,579)	(8,189)	(57,377)
Net income	27,042	18,842	180,859
Reversal of revaluation of premises	98	(252)	658
Net changes in items other than shareholders' equity	(48,336)	16,337	(323,277)
Total changes during the year	(29,775)	26,738	(199,137)
Balance at end of the year	¥518,130	¥547,905	\$3,465,293

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Nagasaki, Ltd.

March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Assets:			
Cash and due from banks	¥62,091	¥33,745	\$415,272
Securities	12,302	11,991	82,279
Loans and bills discounted	276,179	269,522	1,847,108
Other assets	1,898	1,840	12,695
Tangible fixed assets	4,286	4,369	28,668
Intangible fixed assets	164	86	1,103
Prepaid pension cost	144	100	968
Customers' liabilities for acceptances and guarantees	9	8	62
Reserve for possible loan losses	(191)	(300)	(1,280)
Reserve for devaluation of securities	(42)	(42)	(285)
Total assets	¥356,843	¥321,321	\$2,386,592
Liabilities and net assets:			
Liabilities:			
Deposits	¥283,232	¥266,459	\$1,894,281
Call money and bills sold	45,000	26,000	300,963
Borrowed money	6,400	7,800	42,803
Other liabilities	1,848	1,113	12,363
Reserve for employee retirement benefits	9	12	62
Reserve for retirement benefits for directors and corporate auditors	90	97	607
Reserve for reimbursement of deposits	17	25	116
Reserve for other contingent losses	52	34	348
Deferred tax liabilities	123	29	827
Deferred tax liabilities on revaluation of premises	503	508	3,367
Acceptances and guarantees	9	8	62
Total liabilities	337,287	302,089	2,255,804
Net assets:			
Capital stock	7,621	7,621	50,974
Capital surplus			
Capital reserve	3,500	3,500	23,408
Other capital surplus	2,463	2,463	16,479
Earned surplus			
Legal reserve	273	244	1,830
Unappropriated retained earnings	4,006	3,790	26,793
Total shareholders' equity	17,865	17,620	119,485
Net unrealized gains on securities available for sale, net of taxes	598	460	4,003
Revaluation of premises, net of taxes	1,091	1,150	7,299
Total valuation and translation adjustments	1,689	1,611	11,302
Total net assets	19,555	19,231	130,788
Total liabilities and net assets	¥356,843	¥321,321	\$2,386,592

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥3,620	¥3,492	\$24,214
Interest and dividends on securities	462	433	3,091
Other interest income	121	22	813
Fees and commissions	820	800	5,488
Other income	135	58	905
Total income	5,160	4,807	34,513
Expenses:			
Interest expenses:			
Interest on deposits	228	33	1,526
Interest on call money and bills sold	23	(18)	160
Interest on borrowings	0	0	0
Fees and commissions	1,171	1,053	7,833
Other operating expenses	—	2	—
General and administrative expenses	3,134	3,208	20,965
Other expenses	192	105	1,288
Total expenses	4,750	4,383	31,774
Income before income taxes	409	423	2,739
Income taxes			
Current	61	96	408
Deferred	3	(36)	20
Total income taxes	64	60	429
Net income	¥345	¥363	\$2,310

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥7,621	¥7,621	\$50,974
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥7,621	¥7,621	\$50,974
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥3,500	¥3,500	\$23,408
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥3,500	¥3,500	\$23,408
Other capital surplus			
Balance at beginning of the year	¥2,463	¥2,463	\$16,479
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥2,463	¥2,463	\$16,479
Total capital surplus			
Balance at beginning of the year	¥5,963	¥5,963	\$39,887
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥5,963	¥5,963	\$39,887
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥244	¥224	\$1,636
Changes during the year			
Reserve of legal retained earnings	29	20	194
Total changes during the year	29	20	194
Balance at end of the year	¥273	¥244	\$1,830
Other earned surplus:			
Unappropriated retained earnings			
Balance at beginning of the year	¥3,790	¥3,547	\$25,351
Changes during the year			
Reserve of legal retained earnings	(29)	(20)	(194)
Cash dividends paid	(145)	(100)	(972)
Net income	345	363	2,310
Reversal of revaluation of premises	44	—	298
Total changes during the year	215	243	1,441
Balance at end of the year	¥4,006	¥3,790	\$26,793
Total earned surplus			
Balance at beginning of the year	¥4,035	¥3,772	\$26,988
Changes during the year			
Cash dividends paid	(145)	(100)	(972)
Net income	345	363	2,310
Reversal of revaluation of premises	44	—	298
Total changes during the year	244	263	1,635
Balance at end of the year	¥4,279	¥4,035	\$28,623

