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(Securities Code 7164)

May 31, 2023

(Commencement date of measures for electronic provision: May 24, 2023)

To Shareholders with Voting Rights:

Yuichi Aoki
President & Representative Director
ZENKOKU HOSHO Co., Ltd.
2-1-1 Otemachi,
Chiyoda-ku, Tokyo, Japan

**NOTICE OF CONVOCATION OF
THE 43RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 43rd Annual General Meeting of Shareholders of ZENKOKU HOSHO Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

In convening this Annual General Meeting of Shareholders, the Company has adopted measures for electronic provision, and has posted information contained in Reference Documents for the General Meeting of Shareholders, etc. (matters subject to electronic provision measures) as the Notice of Convocation of the 43rd Annual General Meeting of Shareholders on the following website.

The Company website:

https://www.zenkoku.co.jp/english/ir/ir_library.html

In addition to the above website, matters subject to electronic provision measures are also posted on the Tokyo Stock Exchange (TSE) website, and can be viewed by accessing the following TSE website (Listed Company Search), entering “Zenkoku Hosho” or “7164” in the issue name (company name) or securities code field, performing a search, and selecting “Basic information,” then “Documents for public inspection/PR information.”

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form, or via electromagnetic method (the Internet, etc.). Please review the Reference Documents for the General Meeting of Shareholders and cast your vote by 5 p.m. on Thursday, June 15, 2023 Japan time.

1.Date and Time: Friday, June 16, 2023 at 10 a.m. Japan time (reception will open at 9 a.m.)

2.Place: JP Tower Hall and Conference, Fourth floor of JP Tower, located at 2-7-2 Marunouchi, Chiyoda-ku, Tokyo, Japan

3.Meeting Agenda:

- Matters to be reported:**
1. The Business Report and Consolidated Financial Statements for the Company's 43rd Fiscal Year (April 1, 2022 - March 31, 2023), and the Results of Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
 2. Non-consolidated Financial Statements for the Company's 43rd Fiscal Year (April 1, 2022 - March 31, 2023)

Proposal to be resolved:

Proposal: Distribution of Surplus

4. Matters concerning the convocation

- (1) If there is no indication for or against each proposal on the Voting Rights Exercise Form, the vote will be deemed to be for a proposal.
- (2) In the event that voting rights are exercised multiple times via the Voting Rights Exercise Form, the most recent one to arrive will be deemed valid.
- (3) In the event that voting rights are exercised multiple times via the Internet, etc., the most recent one to arrive will be deemed valid.
- (4) In the event that voting rights are exercised both via the Voting Rights Exercise Form and the Internet, etc., the vote via the Internet, etc., will be deemed valid.

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - ◎ If exercising voting rights via proxy, you may designate one (1) other shareholder with voting rights to act as your proxy and exercise your voting rights. However, please understand that documentation proving agency privileges will be required to be submitted.
 - ◎ Of the matters subject to electronic provision measures, the following items have not been included in the documents to be delivered to shareholders who have requested delivery of documents pursuant to the provisions of laws and regulations and Article 15 of the Company's Articles of Incorporation.
 - Of the Consolidated Financial Statements, the "Consolidated Statement of Changes in Equity" and "Notes to Consolidated Financial Statements"
 - Of the Non-consolidated Financial Statements, "Non-consolidated Statement of Changes in Equity" and "Notes to Non-consolidated Financial Statements"Consequently, the documents to be delivered to shareholders who have requested delivery of documents are a part of the consolidated financial statements and non-consolidated financial statements that were audited by the Accounting Auditor and the Audit & Supervisory Board Members when preparing the Accounting Audit Report and the Audit Report.
 - ◎ Any updates to matters subject to electronic provision measures will be posted on the relevant websites.
 - ◎ On the day of the meeting, as a method to conserve electricity, employees will be wearing light clothing ("Cool Biz"). We ask that shareholders attend in light clothing as well.

Reference Documents for the General Meeting of Shareholders

Proposal and References

Proposal: Distribution of Surplus

The Company considers profit distribution to its shareholders as one of the important aspects of its business. Its basic dividend policy is to pay stable, continuous cash dividends based on comprehensive consideration of the entire business, while securing internal reserves to maintain a solid financial foundation as a housing loan guarantee company. Under this policy, the Company proposes the following year-end dividends and distribution of surplus for the fiscal year under review.

1. Matters concerning year-end dividends
 - (1) Type of dividend property
Cash
 - (2) Matters concerning the allotment of dividend property and the total amount
148 yen per share of common shares
Total amount of 10,192,941,004 yen
 - (3) Effective date of distribution of surplus
June 19, 2023
2. Other matters concerning the distribution of surplus
 - (1) Item and the amount of surplus to be increased
Reserve for loss on guarantees 18,000,000,000 yen
 - (2) Item and amount of surplus to be decreased
Retained earnings brought forward 18,000,000,000 yen

Business Report

(April 1, 2022 - March 31, 2023)

I. Overview of the Corporate Group

1. Business Progress and Results

(1) Economic Environment and Business Environment

During the fiscal year ended March 31, 2023, the Japanese economy showed some signs of recovery in consumer spending, employment and income conditions as well as corporate earnings as restrictions on activities due to the novel coronavirus infection were eased and socioeconomic activities normalized. Meanwhile, the outlook remained uncertain due to economic downside risks stemming from the global monetary tightening policies and unstable international situation.

In the housing market, despite ongoing government policies to support housing acquisitions and the low interest rate environment for housing loans, among new housing starts, the total number of owner-occupied and detached houses for sale fell year-on-year, as higher construction costs due to soaring material prices restrained housing starts. The housing loan market was also weak, as was the housing market, mainly due to a decline in consumer willingness to purchase houses as a result of soaring housing prices.

(2) Business Summary

In such a business environment, the Group has implemented various measures with the focus on “expansion of the business scale,” “expansion of business domains” and “enhancement of the corporate value,” which are the basic policies of our medium-term management plan “Beyond the Border,” which reached its final year.

For the expansion of the business scale, we worked on strengthening our relationships with financial institutions and approaches to the existing housing loan market. In order to strengthen our relationships with financial institutions, in addition to holding briefing sessions and study sessions on our credit guarantee products to raise the utilization rate of partnering financial institutions, we have again implemented our reputed campaign to support sales efforts to acquire housing loans. As part of initiatives to improve convenience, we made efforts to offer digitally driven services. In order to approach the existing housing loan market, we resolved to acquire shares of another guarantee company (making it a subsidiary) and acquired residential mortgage-backed securities (RMBS), which will have the same effect for the Group as acquiring the outstanding guarantee exposure.

For the expansion of business domains, we launched a trial program for a housing loan application scheme using web-based applications and AI screening to solve issues related to housing loans faced by homebuyers, home sellers, and financial institutions. To expand our business domains through the utilization of Group companies, we were commissioned by financial institutions to provide credit management and collection services, and continued to work to expand the market for credit guarantees that other companies are unable to handle.

For the enhancement of the corporate value, we expressed the endorsement of the TCFD recommendations and disclosed information, and made steady progress in addressing material issues (materiality) such as human resource development and promoting expanding roles of female employees.

As a result of such efforts, we recorded operating revenue of ¥50,272 million, operating profit of ¥39,884 million, ordinary profit of ¥41,456 million, and profit attributable to owners of parent of ¥28,584 million for the fiscal year under review.

As the current fiscal year is the first consolidated fiscal year, a comparison with the previous fiscal year is not provided.

The Group's results of guarantees for the 43rd fiscal year were as follows.

(Amounts: institutions, guarantees, million yen)

Item	The 40th fiscal year ended March 31, 2020	The 41st fiscal year ended March 31, 2021	The 42nd fiscal year ended March 31, 2022	The 43rd fiscal year ended March 31, 2023
Number of partnering financial institutions	739	744	733	722
Number of new guarantees granted	67,003	57,113	61,188	54,563
Amount of new guarantees granted	1,732,416	1,495,085	1,669,604	1,573,082
Outstanding guarantee exposure at the end of the period	13,706,421	14,629,759	15,356,458	15,944,904

(Notes) 1. The number of partnering financial institutions is the non-consolidated number for the Company.

2. Figures for the number of new guarantees granted and the amount of new guarantees are results of housing loans extended by private financial institutions. Figures for the 42nd fiscal year and earlier do not include those for subsidiaries.

2. Status of Capital Investments

Not applicable.

3. Status of Financing, etc.

Not applicable.

4. Status of Business Transfers, etc.

(1) Status of Business Transfers, Absorption-type Splits, or Incorporation-type Splits

Not applicable.

(2) Status of Acceptance of Business Transfers From Other Companies

Not applicable.

(3) Status of Continuation of Rights Obligations Regarding Business of Other Companies due to Absorption-type Mergers or Absorption-type Splits

Not applicable.

(4) Status of Acquisition or Disposal of Stock, Other Equity, or Share Acquisition Rights, etc., of Other Companies

Not applicable.

5. Trends in Assets and Income

1) Status of assets and income of the corporate group

(Amount: million yen)

Item	The 40th fiscal year ended March 31, 2020	The 41st fiscal year ended March 31, 2021	The 42nd fiscal year ended March 31, 2022	The 43rd fiscal year ended March 31, 2023
Operating revenue	–	–	–	50,272
Ordinary profit	–	–	–	41,456
Profit attributable to owners of parent	–	–	–	28,584
Profit per share	–	–	–	415.97 yen
Net assets	–	–	–	205,619
Total assets	–	–	–	442,945

(Notes) 1. Profit per share is calculated using the average number of outstanding shares for the fiscal year, minus treasury shares.

