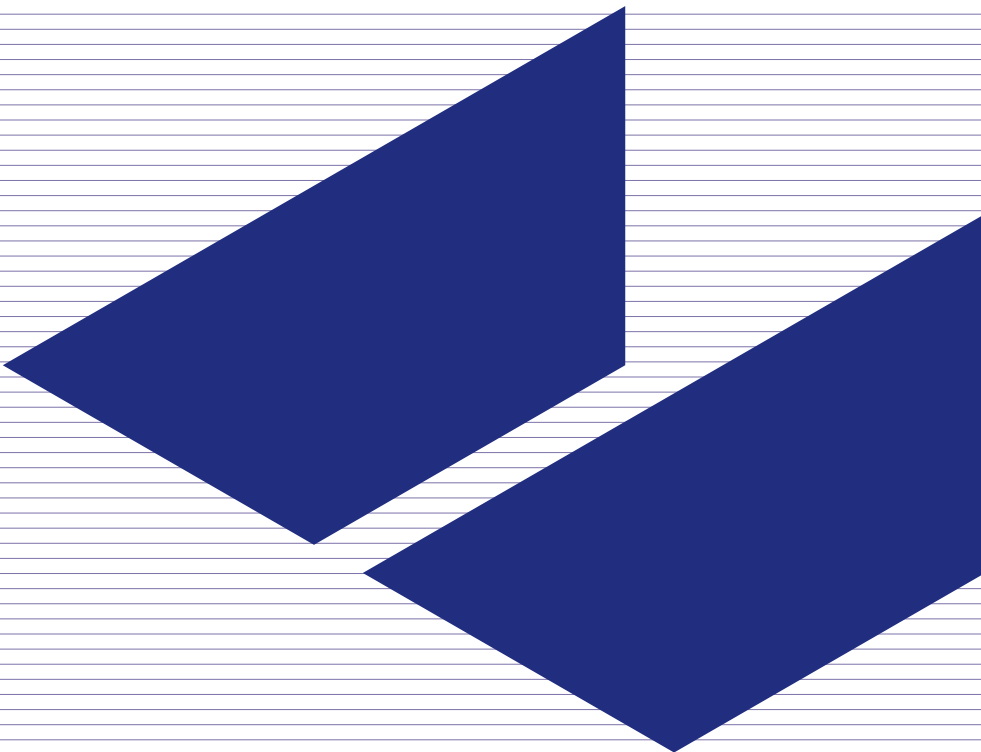


THE FUKUI BANK REPORT
2019.3
Financial Statements



2019.3
REPORT

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Profile

Innovative Action

Our Mission as a Regional Bank

Since its establishment in 1899, the Fukui Bank has remained firmly committed to sound management and growth in partnership with the regional community. The Bank owes its position today to the loyal support of its customers, shareholders, and other stakeholders.

In October 2015, we established the Bank's corporate philosophy of striving to cultivate and promote regional industry and achieving prosperous living conditions for the region's population, and have been working together as the Fukui Bank Group for the advancement of the region.

The period covered by our medium-term management plan "Toward Realizing Our Corporate Philosophy (Chapter 1)," from April 2018 to March 2021, is defined as a period for growth together with the region and customers and in step with the changing times. During the period we will be working to reform ourselves and looking to achieve the goals of our corporate philosophy, basing our efforts around two concepts (namely, "Faster, deeper, wider" and "Change, transform, modify)" and four topical areas of activity (winning new customers by helping increase the number of workplaces and workers; strengthening consulting functions, selecting and concentrating on fields of business activity; and, revolutionizing personnel development).

Together, all employees and executive officers of the Fukui Bank Group will keep striving to fulfill the expectations of our shareholders, customers, and members of the regional community. To this end, we would like to request your continued support and patronage.

Corporate Governance

In June 2007, the Fukui Bank transitioned to a committee-based governance structure (nominating and other committees are now in place). Characteristics of this organizational structure include strengthened governance structures through the separation of executive and supervisory functions, accelerated executive functions by delegating decision-making authority, and improved management transparency by establishing three committees on which the majority of members are outside directors. As well as having outside directors chair even those three committees, we are working to put in place comprehensive corporate governance in line with the following fundamental principles.

