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Matters for Internet Disclosure under Laws and Regulations and the Articles of Incorporation

Statement of Changes in Equity

Notes to Financial Statements

(April 1, 2021 to March 31, 2022)

ZENKOKU HOSHO Co., Ltd.

Pursuant to applicable laws and regulations, and Article 15 of the Company's Articles of Incorporation, the above matters are deemed to be provided to the shareholders by posting them on the Company's website (https://www.zenkoku.co.jp/).

Statement of Changes in Equity

(April 1, 2021 – March 31, 2022)

(Amount: million yen)

	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					Reserve for loss on guarantees	Retained earnings brought forward			
Balance at beginning of period	10,703	637	637	2,055	125,200	27,037	154,292	(206)	165,427
Changes of items during period									
Dividends of surplus						(8,057)	(8,057)		(8,057)
Provision of reserve for loss on guarantees					18,900	(18,900)	–		–
Net income						27,835	27,835		27,835
Purchase of treasury shares								(445)	(445)
Disposal of treasury shares								11	11
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	18,900	877	19,777	(434)	19,343
Balance at end of current period	10,703	637	637	2,055	144,100	27,915	174,070	(640)	184,770

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	254	254	178	165,860
Changes of items during period				
Dividends of surplus				(8,057)
Provision of reserve for loss on guarantees				–
Net income				27,835
Purchase of treasury shares				(445)
Disposal of treasury shares				11
Net changes of items other than shareholders' equity	(198)	(198)	(178)	(377)
Total changes of items during period	(198)	(198)	(178)	18,966
Balance at end of current period	56	56	-	184,827

Notes to Financial Statements

1. Notes on Going Concern Assumption

There is no relevant information.

2. Notes on Matters concerning Significant Accounting Policies

(1) Valuation standards and methods for securities

Held-to-maturity bonds	Stated at amortized cost (straight-line method).
Shares in subsidiaries	Stated at cost using the moving-average method.
Available-for-sale securities	
Securities other than shares, etc. that do not have a market price	Stated at fair value (with valuation difference wholly included directly in net assets while selling cost determined by the moving-average method).
Shares, etc. that do not have a market price	Stated at cost using the moving-average method.

(2) Depreciation and amortization methods for non-current assets

Property, plant and equipment: Depreciated using the declining-balance method. However, buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Major useful lives are as follows:

Buildings	3 to 44 years
Vehicles	6 years
Tools, furniture and fixtures	2 to 20 years

Intangible assets: Depreciated using the straight-line method (software for internal use is amortized using the straight-line method based on their estimated useful lives (5 years)).

(3) Recording standards for reserves

Allowance for doubtful accounts: To provide for losses on bad debts, an allowance for rights to reimbursement is recorded as follows, in accordance with the standard for depreciation and allowances provided in advance. The allowance for rights to reimbursement receivable from debtors who are legally bankrupt, such as those in bankruptcy or in special liquidation ("bankrupt borrowers"), or debtors in an equivalent state ("substantially bankrupt borrowers"), is recorded at the full amount of the non-secured portion after deducting amounts expected to be recovered from the disposal of collateral, etc., from the amount receivable. In addition, the allowance for rights to reimbursement receivable from debtors who are not currently bankrupt but for whom it is deemed that there is a significant possibility of future bankruptcy ("borrowers in danger of bankruptcy") is recorded at an estimated loss which is deemed necessary upon a comprehensive assessment of the payment ability of each individual debtor that takes into account factors such as the amount collected over a certain period. The said allowance is calculated by deducting amounts expected to be recovered from the disposal of collateral from the amount receivable.

The above allowances for all rights to reimbursement are recorded based on the results of an asset assessment conducted by the sales branch or the Screening Management Department in accordance with the standards for self-assessment of assets, and audited by the Internal Audit Department, which is independent from the Screening Management Department.

With regard to long-term loans receivable, to provide for losses on bad debts, an expected unrecoverable amount is recorded at an amount calculated based on the past loan loss ratio for general receivables, and an amount determined in consideration of the recoverability of individual receivables with respect to doubtful accounts and certain other receivables.

Provision for bonuses	To provide for the payment of bonuses to employees, provision for bonuses is provided for based on the expected payments calculated by the Company.
Provision for bonuses for directors (and other officers)	To provide for the payment of bonuses to Directors (excluding Outside Directors), estimated amount of payment as determined by the Company is recorded.
Provision for loss on guarantees	To provide for losses on guarantees, a provision is recorded as follows, in accordance with the standard for depreciation and allowances provided in advance. The provision for debt guarantees for bankrupt borrowers and substantially bankrupt borrowers is recorded at the full amount of the non-secured portion after deducting amounts expected to be recovered from the disposal of collateral, etc., from the amount of debt guarantees. In addition, the provision for debt guarantees for borrowers in danger of bankruptcy is recorded at an estimated loss which is deemed necessary upon a comprehensive assessment of the payment ability of debtors that takes into account factors such as the amount collected over a certain period. The said provision is calculated by deducting amounts expected to be recovered from the disposal of collateral from the amount of debt guarantees. The provision for debt guarantees other than the above is recorded based on historical rates of losses, etc., over a certain period. The above provisions for all debt guarantees are made based on the results of an asset assessment conducted by the sales branch or the Screening Management Department in accordance with the standards for self-assessment of assets, and audited by the Internal Audit Department, which is independent from the Screening Management Department.
Provision for shareholder benefit program	To provide for the incurrence of expenses based on the shareholder benefit program, a provision is recorded based on the amount expected to be incurred in the next fiscal year.
Provision for retirement benefits	To provide for employees' retirement benefits, an amount recognized to have incurred in the fiscal year under review is recorded as a provision for retirement benefits or prepaid pension cost, based on the projected benefits obligations and plan assets at the end of the fiscal year under review. Furthermore, projected benefits obligations are calculated using the simplified method.
Provision for share-based remuneration	To provide for the payment of shares in the Company to employees in accordance with the Share Payment Regulations, a provision is recorded based on the projected share payment obligations at the end of the fiscal year under review.
Provision for share awards for directors (and other officers)	To provide for the delivery of shares in the Company to Directors (excluding Outside Directors) based on the Share Delivery Regulations, a provision is recorded based on the projected share payment obligations at the end of the fiscal year under review.