2. Consolidated financial statements started to be prepared from the 43rd fiscal year (the fiscal year under review), and therefore figures for the 42nd fiscal year and earlier are not shown.

2) Status of assets and income of the Company

(Amount: million yen)

Item	The 40th fiscal year ended March 31, 2020	The 41st fiscal year ended March 31, 2021	The 42nd fiscal year ended March 31, 2022	The 43rd fiscal year ended March 31, 2023
Operating revenue	45,203	47,834	48,842	49,242
Ordinary profit	35,760	38,991	40,551	40,852
Profit	24,430	27,002	27,835	28,180
Profit per share	355.17 yen	392.53 yen	404.89 yen	410.08 yen
Net assets	145,049	165,860	184,827	203,764
Total assets	372,968	396,261	415,814	435,692

(Note) Profit per share is calculated using the average number of outstanding shares for the fiscal year, minus treasury shares.

6. Issues to be Addressed

(1) Basic Management Policies

Under our management philosophy, “Helping customers realize their dreams and happiness by offering the highest-quality guarantee instruments and services to all customers who need credit guarantees, and contributing to the development of regional communities through our credit guarantee service business,” we aim to raising our corporate value and achieve long-term development and the growth of our business by implementing managerial measures from the standpoint of all stakeholders.

(2) Issues to be addressed by the Group

Regarding the business environment surrounding the Group, the housing and housing loan markets are expected to remain solid for the time being, backed by a stable employment environment and government policies designed to support home acquisitions, but over the long term, the new housing market is expected to shrink due to a decrease in the number of population and households resulting from the falling birthrate and aging population. In this business environment, the issues to be addressed by the Group are as follows.

1) Accumulation of outstanding guarantee exposure

We will aim for growth by accurately capturing customer demand and expanding our market share.

2) Need to diversify revenue sources

To achieve further growth, we will diversify our revenue sources by entering related businesses.

3) More efficient use of capital

We will work to improve the efficiency of capital utilization, taking into consideration the balance between growth investments and shareholder returns.

4) Initiatives for ESG-related issues

To enhance corporate value, we will promote initiatives to address ESG-related issues through the credit guarantee business.

In light of these issues to be addressed, the Group has formulated a medium-term management plan, “Next Phase ~ Growth and Value Creation ~,” which covers the three fiscal years from FY2023 to FY2025. Under the vision of “becoming a housing loan platformer to achieve further growth and value creation,” this medium-term management plan will address various measures based on three basic policies: (1) expansion of core businesses, (2) entry into related businesses, and (3) enhancement of the corporate value.

[Expansion of core businesses]

The domestic market for housing loans by private financial institutions is immense, with annual new loans of approximately ¥19 trillion and existing loans of approximately ¥190 trillion, and there is ample room for growth by expanding market share.

In order to expand our share of the new loan market, we will work to discover new demand through the development and provision of products and services, and flexibly capture niche demand. In order to expand our market share of the existing loan market, we will work to acquire outstanding guarantee exposure by acquiring shares of other guarantee companies and purchase residential mortgage-backed securities (RMBS).

[Entry into related businesses]

In order to achieve further growth, we will seek to diversify our revenue sources by leveraging the Group’s strengths to enter related businesses. Specifically, we will build a system that can accept projects from various business categories, such as real estate search websites and real estate agencies, and provide services that enable prospective homebuyers to understand the amount of loans available before selecting a property. We will also create new value by promoting cooperation and M&As with other companies that show promise for synergies in areas related to housing loan and housing. In addition, we plan to utilize AKEBONO Servicer Co., Ltd., a group company, so that it will be commissioned by financial institutions to provide claim management and collection services.

[Enhancement of the corporate value]

The Group is working to resolve material issues based on the “ZENKOKU HOSHO SDGs Declaration,” in order to contribute to solving social issues through our credit guarantee business toward the realization of sustainable growth. Specifically, we will invest in human capital, improving corporate governance, and implement climate change initiatives. In addition, we will enhance corporate value through the steady implementation of capital policies.

We ask for the continued support of shareholders.

7. Principal Businesses

Business category	Category
Credit guarantee business	Housing loan guarantees Education loan guarantees Card loan guarantees

8. Principal Business Locations

Category	Store name / Company name	Location
The Company	Headquarters	Chiyoda-ku, Tokyo
	Sales Division I, Head Office	Chiyoda-ku, Tokyo
	Sales Division II, Head Office	Chiyoda-ku, Tokyo
	Sapporo Branch	Kita-ku, Sapporo-shi, Hokkaido
	Sendai Branch	Aoba-ku, Sendai-shi, Miyagi
	Yokohama Branch	Nishi-ku, Yokohama-shi, Kanagawa
	Niigata Office	Chuo-ku, Niigata-shi, Niigata
	Nagoya Branch	Naka-ku, Nagoya-shi, Aichi
	Kanazawa Branch	Kanazawa-shi, Ishikawa
	Osaka Branch	Chuo-ku, Osaka-shi, Osaka
	Hiroshima Branch	Naka-ku, Hiroshima-shi, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Fukuoka Branch	Hakata-ku, Fukuoka-shi, Fukuoka
Miyazaki Office	Miyazaki-shi, Miyazaki	
Subsidiaries	Zenkoku Business Partner, K.K.	Koto-ku, Tokyo
	AKEBONO Servicer Co., Ltd.	Chuo-ku, Tokyo
	MINORI GUARANTEE Co., Ltd.	Chuo-ku, Tokyo
	Tsukuba Shinyo Hosho Co., Ltd.	Tsukuba-shi, Ibaraki

(Note) Effective July 4, 2022, the Sapporo Branch relocated from Chuo-ku, Sapporo-shi, Hokkaido to Kita-ku, Sapporo-shi, Hokkaido.

9. Status of Employees

(1) Number of employees of the corporate group

Number of employees	Increase or decrease from previous fiscal year-end
317 persons	–

- (Notes)
1. Employees refer to all full-time employees, including five Executive Officers, and the number of employees includes two persons seconded to the Group.
 2. Employees do not include 124 contract, part-time, and temporary employees.
 3. Consolidated financial statements started to be prepared from the 43rd fiscal year (the fiscal year under review), and therefore increase or decrease from previous fiscal year-end is not shown.

(2) Number of employees of the Company

Number of employees	Increase or decrease from previous fiscal year-end	Average age	Average years of service
278 persons	7 persons (increase)	38.1 years	10 years and 9 months

- (Notes)
1. Employees refer to all full-time employees, including four Executive Officers, and do not include 21 persons seconded to outside the Company.
 2. Employees do not include 77 contract, part-time, and temporary employees.

10. Principal Counterparties to Borrowings and Amount of Borrowings

Counterparties to borrowings	Loan balance
Syndicated loan	30,000 million yen

- (Note) The syndicated loan is a syndicated loan from five banks.

11. Status of Significant Parent Companies and Subsidiaries

(1) Relationship with Parent Company

Not applicable.

(2) Status of Significant Subsidiaries

Company name	Capital	Ownership	Main businesses
Zenkoku Business Partner, K.K.	9 million yen	100%	Contract, entrustment, and agency of clerical operations
AKEBONO Servicer Co., Ltd	516 million yen	100%	Claim management and collection based on the Act on Special Measures Concerning Claim Management and Collection Business
MINORI GUARANTEE Co., Ltd.	495 million yen	100%	Credit guarantee business
Tsukuba Shinyo Hoshō Co., Ltd.	91 million yen	100%	Credit guarantee business

(3) Status of Wholly-owned Specified Subsidiaries as of the end of the fiscal year

Not applicable.

12. Other Significant Items Regarding Status of the Corporate Group

Not applicable.

II. Status of Shares (As of March 31, 2023)

1. **Total number of shares authorized to be issued** 160,000,000 shares
2. **Total number of shares outstanding** 68,871,790 shares
3. **Number of shareholders** 49,954 persons
4. **Major shareholders (Top 10)**

Shareholder name	Number of shares held (shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	7,774,400	11.31
Fukoku Mutual Life Insurance Company	6,200,000	9.02
Meiji Yasuda Life Insurance Company	6,200,000	9.02
Custody Bank of Japan, Ltd. (Trust account)	5,098,800	7.41
TAIYO LIFE INSURANCE COMPANY	4,271,000	6.21
TAIYO FUND, L.P.	1,681,000	2.44
GOVERNMENT OF NORWAY	1,382,959	2.01
SMBC Nikko Securities Inc.	1,105,400	1.60
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,086,287	1.58
The Dai-ichi Life Insurance Company, Limited	1,074,800	1.56

(Note) The ownership ratio is calculated after eliminating 567 shares of treasury stock, 64,330 shares held by the Employee Stock Ownership Plan (J-ESOP), and 84,000 shares held by the Board Benefit Trust, and fractional figures are rounded down to two decimal places.

5. Shares Issued to Company Officers as Consideration for Execution of Duties During the Term

Not applicable.

6. Other Important Items Regarding Stock

Based on the resolution at the 41st Annual General Meeting of Shareholders held on June 18, 2021, the Company has introduced a performance-based stock compensation plan (hereinafter the "Plan") for Directors (excluding Outside Directors, and the same applies hereinafter), aimed at raising the awareness of Directors to contribute to enhancing the Company's business performance on a medium- to long-term basis and improving corporate value, by clarifying the linkage between Directors' compensation, etc., the Company's performance, and the value of the Company's stock, and having Directors share the profits and risks of fluctuations in stock prices with shareholders.

Under this Plan, the trust established with the money contributed by the Company (hereinafter "the Trust") acquires 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 issued to each of the Directors through the Trust.

The number of shares held by the trust account at the end of the fiscal year is 84,000 shares.