- (1) The Fukui Bank will respect the rights held by all of its shareholders and will work to guarantee all shareholders are treated equally.
- (2) The Fukui Bank will pay consideration to how to benefit all of its stakeholders, including its shareholders, and, where relevant, will strive to cooperate with said stakeholders.
- (3) The Fukui Bank will disclose all relevant information, including non-financial data, and will endeavor to guarantee corporate information is transparent.
- (4) The Fukui Bank will construct a system in which independent outside directors play a central role and, by utilizing that system, will commit ourselves to improving the efficacy of our auditing capabilities in regards to overseeing the execution of duties by the board of directors.
- (5) The Fukui Bank, in order to increase corporate value in the medium to long term, and to achieve sustainable growth, will undertake to carry out constructive dialogue with all of its shareholders.

Consolidated Financial Highlights

The Fukui Bank, Ltd. and its consolidated subsidiaries

Years ended March 31,	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
For the Year:				
Total income	¥ 41,651	¥ 44,155	¥ 44,741	\$ 375,275
Total expenses	37,217	37,952	37,059	335,326
Income (loss) before income taxes.....	4,433	6,202	7,682	39,949
Net income attributable to owners of parent.....	3,158	3,927	4,184	28,459
Net income (loss) per share of common stock.....	132.69	165.57	175.94	1.20
At Year-end:				
Deposits	¥ 2,400,198	¥ 2,324,100	¥ 2,245,159	\$ 21,625,355
Loans and bills discounted	1,661,228	1,617,855	1,591,806	14,967,367
Trading account securities.....	570	504	709	5,137
Securities.....	613,594	609,185	636,661	5,528,381
Total assets	2,802,693	2,673,165	2,599,619	25,251,762
Total net assets	131,522	128,310	124,092	1,184,991

Notes:

- The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥110.99 per US\$1.00 on March 31, 2019. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at this or any other exchange rate.
- On October 1, 2017, the Bank implemented a consolidation of shares at the ratio of one share per 10 shares. For the purposes of calculating the amount of net income per share of common stock for the period under review, the share consolidation is taken as having been implemented at the beginning of fiscal year ended March 31, 2017.

Financial & Economic Environments

The Japanese economy in the period under review proceeded on a moderately-paced recovery course as improvement in employment, and individual incomes continued. Even so, given the Sino-American trade issue's effect on the world economy as a whole, uncertainties in the situation abroad, such as the UK exiting the EU, and shifts in financial and capital markets, attention is required.

As for the regional economy of Fukui Prefecture, the holding of the 73rd National Sports Festival invigorated the regional economy in Fukui during the period under review. Further, personal consumption is gradually recovering as the conditions for employment and household income continue to improve. In addition, a situation of continued moderate growth is expected in the near future with public works for the extension of the Hokuriku Shinkansen into Fukui Prefecture now being carried out in earnest. However, the ratio of effective job openings to job seekers in the prefecture continues to be high and the effects of the labor shortage on corporate activities will require close attention.

Consolidated Performance Review

The consolidated performance of the Fukui Bank and six consolidated subsidiaries in the fiscal year under review is as follows.

Consolidated ordinary income decreased by ¥2,382 million from the previous year to ¥41,599 million mainly due to the absence of profits from allowances for loan losses, a decline in interest on loans, and a decline in interest and dividends on securities. Ordinary expenses decreased by ¥545 million from the previous year to ¥37,108 million due to lower operating expenses.

As a result, ordinary profit decreased by ¥1,836 million from the previous year to ¥4,490 million. Net income attributable to owners of the parent decreased by ¥769 million from the previous year to ¥3,158 million.

In terms of reportable segments, ordinary income from banking operations decreased by ¥2,473 million from the previous year to ¥34,410 million. Segment profit decreased by ¥1,592 million from the previous year to ¥4,191 million. Ordinary income from leasing operations decreased by ¥86 million from the previous year to ¥7,208 million, while segment profit decreased by ¥123 million to ¥220 million. Ordinary income from "Others" outside of the reportable segments increased by ¥15 million to ¥597 million, and segment profit increased by ¥1 million from the previous year to ¥66 million. Each amount above included intersegment transactions.