(4) Recording standards for revenue and expenses

Income guarantee fee	With respect to income guarantee fee derived from the undertaking of guarantees, the Company receives, as consideration for the service, guarantee fee from the clients in a lump sum at the time of commencement of guarantee, or in installments in each month of the guarantee period. Revenue in the form of guarantee fee received in a lump sum is recorded as unearned revenue and charged on the declining balance (the method whereby income guarantee fees are calculated using a certain percentage of the estimated balance of debt guarantees) in each year during the guarantee period. For guarantee fees received each month, income guarantee fees are calculated using a certain percentage of the balance of guarantee obligations at the end of the previous month, and revenues are reported every month. The Company undertakes guarantee subject basically to each client taking out creditor group life insurance policy. In the event of default due to the client's death or other contingency, the Company makes repayment to the lending financial institution by way of subrogation, using the payment from the creditor group life insurance policy. In this arrangement, the Company is acting as agent to the life

	insurance company. With respect to the income guarantee fee associated with such agency, the Company receives consideration in the form of specific guarantee fee from the lending financial institution in each month of the guarantee period. In this transaction, insurance is provided by the life insurance company and the Company' performance obligations are to arrange as agent to have the payment of life insurance properly made by the life insurance company. Thus, revenue in the form of income guarantee fee is recorded at an amount of consideration on a net basis.

(5) Other important matters as basis for preparing financial statements

Accounting for consumption tax	Consumption taxes are accounted for by the tax exclusion method. However, of non-deductible consumption taxes relating to assets, those defined as deferred consumption taxes, etc., under the Corporation Tax Act are reported as long-term prepaid expenses and amortized over a five-year period on a straight-line basis.

3. Notes on Changes in Accounting Policies

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") along with other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies prescribed by the Fair Value Measurement Accounting Standard, etc. following the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This has no impact on the Financial Statements.

4. Notes on Changes in Presentation Method

"Taxes and dues" and "commission expenses" included in "other" under "operating expenses" for the previous fiscal year, have been presented separately from the fiscal year under review as they exceed 10% of the total operating expenses.

5. Notes on Accounting Estimates

(1) Detail of provision for loss on guarantees and the estimates

1) The amount recorded for the fiscal year under review 5,356 million yen

2) Other useful information in understanding the estimates

(a) Method for calculating the estimates and major assumptions used therein

To provide for losses on guarantees, based on the standards for self-assessment of assets as well as for depreciation and allowances provided in advance, guarantee consignors as debtors of such guarantees are classified into the following five debtor categories, namely, “normal borrowers,” “borrowers requiring caution,” “borrowers in danger of bankruptcy,” “substantially bankrupt borrowers,” and “bankrupt borrowers.” An estimated loss calculated for each such category is recorded as the provision for loss on guarantees.

Debtor category	Definitions
Normal borrowers	Debtors who are making repayment on schedule and deemed to have no particular problems with their financial balance and position.
Borrowers requiring caution	Debtors with unstable financial balance and position, who have a possibility of future delinquency or are already delinquent, or for whom easing of repayment terms is under way.
Borrowers in danger of bankruptcy	Debtors who are not currently bankrupt, but for whom it is deemed that there is a significant possibility of future bankruptcy
Substantially bankrupt borrowers	Debtors who are legally bankrupt, such as those in bankruptcy or in special liquidation, or have excessive debt with no prospects of rehabilitation, and for whom preparations for subrogation are under way.
Bankrupt borrowers	Debtors in an equivalent state as substantially bankrupt borrowers, and for whom requests for the performance of subrogation are under way.

The provision for debt guarantees for normal borrowers and borrowers requiring caution is recorded mainly at an estimated loss for a period of next one year or an estimated loss for a period of next three years, for each debtor category. The estimated loss is calculated based on the balance of debt guarantees, the estimated subrogation rate, and the estimated recovery rate for each debtor category. The estimated subrogation rate is calculated based on the average of the actual subrogation rate for the past five calculation periods, where each calculation period shall be a one-year period or a three-year period, in light of the latest situation. In addition, the estimated recovery rate is calculated based on the accumulated amount recovered from subrogation payments for each product category as well as each category of a similar situation of collateral.

The provision for debt guarantees for borrowers in danger of bankruptcy is recorded at an estimated loss which is deemed necessary based on the past track record, after a comprehensive assessment of the payment ability of guarantee consignors that takes into account factors such as the amount collected over a certain period. The said provision is calculated by deducting amounts expected to be recovered from the disposal of collateral from the amount of debt guarantees. In addition, the provision for debt guarantees for substantially bankrupt borrowers and bankrupt borrowers is recorded at the full amount of the non-secured portion as an estimated loss after deducting amounts expected to be recovered from the disposal of collateral, etc., from the amount of debt guarantees. With regard to the amount expected to be recovered from the disposal of collateral, the appraisal value made by an external expert is used, based mainly on the assumption that the collateral will be sold in the second-hand housing market.