III. Matters Regarding Share Acquisition Rights, etc., of the Company

- 1. Status of Share Acquisition Rights, etc. Held by Officers of the Company as of the Fiscal Year-end**
Not applicable.
- 2. Status of Share Acquisition Rights, etc., Granted to Employees, etc., During the Term**
Not applicable.
- 3. Other Significant Items Regarding Share Acquisition Rights**
Not applicable.

IV. Company Officers

1. Status of Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2023)

Name	Position and areas of responsibility within the Company	Significant concurrent positions
Eiji Ishikawa	President & Representative Director	
Takashi Yamaguchi	Senior Managing Director General Manager, Operations Headquarters	President & Representative Director, AKEBONO Servicer Co., Ltd. President & Representative Director, Zenkoku Business Partner, K.K.
Yuichi Aoki	Managing Director General Manager, Management Headquarters	President & Representative Director, MINORI GUARANTEE Co., Ltd. President & Representative Director, Tsukuba Shinyo Hosho Co., Ltd.
Keiichi Asada	Director General Manager, Sales Headquarters	Director, Zenkoku Business Partner, K.K. Director, Shikoku Sogo Shinyo Co., Ltd.
Masahito Kamijo	Director (Outside Director)	Outside Director, Hakuto Co., Ltd. Outside Audit & Supervisory Board Member, MiraBiologics Inc.
Yoshiro Nagashima	Director (Outside Director)	Outside Director, KANADEN CORPORATION Audit & Supervisory Board Member, AKEBONO Servicer Co., Ltd. Audit & Supervisory Board Member, Tsukuba Shinyo Hosho Co., Ltd. Outside Auditor, NetLearning Holdings, Inc.
Tomoe Imado	Director (Outside Director)	Partner, Miura & Partners Outside Director, KANADEN CORPORATION Outside Statutory Auditor, OneBe, Inc.
Mamoru Fujino	Full-time Audit & Supervisory Board Member	
Eri Itagaki	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Outside Director, NIITAKA Co., Ltd.
Takafumi Sato	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Member of the Supervisory Committee, The Norinchukin Bank
Hidehiko Suzuki	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	

- (Notes)
1. Directors Masahito Kamijo, Yoshiro Nagashima, and Tomoe Imado are Outside Directors.
 2. Audit & Supervisory Board Members Eri Itagaki, Takafumi Sato, and Hidehiko Suzuki are Outside Audit & Supervisory Board Members.
 3. Audit & Supervisory Board Member Eri Itagaki has many years of experience at a major audit firm and a certified public accountant and tax accountant firm, and has knowledge of finance and accounting.
 4. Directors Masahito Kamijo, Yoshiro Nagashima, and Tomoe Imado, and Audit & Supervisory Board Members Eri Itagaki, Takafumi Sato, and Hidehiko Suzuki have been registered as Independent Directors/Auditors as stipulated by the Tokyo Stock Exchange.

5. Effective March 31, 2023, Managing Director Yuichi Aoki resigned as President & Representative Director of Tsukuba Shinyo Hosho Co., Ltd.
6. Effective April 1, 2023, the following changes were made to the positions and areas of responsibility within the Company of Directors.

Name	Position and areas of responsibility before change	Position and areas of responsibility after change
Eiji Ishikawa	President & Representative Director	Chairman & Representative Director
Yuichi Aoki	Managing Director General Manager, Management Headquarters	President & Representative Director General Manager, Management Headquarters

(2) Summary of Liability Limitation Agreements

The Company's Articles of Incorporation allows for the limitation of liability of Article 423, Paragraph 1 of the Companies Act, for its Directors and Audit & Supervisory Board Members excluding Executive Directors as stipulated by Article 427, Paragraph 1 of the same Act, and the Company has concluded liability limitation agreements with Messrs. Masahito Kamijo, Yoshiro Nagashima, Takafumi Sato, and Hidehiko Suzuki, and Mses. Tomoe Imado and Eri Itagaki.

The limit of liability for Directors and Audit & Supervisory Board Members under the liability limitation agreement is 2 million yen or the lower liability limit stipulated in laws and regulations, whichever is higher.

(3) Summary of Indemnity Agreement

Not applicable.

(4) Summary of Directors and Officers Liability Insurance Agreement

The Company has concluded a Directors and Officers Liability Insurance Agreement with an insurance company covering all Directors, Audit & Supervisory Board Members and Executive Officers, etc. of the Company and its four subsidiaries (Zenkoku Business Partner, K.K., AKEBONO Servicer Co., Ltd., MINORI GUARANTEE Co., Ltd., and Tsukuba Shinyo Hosho Co., Ltd.) as the insured parties, and the Company bears the entire insurance premium. The agreement covers litigation expenses and compensation for loss or damage to be borne by insured parties that arise from third party litigation, shareholder derivative litigation, and corporate litigation.

However, there are certain exemptions. For example, loss or damage caused by an insured party illegally obtaining private benefits or favors, or loss or damage caused by acts committed by an insured party in the knowledge that the act violates laws and regulations will not be covered.

(5) Matters Concerning Policies for Determining the Details of Compensation, etc. for Individual Directors and Audit & Supervisory Board Members

1) Method for determining policies

At the Board of Directors meeting held on June 18, 2021, the Company resolved to adopt policies concerning the determination of the details of compensation, etc. for individual Directors.

2) Method for determining compensation, etc.

The process for determining compensation, etc. for the Company's Directors shall be determined by the Board of Directors following consultations with the Nomination and Compensation Committee and based on their advice and recommendations, and the Board of Directors has the authority to make such decisions. The Nomination and Compensation Committee is chaired by an independent Outside Director, and is comprised of three members in total, two independent Outside Directors and one internal Director, thereby ensuring the fairness, transparency, and objectivity of the procedures regarding decisions on compensation, etc. for Directors. Compensation, etc. for Audit & Supervisory Board Members shall be determined based on discussions among the Audit & Supervisory Board.

3) Summary of compensation system

The Company's compensation, etc. for Executive Directors is comprised of basic compensation for each position in accordance with the level of responsibility, and performance-based compensation, etc. that varies depending on business results and other factors. Performance-based compensation, etc. is comprised of performance-based bonuses paid in cash, and performance-based stock compensation paid in shares.

Performance-based compensation, etc. is included as a part of compensation, etc. in order for Executive Directors to share the awareness in profit due to fluctuations in business performance and stock prices with shareholders, and to strengthen their awareness of improving corporate value.

A resolution on performance-based stock compensation was adopted at the 41st Annual General Meeting of Shareholders held on June 18, 2021.

Compensation, etc. for Outside Directors and Audit & Supervisory Board Members consists only of basic compensation, from the perspective of judging the appropriateness and legality of business execution from an objective standpoint independent from business execution and ensuring appropriate corporate supervisory and audit functions.

4) Linked indicators

The Company places importance on management indicators such as operating profit in a single fiscal year for the short-term, and the outstanding guarantee exposure for the medium- to long-term, for the sustainable development of its business. Consequently, in terms of the linked indicators for performance-based compensation, etc., performance-based bonuses, which by its nature is a short-term incentive compensation, etc., is based on operating profit, while performance-based stock compensation, which by its nature is a medium- to long-term incentive compensation, etc., is based on the outstanding guarantee exposure, etc.

5) Percentage of performance-based compensation, etc. in compensation, etc.

The composition of compensation, etc. for the Company's Directors and Audit & Supervisory Board Members is as follows.

Officer category	Basic compensation	Performance-based compensation, etc.	
		Bonuses	Stock
Executive Directors	60%	16%	24%
Outside Directors Audit & Supervisory Board Members	100%	—	—

(Note) The percentage of compensation, etc. for Executive Directors represents the percentage of the performance-based compensation, etc., when the achievement of the performance indicator plan is 100%.

6) Upper limit on compensation

At the 41st Annual General Meeting of Shareholders held on June 18, 2021, the upper limit on compensation for Directors was resolved not to exceed 600 million yen per year (of which, 50 million yen for Outside Directors, excluding salary for employees concurrently serving as Director), and the upper limit on compensation for Audit & Supervisory Board Members was resolved not to exceed 240 million yen per year. The number of Directors at the conclusion of such Annual General Meeting of Shareholders is seven (including three Outside Directors) and the number of Audit & Supervisory Board Members is four (including three Outside Audit & Supervisory Board Members).

Separately, for performance-based stock compensation, it was resolved at the 41st Annual General Meeting of Shareholders held on June 18, 2021, that the maximum amount of contribution as funds to acquire shares of the Company shall be no more than 200 million yen for the applicable period of two fiscal years (if the applicable period is extended, the amount of up to the value derived by multiplying the number of fiscal years of the applicable period for the extended portion by 100 million yen), and the maximum amount of points granted shall be no more than 40,000 points per fiscal year (one point shall be equivalent to one share of the Company). The number of Directors eligible to the performance-based stock compensation plan is four.

7) Method for calculating performance-based bonuses

The method for calculating performance-based bonuses is as follows.

<Total amount of payments>

Total amount of payments = bonus base amount (*1) x payment coefficient by performance achievement (*2)

*1 Bonus base amount

Eligible persons	Base amount	Maximum amount
Total of four Executive Directors	30,880 thousand yen	37,056 thousand yen

*2 Payment coefficient by performance achievement

Performance achievement	Payment coefficient	Performance achievement	Payment coefficient
Less than 50%	0	95% or more but less than 105%	1.0
50% or more but less than 75%	0.5	105% or more but less than 120%	1.1
75% or more but less than 85%	0.8	120% or more	1.2
85% or more but less than 95%	0.9		

- (Notes)
1. Formula for calculating performance achievement: operating profit (actual) ÷ operating profit (planned).
 2. Operating profit (planned) is operating profit (38,350 million yen in the fiscal year ended March 31, 2022, 40,250 million yen in the fiscal year ended March 31, 2023) for each fiscal year (April 1 of each year to March 31 of the following year) in the medium-term management plan (announced on March 16, 2020).