Cash Flows

Consolidated net cash flows rose by ¥87,125 million provided by operating activities, ¥5,330 million was used in investing activities, and ¥1,002 million used in financing activities. As a result, cash and cash equivalents at the end of the year were ¥435,044 million, which increased by ¥80,803 million compared with the previous year.

Net cash provided by operating activities

Net cash provided by operating activities was ¥87,125 million. Main factors behind the increase were income from an increase in deposits and borrowed money that exceeded expenditure, reflecting factors such as increased lending. Net cash provided by operating activities was ¥59,270 million higher than in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities was ¥5,330 million. The main factor behind the increase was expenditure for the acquisition of non-current assets, which exceeded income from the sale of non-current assets. Net cash used in investing activities was ¥37,513 million higher than in the previous fiscal year.

Net cash used in financing activities

Net cash used in financing activities was ¥1,002 million, reflecting expenditure for the payment of dividends among others. Net cash used in financing activities was ¥12 million higher than in the previous fiscal year.

Issues to Be Addressed

The Bank and other regional financial institutions have been facing increasingly uncertain prospects arising in the main from the continuing long-term low interest environment, banking market entries by other industries, shrinking population in our regional base and the advancement of demographic aging.

However, Fukui Prefecture will benefit from an improved traffic network after the opening of the Chubu-Jukan Expressway and the extension of the Hokuriku Shinkansen into the prefecture, which are expected to greatly change the business environment. Clearly, this will also bring a diversity of risks and opportunities for the Bank.

In the current fiscal year, which is also the first year of the medium-term management plan “Toward Realizing Our Corporate Philosophy (Chapter 1): Faster, deeper, wider,” we have implemented the following measures.

With regard to winning new customers by helping increase the number of workplaces and workers, the Bank speedily put into practice appropriate and proactive funding support and main business support based on thorough understanding of the customer and business viability assessments. As a result, this led to an increase in lending to operational borrowers including those founding new operations. In addition, we are participating in town planning to help invigorate tourism and the redevelopment of each of the areas in the prefecture. In particular, this has included the redevelopment of the Fukui Station area, together with improvements in the level of convenience for tourists and visiting foreigners by installing ATMs that accept foreign cards at facilities around Eihei-ji Temple and Fukui Prefectural Dinosaur Museum.

With regard to strengthening consulting functions, we have taken a number of steps. We consolidated our consultancy operations and increased head office sales staff and strengthened the ties between head office and the branches. We also strengthened our ability to offer human resource solutions for the diversifying needs of our clients, such as through business succession consulting, lease business direct with the bank, and the starting of a securities introduction business. In addition, in the Sabae region we opened a loan and insurance specialized branch, Fukugin Plaza Sabae, that also operates on non-working days and created a system where it is possible to offer sophisticated solutions for any of our client's life stages.

With regard to selecting and concentrating on fields of business activity, we proceeded to take measures toward a service combining finance and technology, drafting the FinX

Partnership, a tie up agreement of seven regional banks regarding digital finance strategy. Also, by concentrating our branch sales staff and functions, we reorganized our branches to strengthen our consulting functions and our sales power. In addition, we increased the number of sales managers to facilitate an increase in meetings with customers.

With regard to revolutionizing personnel development, we dealt with the reforms in the way people work and reevaluated career plans and development programs to aim for an organization where each staff member grows and grows together, through their work, by achieving the corporate philosophy. In addition, we proclaimed the Fukugin Healthy Management Declaration, that aims to maintain and improve our staff's health and create an active workplace, and we were named a Certified Health & Productivity Management Organization under the Certified Health & Productivity Management Organization Recognition Program implemented by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

With regard to other measures, we, supporting the Sustainable Development Goals put forward by the United Nations, proclaimed the Fukui Bank Group SDGs Declaration and are taking measures toward the realization of a sustainable society through banking. In addition, we introduced a shareholder reward scheme to improve the attraction of being a shareholder as stated in our medium-term management plan, where one may choose a reward from local Fukui specialty produce or a donation to activities that contribute to society.

This fiscal year, which will see the 120th anniversary of the Bank's founding, is also the second year of our medium-term management plan. We will grow the Bank as well as contribute to Fukui Prefecture's sustainable development by continuing to firmly practice the four themes of our medium-term management plan in this new era while taking note of changes in the management situation.