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended March 31st, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total shareholders' equity			
Balance at beginning of the year	¥17,620	¥17,357	\$117,849
Changes during the year			
Cash dividends paid	(145)	(100)	(972)
Net income	345	363	2,310
Reversal of revaluation of premises	44	—	298
Total changes during the year	244	263	1,635
Balance at end of the year	¥17,865	¥17,620	\$119,485
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥460	¥337	\$3,080
Changes during the year			
Net changes in items other than shareholders' equity	137	123	922
Total changes during the year	137	123	922
Balance at end of the year	¥598	¥460	\$4,003
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥1,150	¥1,150	\$7,694
Changes during the year			
Net changes in items other than shareholders' equity	(59)	—	(395)
Total changes during the year	(59)	—	(395)
Balance at end of the year	¥1,091	¥1,150	\$7,299
Total valuation and translation adjustments			
Balance at beginning of the year	¥1,611	¥1,487	\$10,775
Changes during the year			
Net changes in items other than shareholders' equity	78	123	527
Total changes during the year	78	123	527
Balance at end of the year	¥1,689	¥1,611	\$11,302
Total net assets			
Balance at beginning of the year	¥19,231	¥18,845	\$128,624
Changes during the year			
Cash dividends paid	(145)	(100)	(972)
Net income	345	363	2,310
Reversal of revaluation of premises	44	—	298
Net changes in items other than shareholders' equity	78	123	527
Total changes during the year	323	386	2,163
Balance at end of the year	¥19,555	¥19,231	\$130,788

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd.

March 31st, 2025 and 2024

1. Basis of Presentation of Financial Statements

The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd. (the Banks) have been prepared from the accounts maintained by the Banks in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.

2. Other Accounting Principles and Practices Employed by the Bank

Accounting principles employed by the Banks in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.

Independent Auditor's Report

The Board of Directors
Nishi-Nippon Financial Holdings, Inc.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, 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, 2025, 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.

Determination of debtor classification in self-assessments of debtors such as those that have formulated business improvement plans, etc. and calculation of the reserve for possible loan losses for debtors for which the cash flow estimation method is applied

Description of Key Audit Matter	Auditor's Response
<p>Nishi-Nippon Financial Holdings, Inc. and its consolidated subsidiaries (the Group) recorded loans and bills discounted of ¥9,921,416 million and reserve for possible loan losses of ¥42,132 million on its consolidated balance sheet as of March 31, 2025.</p> <p>The Group has as its core subsidiary The Nishi-Nippon City Bank, Ltd., and is engaged in the loan business mainly in Fukuoka. Loans and bills discounted is a significant part of the Group's business as it accounts for approximately 70% of the total assets on the consolidated balance sheet, and loan losses may arise if, for example, the creditworthiness of debtors deteriorates or the value of collateral such as real estate declines.</p> <p>Accordingly, the Group records the amount of expected losses that will not be collected as a reserve for possible loan losses, and the details of this process are noted in "(10) Reserve for Possible Loan Losses," and "(25) Significant Accounting Estimates" under Note 2 "Summary of Significant Accounting Policies."</p> <p>The reserve for possible loan losses is calculated in line with the write-offs and allowances method for each debtor class based on the determination of the debtor classification through self-assessment.</p> <p>The determination of the debtor classification through self-assessment is made by evaluating the relevant debtor's ability to repay loans based on the debtor's repayment status, financial position, business performance, and future prospects thereof.</p>	<p>We mainly performed the following audit procedures.</p> <p>(1) Overall procedures</p> <ol style="list-style-type: none"> 1. In order to assess whether the Group's policies comply with generally accepted corporate accounting standards, we considered the Group's self-assessment standards and write-offs and allowances standards with reference to Accounting Standards for Financial Instruments. 2. In order to assess the accuracy and completeness of the calculation of the reserve for possible loan losses, determinations of the debtor classification and credit ratings relevant to such determinations, and debtor information upon which such determinations are made, we evaluated the effectiveness of these internal controls designed and implemented by the Group. 3. We sampled mainly the following types of debtors to assess their self-assessments. <ul style="list-style-type: none"> • Debtors that formulated improvement plans for which the impact of a downgrade in the debtor classification on the reserve for possible loan losses exceeded a certain amount • Debtors for which the cash flow estimation method is applied to test management's classification of the sampled debtor