(b) Impact on the financial statements for the next fiscal year

It is believed that the accounting estimates used for calculating the provision for loss on guarantees as well as the assumption used for preparing such accounting estimates are reasonable, and that a sufficient amount to provide for losses on guarantees has been recorded. However, the assumption used for preparing the accounting estimates is based on figures on the basis of historical subrogation and collection data, involving a certain degree of uncertainty. Accordingly, there is a possibility that the provision for loss on guarantees may be increased or decreased due to factors such as changes in the situation of clients, economic environment, and real estate market condition.

(2) Detail of allowance for doubtful accounts and the estimates

1) The amount recorded for the fiscal year under review 7,612 million yen

2) Other useful information in understanding the estimates

(a) Method for calculating the estimates and major assumptions used therein

To provide for losses on bad debts in terms of an allowance for rights to reimbursement, based on the standards for self-assessment of assets as well as for depreciation and allowances provided in advance, debtors are classified into the following three debtor categories, namely, “bankrupt borrowers,” “substantially bankrupt borrowers,” and “borrowers in danger of bankruptcy.” An estimated loss calculated for each such category is recorded as the allowance for doubtful accounts.

Debtor category	Definitions
Bankrupt borrowers	Debtors who are legally bankrupt, such as those in bankruptcy or in special liquidation, but classified as neither borrowers in danger of bankruptcy nor substantially bankrupt borrowers.
Substantially bankrupt borrowers	Debtors who have continued to make partial advanced repayment for a considerable period of time after subrogation, but are expected to require a very long time before the debt is paid off, and for whom it is judged that there is a substantially high possibility that rights to reimbursement will not be recovered in full.
Borrowers in danger of bankruptcy	Debtors who have continued to make partial advanced repayment for a considerable period of time after subrogation, and for whom it is judged that there is a low possibility that rights to reimbursement will not be recovered in full.

The allowance for rights to reimbursement receivable from bankrupt borrowers and substantially bankrupt borrowers is recorded at the full amount of the non-secured portion as an estimated loss after deducting amounts expected to be recovered from the disposal of collateral, etc., from the amount receivable. In addition, the allowance for rights to reimbursement receivable from borrowers in danger of bankruptcy is recorded at an estimated loss which is deemed necessary upon a comprehensive assessment of the payment ability of each individual debtor that takes into account factors such as the amount collected over a certain period. The said allowance is calculated by deducting amounts expected to be recovered from the disposal of collateral from the amount receivable. With regard to the amount expected to be recovered from the disposal of collateral, the appraisal value made by an external expert is used, based mainly on the assumption that the collateral will be sold in the second-hand housing market.

(b) Impact on the financial statements for the next fiscal year

It is believed that the accounting estimates used for calculating the allowance for doubtful accounts as well as the assumption used for preparing such accounting estimates are reasonable, and that a sufficient amount to provide for losses on bad debts has been recorded. However, the assumption used for preparing the accounting estimates is based on figures on the basis of past loan loss record and collection record, involving a certain degree of uncertainty. Accordingly, there is a possibility that the allowance for doubtful accounts may be increased or decreased due to factors such as changes in the situation of debtors, economic environment, and real estate market condition.

6. Notes on Changes in Accounting Estimates

There is no relevant information.

7. Notes on Correction of Errors

There is no relevant information.

8. Additional Information

(1) Transactions where the Company's shares are issued to employees, etc., through a fund

1) Overview of the transaction

The Company has introduced the Employee Stock Ownership Plan (J-ESOP) (hereinafter the "Plan"), which is an incentive plan where shares of the Company are paid to employees, etc., in order to strengthen the link between the Company's share price, business performance, and the treatment of employees, etc. (including employees of the Company along with Directors and employees of the Company's subsidiaries; the same applies below). The Plan also aims to increase the morale and desire of employees, etc., to increase the Company's share price and business performance by sharing the economic effects with shareholders.

Under the Plan, the Company will pay shares in the Company to employees, etc., who fulfill certain conditions, based on the Share Payment Regulations provided in advance by the Company.

The Company will grant points to employees, etc., according to their individual degree of contribution and other factors, and pay shares in the Company equivalent to the number of points granted when employees, etc., have acquired the right to receive shares by fulfilling certain conditions. The shares to be paid to employees, etc., including those required in future, are acquired with money held in trust in advance and managed separately as trust assets.

2) Shares in the Company remaining in the trust

Shares in the Company remaining in the trust are reported under net assets as treasury shares, based on their carrying value in the trust (excluding the amount of any associated expenses). The carrying value of these treasury shares and number of shares were 204 million yen and 76,510 shares in the previous fiscal year and 193 million yen and 72,400 shares in the fiscal year under review.

(2) Transactions where the Company's shares are issued to officers, etc., through a fund

1) Overview of the transaction

The Company has, based on the resolutions at the Board of Directors meeting held on May 17, 2021 and the 41st Annual General Meeting of Shareholders held on June 18, 2021, abolished the stock compensation-type stock option compensation system for Directors (excluding Outside Directors, hereinafter the same), and introduced the performance-based stock compensation plan using Board Benefit Trust (hereinafter the "Executive Plan") for the benefit of Directors of the Company.