With our corporate customers, more than ever we will conduct appropriate and proactive funding support and main business support through thorough business viability assessments by further review of our sales base and improvements in work efficiency. We will also increase the numbers of our sales managers, expanding opportunities for contact with clients. With our individual customers, we will strengthen our base for asset formation support, giving the best product proposal for the customer, sales activity that profits the customer, and portfolio management at the same time as improving our consultancy functions at every life stage, in particular inheritance, by showing an understanding of the client.

Also, at the same time as developing an attractive town planning scheme in a visible form, we will strengthen our support for growth in tourism including dealing with inbound business, our approach to increase users and coverage toward the creation of a cashless society in the region.

Additionally, more than ever before, the Fukui Bank Group's head office and sales branches will become one and we will work toward improving our organization by strengthening our head office's support functions for the branches and energizing internal communication, toward the creating a new head office building with the concept of “connecting the region, creating the future.”

Consolidated Financial Statements

The Fukui Bank, Ltd. and its consolidated subsidiaries

Consolidated Balance Sheets

March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets:			
Cash and due from banks (Notes 10 and 23)	¥ 435,326	¥ 354,714	\$ 3,922,217
Monetary claims bought (Note 23).....	818	674	7,377
Trading account securities (Note 23).....	570	504	5,137
Money held in trust (Note 25).....	6,500	6,400	58,566
Securities (Notes 3, 4, 10, 15, 23 and 24)	613,594	609,185	5,528,381
Loans and bills discounted (Notes 5, 6, 7, 8, 9, 11 and 23)	1,661,228	1,617,855	14,967,367
Foreign exchange (Note 9).....	9,369	10,774	84,420
Other assets (Notes 10, 27, 31 and 32).....	51,725	51,819	466,038
Tangible fixed assets (Notes 13 and 14)	25,950	23,847	233,808
Intangible fixed assets	412	228	3,715
Deferred tax assets (Note 30)	876	842	7,900
Customers' liabilities for acceptances and guarantees (Note 15).....	9,414	9,695	84,822
Allowance for loan losses (Note 23)	(13,095)	(13,376)	(117,986)
Total assets	¥ 2,802,693	¥ 2,673,165	\$ 25,251,762
Liabilities:			
Deposits (Notes 10 and 23)	¥ 2,400,198	¥ 2,324,100	\$ 21,625,355
Payables under repurchase agreements (Notes 10 and 23).....	16,661	28,401	150,119
Payables under securities lending transactions (Notes 10 and 23)	41,112	47,457	370,415
Borrowed money (Notes 10 and 23)	177,431	109,709	1,598,628
Foreign exchange	190	68	1,714
Other liabilities (Note 27).....	15,444	14,989	139,151
Provision for bonuses.....	228	227	2,054
Provision for directors' bonuses	8	17	77
Liability for retirement benefits (Note 28).....	5,293	5,217	47,690
Provision for reimbursement of deposits	343	341	3,092
Provision for contingent losses	198	218	1,788
Provision for losses on earthquake-proofing measures	452	785	4,074
Provision for point loyalty programs	44	—	397
Deferred tax liabilities (Note 30)	1,600	1,060	14,424
Deferred tax liabilities for land revaluation (Note 12).....	2,549	2,563	22,971
Acceptances and guarantees (Note 15).....	9,414	9,695	84,822
Total liabilities	¥ 2,671,170	¥ 2,544,854	\$ 24,066,771
Net assets (Note 20):			
Capital stock	¥ 17,965	¥ 17,965	\$ 161,866
Capital surplus.....	2,725	2,725	24,556
Retained earnings.....	86,563	84,578	779,923
Treasury shares	(655)	(862)	(5,909)
Total shareholders' equity	106,598	104,406	960,436
Valuation difference on available-for-sale securities (Note 26).....	14,174	13,350	127,710
Deferred gains (losses) on hedges.....	(39)	(1)	(353)
Revaluation reserve for land (Note 12)	5,753	5,785	51,839
Remeasurements of defined benefit plans.....	7	5	68
Total accumulated other comprehensive income.....	19,896	19,140	179,264
Subscription rights to shares	228	187	2,060
Non-controlling interests.....	4,798	4,575	43,231
Total net assets	131,522	128,310	1,184,991
Total liabilities and net assets	¥ 2,802,693	¥ 2,673,165	\$ 25,251,762