<p>In particular, categorizing debtors as Requiring Caution when the debtor formulates business improvement plans, etc. requires validation of the reasonableness and feasibility of such business improvement plans, etc. Business improvement plans, etc. are formulated based on significant assumptions such as expected future sales and future earnings levels, including profit or loss, of debtors, and are affected by factors such as changes in the operating environment surrounding debtors and the outcome of business strategies. Therefore, the determination of the debtor classification is highly dependent on judgment by the Group's management.</p> <p>Additionally, calculation of the reserve for possible loan losses for debtors for which the cash flow estimation method is applied is highly dependent on judgment by the Group's management since such calculation is based on significant assumptions, such as future changes in debtor classification and amounts expected to be collected in the future.</p> <p>Therefore, we determined that the reasonableness and feasibility of the business improvement plans, etc., which has a significant impact on the determination of debtor classification in self-assessments conducted by The Nishi-Nippon City Bank, Ltd., a consolidated subsidiary of the Group, and future changes in debtor classification and amounts expected to be collected in the future, which are used in the cash flow estimation method and have a significant impact on the calculation of the reserve for possible loan losses, are key audit matters.</p>	<p>4. With regard to the determination of the debtor classification, we obtained and inspected mainly the following materials related to the Group's self-assessment, made inquiries as necessary of the Credit Supervision Division and Credit Management Division, and evaluated the responses we received to gain an understanding of the sampled debtors' status of recent repayments, financial position, and business performance.</p> <ul style="list-style-type: none"> • Materials related to a description of the debtor's business • Materials related to the borrowing and repayment status • Research materials that provide details of the actual financial position • Financial statements and the trial balance <p>(2) Procedures addressing key audit matters</p> <p>1. We performed the following procedures to examine the reasonableness and feasibility of the business improvement plans, etc.</p> <ul style="list-style-type: none"> • We analyzed trends from past results of major plan items such as future sales and earnings levels, including profit or loss, of debtors and compared the assumptions used in these business improvement plans with the actual results to evaluate whether the debtor had historically achieved its previous business improvement plans. We also made inquiries as necessary of the Credit Supervision Division and Credit Management Division regarding items such as progress of business improvement plans and evaluated the responses we received.
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	<ul style="list-style-type: none"> • We inspected the contact history between the Group and its debtors as well as materials such as minutes of meetings and interim trial balances to assess whether there was new information or indications that targets set out in plans will significantly fall short of being achieved. <p>2. Regarding debtors for which the cash flow estimation method is applied in the calculation of the reserve for possible loan losses, in order to assess whether future expectations for debtors identified through self-assessment are reflected in the calculation of the reserve for possible loan losses, we agreed the future changes of debtor classification and amounts expected to be collected in the future to supporting documentation, and made inquiries as necessary of the Credit Supervision Division and Credit Management Division about the latest information and considered the consistency of the responses we received with the basis for determination of the reserve for possible loan losses.</p>
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Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review 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, 2025 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 Nishi-Nippon Financial Holdings, Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 126 million yen and 19 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

August 1, 2025

Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

Tatsuya Nakazono
Designated Engagement Partner
Certified Public Accountant



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