The Executive Plan is designed to motivate Directors to contribute to enhancing medium to long-term business performance and corporate value, by clarifying the linkage between the remuneration for Directors, etc. and the Company's business performance as well as its equity value, and by having Directors to share with shareholders benefits and risks arising from the ups and downs of the share price.

The Executive Plan is a stock compensation plan, in which a trust established using the funds contributed by the Company (hereinafter "the Trust") purchases shares of the Company, and the number of shares of the Company equivalent to the number of points the Company grants to each Director is delivered to individual Directors through the Trust.

Remuneration through the Executive Plan covers Directors in office during the period of the medium-term management plan (hereinafter the "Applicable Period")

Such points are granted to Directors of the Company who are in office during the Applicable Period in accordance with the Share Delivery Regulations established by the Board of Directors of the Company, commensurate with their position and the level of achieving the numerical targets under the medium-term management plan. Directors receive a number of shares of the Company commensurate with the cumulative number of points at the time of their retirement in principle.

2) Shares of the Company remaining held in the trust

Shares in the Company remaining in the trust are reported under net assets as treasury shares, based on their carrying value in the trust (excluding the amount of any associated expenses). The carrying value of these treasury shares and number of shares were 444 million yen and 84,000 shares in the fiscal year under review.

The unexercised portion of share acquisition rights as stock options that have been granted to Directors shall be waived and extinguished by Directors, and equivalent number of points under the Executive Plan shall be granted instead.

As a result of the above, "gain on reversal of share acquisition rights" of 178 million yen was recorded in extraordinary income as respects the waived share acquisition rights in the fiscal year under review, while "provision for share awards for directors (and other officers)" of 253 million yen was recorded in extraordinary losses as respects the equivalent number of points granted under the Executive Plan.

9. Notes to Balance Sheet

(1) The balance of guarantee obligations is as follows. Guarantee obligations for interest in arrears are not included as they cannot be estimated.

Guarantee obligations for housing loans, etc.	15,011,326 million yen
Provision for loss on guarantees	5,356 million yen
Balance	15,005,969 million yen

Apart from the above, the Company is under blanket guarantee contract that provides guarantee for the guarantee exposure related to housing loans at a subsidiary, whose balance is as follows.

MINORI GUARANTEE Co., Ltd.	137 million yen

(2) Monetary claims against and monetary liabilities to subsidiaries and associates are as follows.

Short-term monetary claims	23 million yen
Short-term monetary liabilities	41 million yen

10. Notes to Statement of Income

Transactions with subsidiaries and associates are as follows.

Operating transactions (outgoing)	573 million yen
Non-operating transactions (incoming)	3 million yen

11. Notes to Statement of Changes in Equity

(1) Matters concerning issued shares

Class of shares	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Common shares	68,871,790	-	-	68,871,790

(2) Matters related to treasury shares

Class of shares	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Common shares	77,002	84,075	4,110	156,967

(Notes) 1. The number of treasury shares at beginning and end of period includes the Company's shares held by J-ESOP of 76,510 shares and 72,400 shares, respectively. The number of treasury shares at end of period includes 84,000 shares of the Company held in the Board Benefit Trust.

2. Outline of reasons for the changes

Increase owing to the purchase of shares of the Company by the Board Benefit Trust	84,000 shares
Increase owing to the purchase of fractional shares	75 shares
Decrease owing to the payment of the Company's shares based on J-ESOP	4,110 shares

(3) Matters concerning dividends

1) Cash dividends paid

Resolution	Class of shares	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
The Annual General Meeting of Shareholders held on June 18, 2021	Common shares	8,057	117.00	March 31, 2021	June 21, 2021

(Note) The total cash dividends approved by resolution at the Annual General Meeting of Shareholders held on June 18, 2021 includes 8 million yen in dividends to the Company's shares held by J-ESOP.

2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

Resolution	Class of shares	Dividend resource	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
The Annual General Meeting of Shareholders held on June 17, 2022	Common shares	Retained earnings	9,159	133.00	March 31, 2022	June 20, 2022

(Note) The total cash dividends approved by resolution at the Annual General Meeting of Shareholders held on June 17, 2022 includes 9 million yen in dividends to the Company's shares held by J-ESOP, along with 11 million yen in dividends to the Company's shares held by the Board Benefit Trust.

(4) Matters concerning share acquisition rights, etc.

There is no relevant information.

12. Notes on Tax Effect Accounting

Details of deferred tax assets and liabilities by major cause

Deferred tax assets	
Allowance for doubtful accounts	1,430 million yen
Software	107 million yen
Software in progress	66 million yen
Reguarantee fees	113 million yen
Loss on valuation of investment securities	129 million yen
Loss on valuation of shares of subsidiaries and associates	56 million yen
Asset retirement obligations	15 million yen
Accrued enterprise tax	312 million yen
Provision for bonuses	99 million yen
Provision for bonuses for directors (and other officers)	9 million yen
Provision for loss on guarantees	1,640 million yen
Provision for shareholder benefit program	49 million yen
Provision for share-based remuneration	25 million yen
Provision for share awards for directors (and other officers)	77 million yen
Valuation difference on available-for-sale securities	26 million yen
Other	78 million yen
Deferred tax assets subtotal	4,240 million yen
Valuation allowance	(334) million yen
Total deferred tax assets	3,905 million yen
Deferred tax liabilities	
Prepaid pension cost	(4) million yen
Valuation difference on available-for-sale securities	(1) million yen
Other	(1) million yen
Total deferred tax liabilities	(7) million yen
Deferred tax assets, net	3,897 million yen

13. Notes on Non-current Assets Used Under Lease Transactions

Omitted due to its immateriality.