<Amount of individual payments>

Amount of individual payments = total amount of payments ÷ sum of position coefficient for eligible Directors x position coefficient (*3)

*3 Position coefficient

Position	Coefficient	Position	Coefficient
President & Representative Director	1.000	Managing Director	0.533
Senior Managing Director	0.640	Director	0.400

- (Note) The coefficient for Managing Director has 15 digits to the right of the decimal point, but is shown to the third decimal place.

8) Performance-based stock compensation

The Company has introduced a performance-based stock compensation plan (hereinafter the “Plan”), aimed at raising the awareness of Executive Directors to contribute to enhancing the Company’s business performance on a medium- to long-term basis and improving corporate value, by clarifying the linkage between Executive Directors’ compensation, etc., the Company’s performance, and the value of the Company’s stock, and having Executive Directors share the profits and risks of fluctuations in stock prices with shareholders. Under this Plan, the trust established with the money contributed by the Company (hereinafter, the “Trust”) acquires shares of the Company, and the number of shares equivalent to the number of points the Company grants to each Director is issued to each of the Directors through the Trust. The Plan covers the period of the medium-term management plan (hereinafter, the “Applicable Period”). The amount of compensation for the Company’s Directors who are in office during the Applicable Period shall be determined within a range of 0% to 100% depending on their position and the achievement of the planned performance indicator values (outstanding guarantee exposure, etc.) during the Applicable Period, and points shall be granted in accordance with the share issuance rules established by the Board of Directors. The maximum total amount of points granted shall be no more than 40,000 points per fiscal year (one point shall be equivalent to one share of the Company).

As a general rule, the Directors receive the shares of the Company according to accumulated points at the time of their retirement from office.

- 9) Targets and results of evaluation indicators for performance-based compensation, etc.
The fiscal year under review (April 1, 2022 - March 31, 2023)

Evaluation indicator	Planned value	Actual value
Operating profit	40,250 million yen	39,296 million yen
Outstanding guarantee exposure	16,834,000 million yen	15,944,904 million yen

- 10) Reason for the Board of Directors to have determined that the details of compensation, etc. for individual Directors observe the decision policies

The details of compensation, etc. for individual Directors for the fiscal year under review are discussed by the Nomination and Compensation Committee in consultation with the Board of Directors and advice and recommendations are made to the Board of Directors. The Board of Directors determines compensation, etc. for individual Directors after reviewing the advice and recommendations. Therefore, the Board of Directors has determined that compensation, etc. observes the policies for determining compensation, etc. for individual Directors.

(6) Total amount of Compensation to Directors and Audit & Supervisory Board Members

Category	Persons	Total compensation, etc. (million yen)	Amount of compensation, etc., by type (million yen)		
			Monetary compensation, etc.		Non-monetary compensation, etc.
			Basic compensation	Performance-based compensation, etc.	
				Bonuses	Stock
Directors (Of which, Outside Directors)	7 persons (3 persons)	235 (25)	146 (25)	30 (—)	58 (—)
Audit & Supervisory Board Members (Of which, Outside Audit & Supervisory Board Members)	4 persons (3 persons)	42 (21)	42 (21)	— (—)	— (—)
Total (Of which, Outside Officers)	11 persons (6 persons)	278 (46)	189 (46)	30 (—)	58 (—)

- (Notes)
- At the 41st Annual General Meeting of Shareholders on June 18, 2021, a resolution was adopted to establish an upper limit on compensation to Directors of 600 million yen per year (of which, 50 million yen for Outside Directors, excluding compensation as employees concurrently serving as Director). However, a resolution regarding performance-based stock compensation was adopted separately as follows.
 - At the 41st Annual General Meeting of Shareholders on June 18, 2021, a resolution was adopted to establish an upper limit on compensation to Audit & Supervisory Board Members of 240 million yen per year.
 - At the 41st Annual General Meeting of Shareholders on June 18, 2021, a resolution was adopted regarding performance-based stock compensation, that the maximum amount of contribution as funds to acquire shares of the Company shall be no more than 200 million yen for the Applicable Period for two fiscal years (if the Applicable Period is extended, the amount of up to the value derived by multiplying the number of fiscal years of the Applicable Period for the extended portion by 100 million yen), and the maximum amount of points granted shall be no more than 40,000 points per fiscal year (one point shall be equivalent to one share of the Company).
 - The number of persons as of March 31, 2023 is seven Directors and four Audit & Supervisory Board Members.
 - In addition to the above, the amount of compensation Outside Officers received from subsidiaries of the Company as Officers was 6 million yen.

2. Matters Regarding Outside Officers

(1) Status of Significant Concurrent Positions of Outside Officers

Name	Position	Status of Significant Concurrent Positions
Masahito Kamiyo	Outside Director	Outside Director, Hakuto Co., Ltd. Outside Audit & Supervisory Board Member, MiraBiologics Inc.
Yoshiro Nagashima	Outside Director	Outside Director, KANADEN CORPORATION Audit & Supervisory Board Member, AKEBONO Servicer Co., Ltd. Audit & Supervisory Board Member, Tsukuba Shinyo Hosho Co., Ltd. Outside Auditor, NetLearning Holdings, Inc.
Tomoe Imado	Outside Director	Partner, Miura & Partners Outside Director, KANADEN CORPORATION Outside Statutory Auditor, OneBe, Inc.
Eri Itagaki	Outside Audit & Supervisory Board Member	Outside Director, NIITAKA Co., Ltd.
Takafumi Sato	Outside Audit & Supervisory Board Member	Member of the Supervisory Committee, The Norinchukin Bank
Hidehiko Suzuki	Outside Audit & Supervisory Board Member	

- (Notes)
1. AKEBONO Servicer Co., Ltd. and Tsukuba Shinyo Hosho Co., Ltd. are wholly-owned subsidiaries of the Company.
 2. There are no significant transactions or other relationships between the Company and other companies at which concurrent positions are held.

(2) Conflicts of Interest with Outside Officers

The Company does not have any conflicts of interest with Outside Officers concerning personal relationships, capital relationships, transaction relationships, or other relationships. Furthermore, the Company, persons involved in business execution at designated related parties, or Officers (excluding persons involved in business execution) do not have family relationships, transaction relationships, or other relationships that constitute conflicts of interest with Outside Officers.

(3) Principal Activities of Outside Officers During the Fiscal Year Under Review

Name	Position	Status of Comments
Masahito Kamijo	Outside Director	Attended all 15 Board of Directors meetings during the fiscal year under review. Based primarily on his wealth of experience and high level of knowledge in finance and corporate management, he actively asked questions at the Board of Directors meetings and provided suggestions from a specialist perspective, thereby fulfilling his expected role of making decisions on important management matters of the Company and supervising the execution of duties. As Chairperson of the Nomination and Compensation Committee, he also played an important role in the selection of Directors and determining compensation, etc.
Yoshiro Nagashima	Outside Director	Attended all 15 Board of Directors meetings during the fiscal year under review. Based primarily on his wealth of experience and wide range of knowledge in corporate management, he actively asked questions at the Board of Directors meetings and provided suggestions from a specialist perspective, thereby fulfilling his expected role of making decisions on important management matters of the Company and supervising the execution of duties. As a member of the Nomination and Compensation Committee, he also played an important role in the selection of Directors and determining compensation, etc.
Tomoe Imado	Outside Director	Attended all 15 Board of Directors meetings during the fiscal year under review. Based primarily on her wealth of experience and specialized knowledge in judicial affairs, she actively asked questions at the Board of Directors meetings, and provided suggestions from a specialist perspective, thereby fulfilling her expected role of making decisions on important management matters of the Company and supervising the execution of duties.
Eri Itagaki	Outside Audit & Supervisory Board Member	Attended all 15 Board of Directors meetings and 13 Audit & Supervisory Board meetings during the fiscal year under review. At Board of Directors meetings and Audit & Supervisory Board meetings, she made appropriate comments based on her wealth of experience and high level of knowledge of accounting acquired through many years of experience at a major audit firm and a certified public accountant and tax accountant firm. Furthermore, under the audit policies defined by the Audit & Supervisory Board, she conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.
Takafumi Sato	Outside Audit & Supervisory Board Member	Attended all 15 Board of Directors meetings and 13 Audit & Supervisory Board meetings during the fiscal year under review. At Board of Directors meetings and Audit & Supervisory Board meetings, he made appropriate comments based on his wealth of experience and high level of knowledge acquired through many years of experience at the Ministry of Finance and service in important posts such as Commissioner of the Financial Services Agency. Furthermore, under the audit policies defined by the Audit & Supervisory Board, he conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.
Hidehiko Suzuki	Outside Audit & Supervisory Board Member	Attended all 15 Board of Directors meetings and 13 Audit & Supervisory Board meetings during the fiscal year under review. At Board of Directors meetings and Audit & Supervisory Board meetings, he made appropriate comments based on his wealth of experience and high level of knowledge acquired through experience of holding a number of important positions at the Ministry of Finance and Financial Services Agency and managing director of a financial institution. Furthermore, under the audit policies defined by the Audit & Supervisory Board, he conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.

3. Other Information Regarding Independence of Outside Officers

Concerning criteria for assessing independence of Outside Directors, the Company determines, under the Basic Policy on Corporate Governance, that an Outside Directors is independent when he or she does not contravene the requirements of the Independence Standard stipulated by the Tokyo Stock Exchange.