14. Notes on Financial Instruments

(1) Matters relating to the status of financial instruments

1) Policy on financial instruments

The Company engages in a credit guarantee business centered on a housing loan guarantee business. As the Company engages in these businesses, our policy is to manage guarantee fees received as a lump sum from guarantee consignors from a long-term perspective with an awareness of asset preservation, while following the basic principle of highly safe, certain, and liquid management, and not engaging in high risk transactions. The Company also raises funds through borrowings from banks and other financial institutions.

2) Details of financial instruments and related risks

Financial assets held by the Company are mainly cash and deposits received as lump-sum guarantee fees, rights to reimbursement acquired from requests for the performance of debt guarantees, securities, investment securities, and long-term loans receivable. Financial liabilities are long-term borrowings. Rights to reimbursement are exposed to credit risk from the non-fulfillment of obligations by guarantee consignors, and there is a possibility that obligations may not be fulfilled in accordance with guarantee entrustment agreements owing to a difficult business environment or other factors.

Securities, investment securities and long-term loans receivable are mainly government bonds, public bonds, corporate bonds, equities, investment trusts, etc. and holdings are divided into held-to-maturity bonds and available-for-sale securities. These assets are exposed to the respective credit risk of the issuer and the risk of fluctuation in market prices.

Long-term borrowings are necessary long-term funds that have been raised in line with the management plan. They are exposed to the risk of fluctuation in interest rates.

3) Structure for managing risks relating to financial instruments

(a) Management of credit risks

In the housing loan guarantee business, the Company has developed a structure relating to guarantees, in accordance with Screening Regulations and Guarantee Obligations and Right to Reimbursement Management Regulations.

In screening operations, screening is conducted after a comprehensive evaluation of quantitative and qualitative data by an authorized person or person in charge of screening with the knowledge and experience for an appropriate credit assessment, in accordance with rigorous screening standards. In addition, in cases with high credit risk, screening and approval is conducted by the Credit Division, and thus the Company strives to maintain the soundness of its debt guarantees through the establishment of a screening structure that accommodates the credit risk.

The Company strives to suppress credit costs in credit management operations, and its basic policy is to lower the incidence of subrogation, and shorten collection periods of rights to reimbursement and maximize the amount collected. In lowering the incidence of subrogation, the Company coordinates with partner financial institutions and strives to prevent long-term delinquencies by understanding the reasons for the delinquency of first-time delinquent borrowers and offering appropriate advice. In addition, the Company strives to understand the current status and repayment ability of guarantee consignors at an early stage, and responds to changes in terms after determining that there is a possibility of repayment normalization. As a measure for reducing collection periods of rights to reimbursement and maximizing the amount thereof, the Company quickly disposes of properties pledged as collateral in accordance with the status of individual cases, or encourages the voluntary sale thereof.

Furthermore, to avoid circumstances where there occurs a possibility that the materialization of risk has an unforeseen impact on the management of the Company, the Company strives to maintain the soundness and stability of management by quantifying credit risk and using advanced credit risk management, calculating provisions, and utilizing it in capital management.

The credit risk for securities and investment securities is insignificant, as they are mainly highly rated bonds, etc., in accordance with the Fund Management Regulations. In addition, long-term time deposits and certain investment securities are investments in issuers with high creditworthiness only, and the risk of loss of principal owing to credit risk is insignificant.

(b) Management of market risks

Market risks for the Company are defined as fluctuations in the value of rights to reimbursement and assets managed, such as securities, which account for a large proportion of assets, as well as the risk of fluctuation of interest payable on long-term borrowings. As the main source of the Company's assets is guarantee fees received as consideration for guarantees on housing loans, the Company strives to preserve assets and minimize losses by reviewing the asset management policy in accordance with circumstances and strictly enforcing the appropriate disposal of real estate pledged as collateral.

Specifically, the Company monitors, analyzes, and verifies the fair value of securities, investment securities, long-term loans receivable, etc., and the trends of interest payable on long-term borrowings on a daily basis. With regard to the status of the disposal of real estate pledged as collateral, the Company analyzes and verifies the methods of disposal for collateral properties by region (voluntary sale, real estate auction) and collection periods, and reports the respective findings to the Risk Management Committee.

(c) Management of liquidity risks relating to fund-raising

The Company manages its liquidity risks by maintaining liquidity on hand, while preparing and renewing financing plans on a timely basis.

4) Supplementary information on matters relating to the fair value of financial instruments, etc.

In calculating fair value of financial instruments, certain assumptions, etc., are used, so the value may differ if different assumptions, etc., are used.

(2) Matters related to the fair value of financial instruments, etc.

Balance sheet amounts, fair values and their differences as at March 31, 2022 are as follows. Shares, etc. that have no market price are not included in the table below (Please refer to (Note 2)). As for "cash and deposits" and "income taxes payable," no reference is made as they are cash or otherwise financial instruments settled on short-term basis whose fair values approximate book value.

(Amount: million yen)

	Balance sheet amounts	Fair value	Difference
(1) Right to reimbursement	13,097		
Allowance for doubtful accounts (*1)	(7,612)		
	5,484	5,484	-
(2) Securities and investment securities			
a. Held-to-maturity bonds			
Government bonds/local government bonds, etc.	16,005	17,469	1,463
Corporate bonds	178,983	177,551	(1,432)
Other	4,322	4,279	(42)
b. Available-for-sale securities			
Shares	1,376	1,376	-
Other	6,053	6,053	-
(3) Long-term loans receivable (*2)	3,930	3,897	(33)
(4) Long-term time deposits	16,000	15,167	(832)
Total assets	232,156	231,279	(877)
(1) Long-term borrowings	30,000	30,000	-
Total liabilities	30,000	30,000	-

(*1) The allowance for doubtful accounts corresponding to rights to reimbursement is excluded.

(*2) Long-term loans receivable include the current portion of long-term loans receivable included in "other" of current assets.

(Note 1) Matters related to securities

Points to be noted regarding securities by purpose of holding are as follows.

(1) Balance sheet amounts, fair values and their differences of held-to-maturity bonds are as follows. None of held-to-maturity bonds were sold in the fiscal year under review.

(Amount: million yen)

	Type	Balance sheet amounts	Fair value	Difference
Those with fair values exceeding balance sheet amounts	Government bonds/ local government bonds, etc.	16,005	17,469	1,463
	Corporate bonds	49,282	49,591	308
	Other	800	803	3
	Subtotal	66,088	67,864	1,775
Those with fair values not exceeding balance sheet amounts	Government bonds/ local government bonds, etc.	-	-	-
	Corporate bonds	129,700	127,959	(1,741)
	Other	3,522	3,476	(45)
	Subtotal	133,223	131,436	(1,786)
Total		199,312	199,301	(11)

(2) In the fiscal year under review, sales of available-for-sale securities amounted to 875 million yen while loss on sales of available-for-sale securities was 18 million yen. Acquisition costs (or amortized costs), balance sheet amounts, and their differences of available-for-sale securities by type are as follows.

(Amount: million yen)

	Type	Balance sheet amounts	Acquisition costs	Difference
Those with balance sheet amounts exceeding acquisition costs	Shares	1,015	871	143
	Other	2,345	2,326	18
	Subtotal	3,360	3,197	162
Those with balance sheet amounts not exceeding acquisition costs	Shares	360	436	(75)
	Other	3,708	3,759	(51)
	Subtotal	4,069	4,196	(126)
Total		7,429	7,393	35

(Note 2) Shares, etc. that have no market price

(Amount: million yen)

Categories	Balance sheet amounts
Unlisted shares	502
Partnership investments	291
Shares in subsidiaries	7,488
Total	8,281

These are not included in “securities and investment securities.” Impairment loss of 185 million yen was recognized for shares in subsidiaries in the fiscal year under review.

(Note 3) Guarantee liabilities are not included in the notes on fair value as they have no market price. For the balance of this financial instrument, please refer to “9. Notes to Balance Sheet.”

(Note 4) Scheduled redemption amount after the closing date of monetary claims and securities with a maturity

(Amount: million yen)

	Within 1 year	Over 1 year but 5 years or less	Over 5 years but 10 years or less	Over 10 years
(1) Cash and deposits	169,024	-	-	-
(2) Right to reimbursement (*)	-	-	-	-
(3) Securities and investment securities				
1) Held-to-maturity bonds				
Government bonds/local government bonds, etc.	1,620	6,580	6,760	950
Corporate bonds	8,100	29,070	50,300	90,600
Other	500	2,600	1,200	-
2) Available-for-sale securities				
Other	62	878	170	3,673
(4) Long-term loans receivable	289	924	2,358	281
(5) Long-term time deposits	-	-	-	16,000
Total	179,596	40,052	60,789	111,505

(*) As the scheduled redemption amount of rights to reimbursement cannot be forecast, it is not stated.

(Note 5) Scheduled repayment amount of long-term borrowings after the closing date

(Amount: million yen)

	Within 1 year	Over 1 year but 2 years or less	Over 2 years but 3 years or less	Over 3 years but 4 years or less	Over 4 years but 5 years or less	Over 5 years
Long-term borrowings	-	-	-	-	-	30,000

(3) Matters related to the grouping of fair value of financial instruments based on appropriate fair value classification

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

Level 1 fair value: Fair value measured by using (unadjusted) market price in an active market of the identical assets and liabilities

Level 2 fair value: Fair value measured by using directly or indirectly observable inputs other than those used for Level 1 fair value

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

In the case involving the use of multiple inputs that have significant impacts on fair value measurement, such fair value is classified into the level with the lowest priority in fair value measurement of all the levels respective inputs belong to.

1) Financial assets and financial liabilities measured at fair value represented by their balance sheet amounts

(Amount: million yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	1,376	-	-	1,376
Other	-	4,811	-	4,811
Total asset	1,376	4,811	-	6,187

(*) Fair value of investment trust is not included in the above. Balance sheet amount of investment trust is 1,242 million yen.

2) Financial assets and financial liabilities measured at fair value not represented by their balance sheet amounts

(Amount: million yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Right to reimbursement	-	-	5,484	5,484
Securities and investment securities				
Held-to-maturity bonds				
Government bonds/local government bonds, etc.	17,368	101	-	17,469
Corporate bonds	-	177,551	-	177,551
Other	-	4,279	-	4,279
Long-term loans receivable	-	3,897	-	3,897
Long-term time deposits	-	15,167	-	15,167
Total assets	17,368	200,997	5,484	223,849
Long-term borrowings	-	30,000	-	30,000
Total liabilities	-	30,000	-	30,000

(Note) Explanation regarding the valuation techniques and inputs used for measuring fair value

Right to reimbursement

With respect to recourse receivables, estimated loan loss is determined by estimating the collateral-based collectible amount. Thus the fair value is considered to approximate and deemed to be represented by the balance sheet amount as at the closing date less estimated loan loss at present, which is classified into Level 3. For the method for measuring estimated loan loss, please refer to “5. Notes on Accounting Estimates.”