V. Accounting Auditor

1. Accounting Auditor's Name

Grant Thornton Taiyo LLC

2. Accounting Auditor's Compensation, etc.

	Amount paid
Compensation, etc., for the Accounting Auditor for the fiscal year under review	36 million yen
Total cash and other profits payable by the Company and its subsidiaries to Accounting Auditor	38 million yen

- (Notes)
1. As a result of confirmation and assessment of the contents of the audit plan for the Accounting Auditor, their performance of duties, and calculation of remuneration estimates, the Audit & Supervisory Board agreed to compensation, etc., for the Accounting Auditor based on their judgment that is reasonable and appropriate in order to maintain and improve audit quality.
 2. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the above amount reflects total compensation.

3. Description of Non-Audit Services

Not applicable.

4. Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

In the event that significant doubt is cast upon the ability of the Accounting Auditor to continue to perform its duties, the Company's policy is for a resolution of the Audit & Supervisory Board to present a proposal to a General Meeting of Shareholders to either terminate or not renew the agreement.

5. Liability Limitation Agreement

Not applicable.

6. Summary of Indemnity Agreement

Not applicable.

VI. Company's Systems and Policies

1. System to ensure proper execution of business

At a meeting held on May 1, 2006, the Board of Directors decided upon a basic policy toward creating systems to ensure proper execution of business, based on Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act, and most recently, partially revised the basic policy at a meeting held on February 5, 2018.

The contents are as follows.

- (1) System to ensure that Directors' and employees' execution of duties complies with law and regulations and the Articles of Incorporation
 - 1) The Board of Directors and Directors recognize and practice compliance with laws and regulations as a basic principle of all corporate actions based on the Corporate Code of Ethics and Code of Conduct with the basic philosophy of the core principle of compliance with laws and regulations, and ensure officers and employees have a thorough awareness of compliance so that it is established as the corporate culture.
 - 2) The Board of Directors and Directors, in accordance with Compliance Regulations, establish and reinforce compliance systems by means such as the establishment of the General Compliance Department and General Manager in charge of Compliance, and a Compliance Committee, which is a monitoring institution.
 - 3) The Board of Directors and Directors, in accordance with Compliance Regulations, develop a compliance program for each fiscal year, which is a specific implementation plan. In addition, General Compliance Department prepares manuals, etc. for compliance, and enhance effectiveness of compliance by fostering awareness through training, etc.
 - 4) The Board of Directors and Directors, in accordance with the Whistle-blower Regulations, assign third parties as external contact points, in addition to internal contact points. If officers and employees identified material facts concerning compliance, those officers and employees shall take appropriate measures using these contact points.
- (2) System for storage and management of information related to Directors' execution of duties
 - 1) In line with Regulations on the Storage of Documents and related detailed regulations, etc., the Company will record information relating to Directors' execution of duties in document form or as electronic media, and store, manage, and utilize such information in an appropriate manner.
 - 2) Directors and Audit & Supervisory Board Members may consult these records in the form of documents and electronic media at any time.
- (3) Regulations or any other systems for management of risk of loss (risk management)
 - 1) The Board of Directors and Directors, under Risk Management Regulations, establish and reinforce risk management systems by means such as the General Risk Department and General Manager in Charge of Risk Management, and the establishment of a Risk Management Committee, which is a monitoring institution.
 - 2) In order to address each risk intrinsic to our business operation, the Board of Directors and Directors, striking an appropriate balance with return, etc., conduct risk management by quantifying and integrating credit risks, market risks and operational risks (system risk and administrative risk) to compare them with the operational capacity (risk capital) of the Company.
 - 3) Based on the "Regulations for Crisis Management" and "Regulations for Business Continuity," the Company will strive to strengthen and enrich its crisis management structure by thorough implementation of crisis control and efforts to maintain external credit by early recovery of business operations in case of business interruption.
- (4) System to ensure that Directors' execution of duties is efficient
 - 1) In order to establish company-wide targets shared by Directors and employees, the Company clarifies management issues in light of changes in the external and internal environments, and formulates a Medium-term Management Plan for a period of three fiscal years.
 - 2) Based on the Medium-term Management Plan, the Board of Directors and Directors set business results targets and efficient budgets for each business division (branch office) every fiscal year, and in order to make functional a PDCA cycle to advance and achieve these goals, appropriate

- distribution of management resources will be made to each business division according to the basic risks and profitability of operation.
- 3) The status of business execution at each business department (branch office) is reported regularly to the Board of Directors, deliberations are held, and measures are taken as necessary.
 - 4) Regarding monthly business performance, performance against targets is reported to the Board of Directors each month, and in the event that the result differs from the target figure, the reason for the difference is reported and measures to ensure the achievement of targets are discussed.
 - 5) The Director in charge of each business division (branch office) will maintain regulations regarding division of operations and delegation of duties, and while cooperating with each business division (branch office), implement efficient operational management such that control functions are effectively exhibited.
- (5) System to ensure proper business execution within the Company group
 - 1) The Company establishes a system concerning reporting to the Company of matters regarding execution of duties by Directors of subsidiaries. Particularly, the Company takes measures to increase the effectiveness of internal control systems at subsidiaries and provides the necessary guidance and support that enable reporting the result of these efforts to the Parent.
 - 2) The Company establishes regulations or any other systems for management of risk of loss at subsidiaries.
 - 3) The Company establishes a system that ensures efficient execution of duties by Directors, etc. of its subsidiaries.
 - 4) The Company establishes a system that ensures execution of duties by Directors, etc. and employees of subsidiaries is in compliance with laws and regulations and the Articles of Incorporations.
 - (6) Matters relating to employees assigned to assist Audit & Supervisory Board Members in their duties, in the event that Audit & Supervisory Board Members have requested such employees
 - 1) Directors appoint Audit & Supervisory Board Member staff whose duty is to assist Audit & Supervisory Board Members with audits.
 - 2) Employees appointed as Audit & Supervisory Board Member staff focus solely on their duty to assist Audit & Supervisory Board Members with audits.
 - (7) Matters relating to the independence of employees assigned to assist Audit & Supervisory Board Members from Directors, and matters relating to ensuring effectiveness of directions to employees assigned to assist Audit & Supervisory Board Members
 - 1) Concerning personnel transfers, etc. regarding Audit & Supervisory Board Member staff, the Company hears and respects views of Audit and Supervisory Board Members, and ensure independence from Directors.
 - 2) Audit & Supervisory Board Member staff shall carry out their duties under the direction of Audit & Supervisory Board Member, and do not receive directions from Directors, etc.
 - (8) Systems described below and other systems related to reports to Audit & Supervisory Board Members of the Company
 - 1) The Company establishes systems to allow Directors and employees to report to Audit & Supervisory Board Members. Especially, a system shall be established that allows matters that have a significant impact on the Company or its subsidiaries and the status of matters that raise suspicions related to compliance to be quickly reported to Audit & Supervisory Board Members.
 - 2) The Company establishes systems to allow Directors, Audit & Supervisory Board Members and employees of subsidiaries or persons that receive reports therefrom to report to Audit & Supervisory Board Members. Especially, a system shall be established that allows Directors or employees of subsidiaries to quickly report to Audit & Supervisory Board Members matters that have a significant impact on the Company or its subsidiaries and the status of matters that raise suspicions related to compliance.
 - (9) System to ensure that persons reporting to Audit & Supervisory Board Members not be treated unfavorably because of the report
 - 1) In order to assure reliability of the whistle-blower system, the Company prohibits to treat whistle-

blowers that made the report unfavorably, and thoroughly inform Directors and employees to that effect.

- (10) Matters concerning a policy with regard to treatment of costs and liabilities incurred on execution of duties by Audit & Supervisory Board Members
 - 1) Audit & Supervisory Board Members, in accordance with Standards for Audits by Audit & Supervisory Board Members, appropriate a budget for costs that are necessary for their execution of duties in advance. However, Audit & Supervisory Board Members may subsequently request reimbursement for costs incurred in emergent or incidental circumstances.
- (11) Other systems to ensure Audit & Supervisory Board Members' audits are effective
 - 1) The Representative Director regularly holds meetings with Audit & Supervisory Board Members to exchange opinions on matters such as issues that the Company should address, the status of improvement of environment for audit by Audit & Supervisory Board Members, and important audit issues.
 - 2) A three-pronged Auditor Liaison Committee comprised of Audit & Supervisory Board Members, the Internal Auditing Department, and the Accounting Auditor is regularly held to exchange opinions on the results of audits and other businesses.
- (12) System to ensure reliability of financial reporting and to provide such reporting in an appropriate and timely manner
 - 1) The Company provides reliable financial reporting to all stakeholders including shareholders in an appropriate and timely manner, in response to the internal control reporting system regarding financial reporting under the Financial Instruments and Exchange Act.
 - 2) The Company recognizes importance of the role of internal control over financial reporting, and appropriately establishes and operates basic components of internal control (i.e., control environment, risk assessment and response, control activities, information and communication, monitoring, and response to IT).
 - 3) The Company determines a department in charge of related businesses so that internal control over financial reporting works effectively.
- (13) System to eliminate antisocial forces
 - 1) The Company establishes a basic policy and strives to establish an internal consensus for dealing with antisocial forces, in order to prevent the damage caused by so-called antisocial forces, namely groups or individuals that use violence, force, and fraudulent methods in the pursuit of economic gain.
 - 2) The Company ensures Directors and employees have a thorough awareness of the basic policy for dealing with antisocial forces, while also taking a firm stance against antisocial forces and completely forbidding any relationship with such forces.

2. Overview of the status of implementation of systems to ensure proper execution of business

Overview of the status of implementation of systems to ensure proper execution of business is as follows:

- (1) Matters concerning compliance
 - Under the Compliance Regulations, the Company, by developing a compliance program, has held regular internal training sessions, position-based education sessions and periodic testing according to job classes, and has made efforts to ensure thorough understanding and awareness among officers and employees.
 - Compliance Committee has met monthly in principle to monitor the status of implementation of the compliance program, and to discuss and determine important matters concerning compliance to report to the Board of Directors.
 - Under the Whistle-blower Regulations, the Company has set up multiple external contact points such as a law firm, in addition to an internal contact point to reinforce the consulting system.
- (2) Matters concerning risks
 - Risk Management Committee has met monthly in principle to review the status of occurrence of each risk, status of management and status of implementation of risk management system, analyze risks from various viewpoints including an analysis utilizing the comprehensive risk management system, and make reports to the Board of Directors.
 - The Company has formulated Regulations for Crisis Management that stipulate establishment of crisis management headquarters and Regulations for Business Continuity that stipulate the way of business resumption upon the occurrence of events affecting business continuity such as natural disasters, and has established a system for emergency preparedness.
- (3) Matters concerning execution of duties by Directors
 - The Company has appropriately been storing and managing documents related to Directors' execution of duties in accordance with Regulations on the Storage of Documents and related detailed regulations, etc. Such documents have been made available to Directors and Audit & Supervisory Board Members at any time.
 - The Board of Directors has been receiving reports regarding the status of implementation of the business plan for every quarter, and regarding comparison of budget plan and actual results for every month, and has been overseeing efficient execution of duties by Directors. In addition, the Board of Directors has discussed measures to be taken as necessary, in the event that the result differs from the budget plan.
- (4) Matters concerning Audit & Supervisory Board Members
 - In order to facilitate activities of Audit & Supervisory Board Members, the Company has appointed one dedicated Audit & Supervisory Board Member staff whose duty is to assist Audit & Supervisory Board Members with audits. The appointment of the Audit & Supervisory Board Member staff has been decided in consultation with Audit & Supervisory Board Members, and independence has been ensured for such appointment.
 - Full-time Audit & Supervisory Board Members, under the audit policies and plan developed by the Audit & Supervisory Board, have attended important meetings including the meetings of the Board of Directors and the management meetings, and conducted audits of execution of duties by Directors regarding overall management and individual matters, through conducting interviews to, and receiving reports from, each department as necessary. Also monthly meetings have been held among President & Representative Director, Accounting Auditor and the Internal Auditing Department to exchange opinions.

Consolidated Balance Sheet

(As of March 31, 2023)

(Amount: million yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	183,180	Current liabilities	32,194
Cash and deposits	164,959	Unearned revenue	17,559
Right to reimbursement	13,537	Income taxes payable	6,242
Securities	9,227	Provision for loss on guarantees	6,145
Other	2,199	Other provisions	587
Allowance for doubtful accounts	(6,743)	Other	1,658
Non-current assets	259,765	Non-current liabilities	205,131
Property, plant and equipment	564	Long-term borrowings	30,000
Buildings and structures	323	Long-term unearned revenue	174,719
Accumulated depreciation	(145)	Other provisions	403
Machinery, equipment and vehicles	58	Retirement benefit liability	9
Accumulated depreciation	(33)	Total liabilities	237,326
Tools, furniture and fixtures	837	Net assets	
Accumulated depreciation	(475)	Shareholders' equity	205,701
Intangible assets	1,236	Share capital	10,703
Software	540	Capital surplus	637
Software in progress	691	Retained earnings	194,979
Other	4	Treasury shares	(619)
Investments and other assets	257,964	Accumulated other comprehensive income	(81)
Investment securities	227,200	Valuation difference on available-for-sale securities	(81)
Long-term loans receivable	7,003		
Long-term time deposits	19,000		
Retirement benefit asset	4		
Deferred tax assets	3,843		
Other	912		
Total assets	442,945	Total net assets	205,619
		Total liabilities and net assets	442,945

Consolidated Statement of Income

(April 1, 2022 - March 31, 2023)

(Amount: million yen)

Description	Amount	
Operating revenue		50,272
Operating expenses		
Provision for loss on guarantees	2,861	
Provision of allowance for doubtful accounts	(787)	
Salaries, allowances and bonuses	2,154	
Other	6,159	10,387
Operating profit		39,884
Non-operating income		
Interest income	2,259	
Dividend income	51	
Other	58	2,369
Non-operating expenses		
Interest expenses	790	
Other	6	797
Ordinary profit		41,456
Extraordinary losses		
Loss on sale of investment securities	76	
Loss on valuation of investment securities	97	174
Profit before income taxes		41,282
Income taxes - current	12,155	
Income taxes - deferred	542	12,697
Profit		28,584
Profit attributable to owners of parent		28,584

Consolidated Statement of Changes in Equity

(April 1, 2022 – March 31, 2023)

(Amount: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,703	637	175,553	(640)	186,254
Changes during period					
Dividends of surplus			(9,159)		(9,159)
Profit attributable to owners of parent			28,584		28,584
Disposal of treasury shares				21	21
Net changes in items other than shareholders' equity					
Total changes during period	–	–	19,425	21	19,446
Balance at end of period	10,703	637	194,979	(619)	205,701

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	56	56	186,310
Changes during period			
Dividends of surplus			(9,159)
Profit attributable to owners of parent			28,584
Disposal of treasury shares			21
Net changes in items other than shareholders' equity	(137)	(137)	(137)
Total changes during period	(137)	(137)	19,308
Balance at end of period	(81)	(81)	205,619

Notes to Consolidated Financial Statements

1. Notes on Important Matters as Basis for Preparing Consolidated Financial Statements

(1) Matters concerning the scope of consolidation

Number of consolidated subsidiaries	Four
Names of consolidated subsidiaries	Zenkoku Business Partner, K.K. AKEBONO Servicer Co., Ltd. MINORI GUARANTEE Co., Ltd. Tsukuba Shinyo Hosho Co., Ltd.

(2) Matters concerning the application of the equity method

There is no relevant information.

2. Matters concerning the Fiscal Year, etc. at Consolidated Subsidiaries

The closing date for consolidated subsidiaries is the same as the consolidated closing date.

3. Matters concerning Accounting Policies

(1) Valuation standards and valuation method for material assets

Securities

1) Held-to-maturity bonds	Stated at amortized cost (straight-line method).
2) 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 material depreciable and amortizable assets

1) 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 and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Major useful lives are as follows: Buildings and structures 3 to 44 years Machinery, equipment and vehicles 2 to 6 years Tools, furniture and fixtures 2 to 20 years
2) 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 material reserves

- 1) 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 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.

- 2) 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 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.

(4) Method of accounting for retirement benefits

In the calculation of retirement benefit assets, retirement benefit liabilities, and retirement benefit expenses, the simplified method is applied, using the actuarial liability based on the most recent pension financing calculation as benefit obligations for corporate pension plans, and using the amount payable at the end of the fiscal year for personal convenience as benefit obligations for lump-sum retirement benefit plans.

(5) Recording standards for material revenue and expenses

Recording standards for revenue related to credit guarantee service business

With respect to income guarantee fee derived from the undertaking of guarantees, the Group 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, etc. at the end of the previous month, and revenues are reported every month.

The Group 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 Group 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 Group is acting as agent to the life insurance company. With respect to the income guarantee fee associated with such agency, the Group 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 Group's 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.

(6) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over a reasonably estimated period during which the effect of the goodwill will be realized.

(7) Other important matters for preparing consolidated 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 (other under investments and other assets) and amortized over a five-year period on a straight-line basis.

Certain tax-exempt consolidated subsidiaries use the tax inclusion method.

4. Notes on Changes in Accounting Policies

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter "Fair Value Measurement Implementation Guidance") effective from the beginning of the fiscal year under review, and in accordance with the transitional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Group will prospectively apply the new accounting policy prescribed by the Fair Value Measurement Implementation Guidance. This has no impact on the Consolidated Financial Statements.

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 6,145 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 consolidated 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 6,743 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 consolidated 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. Additional Information

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

1) Overview of the transaction

The Company and some consolidated subsidiaries have 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 some consolidated 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 and some consolidated subsidiaries 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 and some consolidated subsidiaries.

The Company and some consolidated subsidiaries 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 172 million yen and 64,330 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 introduced the performance-based stock compensation plan using Board Benefit Trust (hereinafter the "Executive Plan") for Directors (excluding Outside Directors, hereinafter the same) of the Company, in order to motivate Directors to contribute to enhancing medium- to long-term business performance and corporate value, by clarifying the linkage between Directors' remuneration, etc. and the Company's business performance as well as its equity value, and by having Directors share the benefits and risks of fluctuations in stock prices with shareholders.

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.

7. Notes to Consolidated Balance Sheet

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.	15,944,904 million yen
Provision for loss on guarantees	6,145 million yen
Balance	15,938,759 million yen

8. Notes to Consolidated 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	156,967	-	8,070	148,897

(Notes) 1. The number of treasury shares at beginning and end of period includes the Company's shares held by J-ESOP of 72,400 shares and 64,330 shares, respectively. The number of treasury shares at beginning and end of period includes the Company's shares held by the Board Benefit Trust of 84,000 shares and 84,000 shares, respectively.

2. Outline of reasons for the changes

Decrease owing to the payment of the Company's shares based on J-ESOP 8,070 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 17, 2022	Common shares	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.

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

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 16, 2023	Common shares	Retained earnings	10,192	148.00	March 31, 2023	June 19, 2023

(Note) The total cash dividends approved by resolution at the Annual General Meeting of Shareholders held on June 16, 2023 includes 9 million yen in dividends to the Company's shares held by J-ESOP, along with 12 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.