Securities and investment securities

Fair value of listed shares is measured in reference to the share price quoted on the stock exchange which is deemed to be a sufficiently active market, thus classified into Level 1. Fair value of bonds and trust beneficiary rights is measured in reference to the price indicated by the correspondent financial institutions, which is deemed to represent a sufficiently active market, thus classified into Level 1. Fair value of bonds and trust beneficiary rights other than the above is classified into Level 2.

Long-term loans receivable

Fair value of long-term loans receivable is measured at present value calculated by discounting the future cash flows reflecting collectability, by using the yield of government bond applicable to the remaining period, which is classified into Level 2.

Long-term time deposits

Fair value of long-term deposits is measured in reference to the price indicated by the correspondent financial institutions, which is classified into Level 2.

Long-term borrowings

Fair value of long-term borrowings is measured at present value calculated by discounting future cash flows, by using a discount rate reflecting remaining period and credit risk, and classified into Level 2. Practically, fair value of long-term borrowings approximates book value, and thus book value is used as fair value.

15. Notes on Rental Properties

There is no relevant information.

16. Notes on Equity in Earnings/Losses of Affiliates, Etc.

There is no relevant information.

17. Notes on Transactions with Related Parties

Subsidiaries

Type	Name of company or individual	Holding (held) ratio of voting rights, etc. (%)	Relationship with related parties	Description of transactions	Transaction Amount (Million yen)	Accounting item	Year-end Balance (Million yen)
Subsidiary	MINORI GUARANTEE Co., Ltd.	(Owning) 100% directly	Guarantee of guarantee liabilities	Blanket financial guarantee contract	137	-	-

(Note) The Company is under a blanket financial guarantee contract that guarantees whole portfolio of housing loan guarantee exposures.

18. Notes on Per Share Information

Net assets per share 2,689.77 yen

Net income per share 404.89 yen

(Note 1) Diluted earnings per share are not stated because there were no dilutive shares.

(Note 2) The basis for the calculation of basic earnings per share

Net income on the statement of income	27,835 million yen
Amount not attributable to common shareholders	- million yen
Net income relating to common shares	27,835 million yen
Average number of common shares outstanding during the fiscal year	68,748,441 shares

(Note 3) The Company's shares remaining in J-ESOP and the Board Benefit Trust reported as treasury shares under shareholders' equity are included in treasury shares that are excluded from the calculation of the average number of shares outstanding during the period when calculating basic earnings per share. They are also included in treasury shares that are excluded from the calculation of the total number of shares issued at the end of the period when calculating net assets per share.
The average number of these treasury shares that are excluded from the calculation of basic earnings per share was 122,823 shares. The total number of these treasury shares at the end of the period that are excluded from the calculation of net assets per share was 156,400 shares.

19. Notes on Significant Subsequent Events

There is no relevant information.

20. Notes on Company to Which Consolidated Dividend Regulations Apply

There is no relevant information.

21. Notes on Revenue Recognition

Since loan guarantee contract is a financial instrument, the transactions related thereto are outside the scope of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. Other transactions applicable under this accounting standard, etc. are not material, thus omitted.

22. Other Notes

(1) Notes on retirement benefits

1) Overview of adopted retirement benefit plans

The Company has accumulating-type defined benefit plans for employees' retirement benefits.

Under the defined benefit corporate pension plan (accumulating-type plan), the Company pays a lump-sum amount or a pension, based on the employee's years of service, grade, and reason for retiring.

Defined benefit corporate pension plans held by the Company calculate provision for retirement benefits (prepaid pension cost) and retirement benefit expenses using the simplified method.

2) Defined benefit plans applying the simplified method

(a) Reconciliation of balances of provision for retirement benefits (prepaid pension cost) at beginning and end of period for the plans applying the simplified method

Balance of provision for retirement benefits (prepaid pension cost) at beginning of period	(15) million yen
Retirement benefit expenses	86 million yen
Contribution to the plan	(84) million yen
Balance of provision for retirement benefits (prepaid pension cost) at end of period	(13) million yen

(b) Reconciliation between balances of projected benefit obligations and plan assets at end of period and provision for retirement benefits and prepaid pension cost recorded in the balance sheet

Projected benefit obligations of the accumulating-type pension plan	976 million yen
Plan assets	(989) million yen
Net liabilities and assets recorded in the balance sheet	(13) million yen
Provision for retirement benefits (prepaid pension cost)	(13) million yen
Net liabilities and assets recorded in the balance sheet	(13) million yen

(c) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method	86 million yen

(2) Notes on stock options

1) Expenses recorded and account names relating to stock options

Operating expenses - million yen

(Note) As stated in "8. Additional Information," the Company has, from the fiscal year under review, abolished the stock compensation-type stock option compensation system, and introduced the performance-based stock compensation plan.