9. Notes on Financial Instruments

(1) Matters relating to the status of financial instruments

1) Policy on financial instruments

The Group engages in a credit guarantee business centered on a housing loan guarantee business. As the Group 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 Group also raises funds through borrowings from banks and other financial institutions.

2) Details of financial instruments and related risks

Financial assets held by the Group 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 Group 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 Group strives to maintain the soundness of its debt guarantees through the establishment of a screening structure that accommodates the credit risk.

The Group 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 Group 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 Group 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 Group 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 Group, the Group 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 Group 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 Group's assets is guarantee fees received as consideration for guarantees on housing loans, the Group 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 Group 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 Group 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 Group 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.

Consolidated balance sheet amounts, fair values and their differences as at March 31, 2023 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)

	Consolidated balance sheet amounts	Fair value	Difference
(1) Right to reimbursement	13,537		
Allowance for doubtful accounts (*1)	(6,743)		
	6,793	6,793	-
(2) Securities and investment securities			
a. Held-to-maturity bonds			
Government bonds/local government bonds, etc.	14,371	15,520	1,149
Corporate bonds	207,158	199,281	(7,877)
Other	4,516	4,324	(191)
b. Available-for-sale securities			
Shares	1,300	1,300	-
Bonds	949	949	-
Other	5,441	5,441	-
(3) Long-term loans receivable (*2)	7,269	7,232	(36)
(4) Long-term time deposits	19,000	17,690	(1,309)
Total assets	266,800	258,534	(8,265)
(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) Consolidated 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	Consolidated balance sheet amounts	Fair value	Difference
Those with fair values exceeding consolidated balance sheet amounts	Government bonds/local government bonds, etc.	14,371	15,520	1,149
	Corporate bonds	9,493	9,535	41
	Other	200	200	0
	Subtotal	24,064	25,256	1,191
Those with fair values not exceeding consolidated balance sheet amounts	Government bonds/local government bonds, etc.	-	-	-
	Corporate bonds	197,664	189,745	(7,919)
	Other	4,316	4,123	(192)
	Subtotal	201,981	193,869	(8,111)
Total		226,046	219,126	(6,919)

2) In the fiscal year under review, sales of available-for-sale securities amounted to 918 million yen while loss on sales of available-for-sale securities was 76 million yen. Acquisition costs (or amortized costs), consolidated balance sheet amounts, and their differences of available-for-sale securities by type are as follows.

(Amount: million yen)

	Type	Consolidated balance sheet amounts	Acquisition costs or amortized costs	Difference
Those with consolidated balance sheet amounts exceeding acquisition costs or amortized costs	Shares	1,001	897	103
	Bonds	-	-	-
	Other	1,156	1,151	5
	Subtotal	2,158	2,049	109
Those with consolidated balance sheet amounts not exceeding acquisition costs or amortized costs	Shares	298	312	(13)
	Bonds	949	1,000	(50)
	Other	4,284	4,460	(176)
	Subtotal	5,532	5,772	(240)
Total		7,690	7,822	(131)

3) Securities for which the impairment loss was recognized

In the fiscal year under review, impairment loss of 97 million yen was recorded for shares under “available-for-sale securities.”

An impairment loss for securities other than shares etc. that do not have a market price is recorded when the fair values as of the consolidated closing date have decreased by 50% or more from the acquisition costs. In cases where the fair values have decreased by 30 to 50%, an impairment loss is recorded at an amount recognized as necessary in view of the possibility of recovery, etc. For shares etc. that do not have a market price, an impairment loss is recorded if the actual value declines significantly.

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

(Amount: million yen)

Categories	Consolidated balance sheet amounts
Unlisted shares	2,400
Partnership investments	291
Total	2,691

These are not included in “securities and investment securities.”

(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 “7. Notes to Consolidated Balance Sheet.”

(Note 4) Scheduled redemption amount after the consolidated 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	164,959	-	-	-
(2) Right to reimbursement (*)	-	-	-	-
(3) Securities and investment securities				
1) Held-to-maturity bonds				
Government bonds/local government bonds, etc.	1,620	6,580	6,090	-
Corporate bonds	6,600	37,070	35,400	127,300
Other	600	2,700	1,200	-
2) Available-for-sale securities				
Bonds	-	-	1,000	-
Other	460	469	118	4,263
(4) Long-term loans receivable	260	848	5,903	191
(5) Long-term time deposits	-	1,000	-	18,000
Total	174,500	48,668	49,711	149,754

(*) 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 consolidated 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 consolidated 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	1,300	-	-	1,300
Bonds	-	949	-	949
Other	-	5,441	-	5,441
Total asset	1,300	6,390	-	7,690

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

(Amount: million yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Right to reimbursement	-	-	6,793	6,793
Securities and investment securities				
Held-to-maturity bonds				
Government bonds/local government bonds, etc.	15,419	101	-	15,520
Corporate bonds	-	199,281	-	199,281
Other	-	4,324	-	4,324
Long-term loans receivable	-	7,232	-	7,232
Long-term time deposits	-	17,690	-	17,690
Total assets	15,419	228,630	6,793	250,843
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 consolidated balance sheet amount as at the consolidated 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.

10. 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.

11. Notes on Per Share Information

Net assets per share	2,992.01 yen
Profit per share	415.97 yen

(Note 1) Profit per share after full dilution are not stated because there were no dilutive shares.

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

Profit attributable to owners of parent on the consolidated statement of income	28,584 million yen
Amount not attributable to common shareholders	- million yen
Profit attributable to owners of parent relating to common shares	28,584 million yen
Average number of common shares outstanding during the period	68,719,276 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 profit 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 during the period that are excluded from the calculation of profit per share was 151,946 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 148,330 shares.

12. Notes on Significant Subsequent Events

There is no relevant information.

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

Non-consolidated Balance Sheet

(As of March 31, 2023)

(Amount: million yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	171,612	Current liabilities	30,768
Cash and deposits	153,565	Unearned revenue	17,176
Right to reimbursement	13,114	Income taxes payable	6,134
Securities	9,227	Provision for loss on guarantees	5,226
Other	2,159	Other provisions	580
Allowance for doubtful accounts	(6,454)	Other	1,650
Non-current assets	264,079	Non-current liabilities	201,159
Property, plant and equipment	515	Long-term borrowings	30,000
Buildings	287	Long-term unearned revenue	170,763
Accumulated depreciation	(137)	Other provisions	395
Vehicles	57	Total liabilities	231,927
Accumulated depreciation	(33)	Net assets	
Tools, furniture and fixtures	768	Shareholders' equity	203,813
Accumulated depreciation	(426)	Share capital	10,703
Intangible assets	1,189	Capital surplus	637
Software	494	Legal capital surplus	637
Software in progress	691	Retained earnings	193,090
Other	3	Legal retained earnings	2,055
Investments and other assets	262,373	Other retained earnings	191,035
Investment securities	224,550	Reserve for loss on guarantees	162,800
Shares of subsidiaries and associates	7,488	Retained earnings brought forward	28,235
Long-term loans receivable	7,003	Treasury shares	(619)
Long-term time deposits	19,000	Valuation and translation adjustments	(48)
Prepaid pension costs	4	Valuation difference on available-for-sale securities	(48)
Deferred tax assets	3,425	Total net assets	203,764
Other	900	Total liabilities and net assets	435,692
Total assets	435,692		

Non-consolidated Statement of Income

(April 1, 2022 - March 31, 2023)

(Amount: million yen)

Description	Amount	
Operating revenue		49,242
Operating expenses		
Provision for loss on guarantees	2,874	
Provision of allowance for doubtful accounts	(734)	
Salaries, allowances and bonuses	1,862	
Other	5,943	9,945
Operating profit		39,296
Non-operating income		
Interest income	2,239	
Dividend income	51	
Other	61	2,353
Non-operating expenses		
Interest expenses	790	
Other	6	797
Ordinary profit		40,852
Extraordinary losses		
Loss on sale of investment securities	76	
Loss on valuation of investment securities	97	174
Profit before income taxes		40,677
Income taxes - current	12,013	
Income taxes - deferred	483	12,497
Profit		28,180

Non-consolidated Statement of Changes in Equity

(April 1, 2022 – March 31, 2023)

(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	144,100	27,915	174,070	(640)	184,770
Changes during period									
Dividends of surplus						(9,159)	(9,159)		(9,159)
Provision of reserve for loss on guarantees					18,700	(18,700)	–		–
Profit						28,180	28,180		28,180
Disposal of treasury shares								21	21
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	18,700	320	19,020	21	19,042
Balance at end of period	10,703	637	637	2,055	162,800	28,235	193,090	(619)	203,813

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	56	56	184,827
Changes during period			
Dividends of surplus			(9,159)
Provision of reserve for loss on guarantees			–
Profit			28,180
Disposal of treasury shares			21
Net changes in items other than shareholders' equity	(104)	(104)	(104)
Total changes during period	(104)	(104)	18,937
Balance at end of period	(48)	(48)	203,764

Notes to Non-consolidated Financial Statements

1. 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 and structures 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	<p>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.</p> <p>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.</p> <p>The above allowances for 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.</p> <p>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.</p>
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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 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.

(4) Recording standards for revenue and expenses

Revenue related to credit guarantee service business

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's 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 non-consolidated 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 (other under investments and other assets) and amortized over a five-year period on a straight-line basis.

2. Notes on Changes in Accounting Policies

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter “Fair Value Measurement Implementation Guidance”) effective from the beginning of the fiscal year under review, and in accordance with the transitional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Company will prospectively apply the new accounting policy prescribed by the Fair Value Measurement Implementation Guidance. This has no impact on the Non-consolidated Financial Statements.