2) Details, size, and status of changes in stock options

(a) Details of stock options

	1st Share Acquisition Rights	2nd Share Acquisition Rights	3rd Share Acquisition Rights
Resolution date	June 20, 2014	June 19, 2015	June 17, 2016
Classification and number of people eligible for grant	Four Directors of the Company	Four Directors of the Company	Four Directors of the Company
Number of stock options by share type (Note) 1	13,350 shares of common shares	7,390 shares of common shares	9,470 shares of common shares
Grant date	July 23, 2014	July 22, 2015	July 20, 2016
Vesting conditions	There are no vesting conditions attached.	There are no vesting conditions attached.	There are no vesting conditions attached.
Required service period	There is no required service period defined.	There is no required service period defined.	There is no required service period defined.
Exercise period	From July 24, 2014 to July 23, 2044	From July 23, 2015 to July 22, 2045	From July 21, 2016 to July 20, 2046

	4th Share Acquisition Rights	5th Share Acquisition Rights	6th Share Acquisition Rights
Resolution date	June 16, 2017	June 15, 2018	June 14, 2019
Classification and number of people eligible for grant	Four Directors of the Company	Four Directors of the Company	Four Directors of the Company
Number of stock options by share type (Note) 1	7,590 shares of common shares	6,740 shares of common shares	8,330 shares of common shares
Grant date	July 19, 2017	July 18, 2018	July 17, 2019
Vesting conditions	There are no vesting conditions attached.	There are no vesting conditions attached.	There are no vesting conditions attached.
Required service period	There is no required service period defined.	There is no required service period defined.	There is no required service period defined.
Exercise period	From July 20, 2017 to July 19, 2047	From July 19, 2018 to July 18, 2048	From July 18, 2019 to July 17, 2049

	7th Share Acquisition Rights
Resolution date	June 19, 2020
Classification and number of people eligible for grant	Four Directors of the Company
Number of stock options by share type (Note) 1	8,500 shares of common shares
Grant date	July 21, 2020
Vesting conditions	There are no vesting conditions attached.
Required service period	There is no required service period defined.
Exercise period	From July 22, 2020 to July 21, 2050

(Notes) 1. Figures are shown after conversion into the number of shares.

2. As stated in "8. Additional Information," the Company has, from the fiscal year under review, abolished the stock compensation-type stock option compensation system, and introduced the performance-based stock compensation plan. As a result, the Company has not granted new share acquisition rights from the fiscal year under review.

(b) Size and status of changes in stock options

Information is shown for stock options that existed during the fiscal year under review (the fiscal year ended March 31, 2022), and the number of stock options has been converted into the number of shares.

(i) Number of stock options

	1st Share Acquisition Rights	2nd Share Acquisition Rights	3rd Share Acquisition Rights
Resolution date	June 20, 2014	June 19, 2015	June 17, 2016
Prior to vesting (shares)			
End of the previous fiscal year	-	-	-
Granted	-	-	-
Expired	-	-	-
Vested	-	-	-
Remaining unvested	-	-	-
After vesting (shares)			
End of the previous fiscal year	6,870	5,210	6,710
Vested	-	-	-
Exercised	-	-	-
Expired	6,870	5,210	6,710
Remaining unvested	-	-	-

	4th Share Acquisition Rights	5th Share Acquisition Rights	6th Share Acquisition Rights
Resolution date	June 16, 2017	June 15, 2018	June 14, 2019
Prior to vesting (shares)			
End of the previous fiscal year	-	-	-
Granted	-	-	-
Expired	-	-	-
Vested	-	-	-
Remaining unvested	-	-	-
After vesting (shares)			
End of the previous fiscal year	5,420	6,740	8,330
Vested	-	-	-
Exercised	-	-	-
Expired	5,420	6,740	8,330
Remaining unvested	-	-	-

	7th Share Acquisition Rights
Resolution date	June 19, 2020
Prior to vesting (shares)	
End of the previous fiscal year	-
Granted	-
Expired	-
Vested	-
Remaining unvested	-
After vesting (shares)	
End of the previous fiscal year	8,500
Vested	-
Exercised	-
Expired	8,500
Remaining unvested	-

(Note) "Expired" under "after vesting" refers to the stock options waived, following the introduction of the performance-based stock compensation plan as replacement of the stock compensation-type stock option compensation system, on condition that equivalent number of points are granted under the performance-based stock compensation plan to replace the granted but unexercised old stock options.

(ii) Unit price information

	1st Share Acquisition Rights	2nd Share Acquisition Rights	3rd Share Acquisition Rights
Resolution date	June 20, 2014	June 19, 2015	June 17, 2016
Exercise price (yen)	1	1	1
Average share price at exercise (yen)	-	-	-
Fair assessed value on the grant date (yen)	2,313	4,274	3,758

	4th Share Acquisition Rights	5th Share Acquisition Rights	6th Share Acquisition Rights
Resolution date	June 16, 2017	June 15, 2018	June 14, 2019
Exercise price (yen)	1	1	1
Average share price at exercise (yen)	-	-	-
Fair assessed value on the grant date (yen)	4,352	4,528	3,713

	7th Share Acquisition Rights
Resolution date	June 19, 2020
Exercise price (yen)	1
Average share price at exercise (yen)	-
Fair assessed value on the grant date (yen)	3,517

(3) Notes on asset retirement obligations

While the Company recognizes as asset retirement obligations its obligation to restore site to its original condition under the commercial tenancy agreement for the head office building, reference to this obligations is omitted as its total amount is immaterial.

The Company recorded asset retirement obligations at the end of the fiscal year under review as expenses rather than as liabilities, at an amount of the portion attributable to the fiscal year under review of the reasonably estimated ultimately uncollectible amount of security deposit under the commercial tenancy agreement.

(Note) All amounts are rounded down to the nearest integers.