3. Notes on Changes in Presentation Method

In order to ensure consistency with the disclosures in the annual securities report, up until now, the Company has prepared its non-consolidated balance sheet and non-consolidated statement of income in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963, hereinafter the “Regulation on Financial Statements”) which prescribes more detailed disclosure than the Ordinance on Accounting of Companies. However, starting from the current fiscal year, the Company has decided to prepare financial statements in its annual securities report as a special company submitting financial statements in accordance with Article 127 of the Regulation on Financial Statements. Accordingly, account titles have been reclassified in the same manner in these non-consolidated financial statements.

4. 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 5,226 million yen
- 2) Other useful information in understanding the estimates

Same as described in “Notes to Consolidated Financial Statements, 5. Notes on Accounting Estimates” of the Consolidated Financial Statements.

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

- 1) The amount recorded for the fiscal year under review 6,454 million yen
- 2) Other useful information in understanding the estimates

Same as described in “Notes to Consolidated Financial Statements, 5. Notes on Accounting Estimates” of the Consolidated Financial Statements.

5. 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 193 million yen and 72,400 shares in the previous fiscal year and 172 million yen and 64,330 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 introduced the performance-based stock compensation plan using Board Benefit Trust (hereinafter the "Executive Plan") for Directors (excluding Outside Directors, hereinafter the same) of the Company, in order to motivate Directors to contribute to enhancing medium- to long-term business performance and corporate value, by clarifying the linkage between Directors' remuneration, etc. and the Company's business performance as well as its equity value, and by having Directors share the benefits and risks of fluctuations in stock prices with shareholders.

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 previous fiscal year and 444 million yen and 84,000 shares in the fiscal year under review.

6. Notes to Non-consolidated 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.	15,623,987 million yen
Provision for loss on guarantees	5,226 million yen
<hr/>	
Balance	15,618,760 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.	210 million yen
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(2) Monetary claims against and monetary liabilities to subsidiaries and associates are as follows.

Short-term monetary claims	24 million yen
Short-term monetary liabilities	47 million yen

7. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates are as follows.

Operating transactions (outgoing)	603 million yen
Non-operating transactions (incoming)	3 million yen

8. Notes to Non-consolidated Statement of Changes in Equity

Type and total number of treasury shares at the end of the fiscal year under review

Common shares 148,897 shares

9. Notes on Tax Effect Accounting

Details of deferred tax assets and liabilities by major cause

Deferred tax assets	
Allowance for doubtful accounts	1,065 million yen
Intangible assets	192 million yen
Loss on valuation of investment securities	169 million yen
Loss on valuation of shares of subsidiaries and associates	56 million yen
Accrued enterprise tax	296 million yen
Provision for loss on guarantees	1,600 million yen
Other provisions	298 million yen
Valuation difference on available-for-sale securities	37 million yen
Other	<u>117 million yen</u>
Deferred tax assets subtotal	3,835 million yen
Valuation reserve	<u>(406) million yen</u>
Total deferred tax assets	3,429 million yen
Deferred tax liabilities	
Prepaid pension costs	(1) million yen
Valuation difference on available-for-sale securities	(1) million yen
Other	<u>(0) million yen</u>
Total deferred tax liabilities	<u>(3) million yen</u>
Deferred tax assets, net	<u>3,425 million yen</u>

10. 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 Concurrent positions held by officers	Blanket financial guarantee contract	210	-	-

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

11. Notes on Revenue Recognition

Same as described in “Notes to Consolidated Financial Statements, 10. Notes on Revenue Recognition” of the Consolidated Financial Statements.

12. Notes on Per Share Information

Net assets per share	2,965.02 yen
Profit per share	410.08 yen

(Note 1) Profit per share after full dilution are not stated because there were no dilutive shares.

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

Profit on the non-consolidated statement of income	28,180 million yen
Amount not attributable to common shareholders	- million yen
Profit relating to common shares	28,180 million yen
Average number of common shares outstanding during the period	68,719,276 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 profit 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 during the period that are excluded from the calculation of profit per share was 151,946 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 148,330 shares.

13. Notes on Significant Subsequent Events

There is no relevant information.

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

Independent Auditor's Report
(English Translation)

May 10, 2023

To the Board of Directors
ZENKOKU HOSHO Co., Ltd.

Grant Thornton Taiyo LLC
Tokyo Office
Certified Public Accountant
Designated Limited Liability Partner Kenji Namiki [Seal]
Engagement Partner
Certified Public Accountant
Designated Limited Liability Partner Daisuke Noda [Seal]
Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the related consolidated notes of ZENKOKU HOSHO Co., Ltd. (the "Company") for the fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the corporate group that consists of the Company and its consolidated subsidiaries as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Statements

Other statements consist of the business report and the accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the consolidated financial statements is to read through the other statements and, in the course of that reading, to consider whether there are material differences between the other statements and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is 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 express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence with respect to the financial information of the Company and its consolidated subsidiaries to enable us to express an opinion on the consolidated financial statements. The auditor is responsible for instructions, supervision, and implementation with regard to the audit of the consolidated financial statements, while solely responsible for the audit opinions.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope

and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Neither Grant Thornton Taiyo LLC nor any of the Engagement Partners has any interest in the Company or its consolidated subsidiaries which should be disclosed under the provisions of the Certified Public Accountants Act.

Independent Auditor's Report
(English Translation)

May 10, 2023

To the Board of Directors
ZENKOKU HOSHO Co., Ltd.

Grant Thornton Taiyo LLC
Tokyo Office
Certified Public Accountant
Designated Limited Liability Partner Kenji Namiki [Seal]
Engagement Partner
Certified Public Accountant
Designated Limited Liability Partner Daisuke Noda [Seal]
Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the related notes, and the related supplementary schedules of ZENKOKU HOSHO Co., Ltd. (the "Company") for the 43rd fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements and the Related Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Statements

Other statements consist of the business report and the accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the non-consolidated financial statements and the related supplementary schedules is to read through the other statements and, in the course of that reading, to consider whether there are material differences between the other statements and the non-consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements and the Related Supplementary Schedules

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

In preparing the non-consolidated financial statements and the related supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements and the related supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements and the Related Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements and the related supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements and the related supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements and the related supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements and the related supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the non-consolidated financial statements and the related supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements and the related supplementary schedules in the audit report, or if the notes to the non-consolidated financial statements and the related supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements and the related supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements and the related supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements and the related supplementary schedules including related notes, and whether the non-consolidated financial statements and the related supplementary schedules fairly present the transactions and accounting events on which they are based.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Neither Grant Thornton Taiyo LLC nor any of the Engagement Partners has any interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the Directors' execution of their duties during the 43rd fiscal year from April 1, 2022 to March 31, 2023, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof
 - (1) The Audit & Supervisory Board established audit policies, audit plan, etc. and received reports from all the Audit & Supervisory Board Members regarding the execution of audits and the results thereof. In addition, we requested reports, and explanations as necessary, from Directors, etc. and the Accounting Auditor regarding the execution of their duties.
 - (2) In accordance with the audit policies, established by the Audit & Supervisory Board, and pursuant to audit policies, audit plan, etc., we attempted communication with Directors, the Audit Department, and other employees, etc. while utilizing means via the Internet, etc., and worked to gather information and establish an auditing environment, and carried out audits in the following manner:
 1. We attended the Board of Directors' meetings and other important meetings, received reports from the Directors and other employees, etc. regarding the execution of their duties, requested explanations as necessary, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's headquarters and principal offices. With regard to the Company's subsidiary, the Audit & Supervisory Board attempted communication with its Directors, Audit & Supervisory Board Members, etc., and received report as necessary from the subsidiary.
 2. With respect to the resolution of the Board of Directors concerning the development of the system to ensure the compliance of Directors with laws, regulations and the Articles of Incorporation in the execution of their duties described in the Business Report and other systems required to ensure the properness of the operations of corporate group consisting of joint stock company (kabushiki-kaisha) and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as well as the system (internal control system) developed based on said resolution of the Board of Directors, we received regular reports regarding the status of implementation and operation thereof from the Directors and other employees, sought explanations as necessary, and expressed opinion thereon.
 3. We monitored and verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, and received reports, and sought explanations as necessary, from the Accounting Auditor regarding the execution of its duties. The Audit & Supervisory Board received notification from the Accounting Auditor to the effect that "systems for ensuring appropriate execution of duties" (matters listed in each item of Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with "Quality Control Standards for Auditing" (dated October 28, 2005 by Business Accounting Council), etc., and we requested explanations as necessary.

Based on the above, we examined the Business Report and the related supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to non-consolidated financial statements) and the related supplementary schedules, and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to consolidated financial statements) for the fiscal year under review.

2. Audit Results
 - (1) Results of Audit of Business Report, etc.
 1. In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
 2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
 3. We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note with respect to the description of the

- Business Report and the execution of duties by Directors concerning the said internal control system.
- (2) Results of Audit of Non-consolidated Financial Statements and Related Supplementary Schedules
We found that the methods and the results of the audit conducted by Accounting Auditor, Grant Thornton Taiyo LLC, are appropriate.
- (3) Results of Audit of Consolidated Financial Statements
We found that the methods and the results of the audit conducted by Accounting Auditor, Grant Thornton Taiyo LLC, are appropriate.

May 11, 2023

Audit & Supervisory Board
ZENKOKU HOSHO Co., Ltd.

Full-time Audit & Supervisory Board Member	Mamoru Fujino
Outside Audit & Supervisory Board Member	Eri Itagaki
Outside Audit & Supervisory Board Member	Takafumi Sato
Outside Audit & Supervisory Board Member	Hidehiko Suzuki