Consolidated Statements of Operations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Income:			
Interest on loans and discounts.....	¥ 16,388	¥ 16,737	\$ 147,654
Interest and dividends on securities	6,297	6,997	56,743
Other interest income.....	670	677	6,040
Fees and commissions.....	7,425	7,085	66,907
Other operating income.....	8,562	8,071	77,151
Other income (Note 16).....	2,306	4,586	20,780
Total income	41,651	44,155	375,275
Expenses:			
Interest on deposits.....	529	509	4,774
Interest on borrowings.....	749	822	6,749
Other interest expenses.....	118	103	1,070
Fees and commissions payments	2,830	2,832	25,498
Other operating expenses	8,051	7,857	72,544
General and administrative expenses (Note 17)	22,338	23,238	201,264
Other expenses (Note 18).....	2,600	2,587	23,427
Total expenses.....	37,217	37,952	335,326
Income before income taxes	4,433	6,202	39,949
Income taxes—current (Note 30)	1,005	1,482	9,063
Income taxes—deferred (Note 30)	36	445	332
Net income	3,391	4,274	30,554
Net income attributable to non-controlling interests	232	346	2,095
Net income attributable to owners of parent	¥ 3,158	¥ 3,927	\$ 28,459
Net income per share of common stock (Note 35)	¥ 132.69	¥ 165.57	\$ 1.20

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income	¥ 3,391	¥ 4,274	\$ 30,554
Other comprehensive income (Note 19)	781	951	7,043
Valuation difference on available-for-sale securities	817	943	7,368
Deferred gains (losses) on hedges	(37)	25	(340)
Adjustments for retirement benefits	1	(17)	15
Comprehensive income	4,172	5,226	37,597
Comprehensive income attributable to owners of parent.....	3,946	4,873	35,559
Comprehensive income attributable to non-controlling interests	226	353	2,038

Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2017, to March 31, 2018)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Sub- scription rights to shares	Non- controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total sharehold- ers' equity	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Re- valuation reserve for land	Remeasure- ments of de- fined benefit plans	Total ac- cumulated other com- prehensive income			
Balance at the start of the period	17,965	2,734	81,691	(1,090)	101,300	12,413	(27)	5,949	23	18,359	205	4,226	124,092
Changes of items during the period													
Dividends from surplus			(1,204)		(1,204)								(1,204)
Reversal of revaluation reserve for land			164		164								164
Net income attributable to owners of parent			3,927		3,927								3,927
Purchase of treasury shares				(6)	(6)								(6)
Disposal of treasury shares		(8)		233	224								224
Net changes of items other than shareholders' equity					–	937	25	(164)	(17)	781	(17)	349	1,113
Total changes of items during the period	–	(8)	2,886	227	3,105	937	25	(164)	(17)	781	(17)	349	4,218
Balance at the end of the period	17,965	2,725	84,578	(862)	104,406	13,350	(1)	5,785	5	19,140	187	4,575	128,310

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Sub- scription rights to shares	Non- controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total sharehold- ers' equity	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Re- valuation reserve for land	Remeasure- ments of de- fined benefit plans	Total ac- cumulated other com- prehensive income			
Balance at the start of the period	17,965	2,725	84,578	(862)	104,406	13,350	(1)	5,785	5	19,140	187	4,575	128,310
Changes of items during the period													
Dividends from surplus			(1,205)		(1,205)								(1,205)
Reversal of revaluation reserve for land			32		32								32
Net income attributable to owners of parent			3,158		3,158								3,158
Purchase of treasury shares				(2)	(2)								(2)
Disposal of treasury shares		(0)		210	209								209
Net changes of items other than shareholders' equity					–	824	(37)	(32)	1	755	40	222	1,019
Total changes of items during the period	–	(0)	1,985	207	2,192	824	(37)	(32)	1	755	40	222	3,211
Balance at the end of the period	17,965	2,725	86,563	(655)	106,598	14,174	(39)	5,753	7	19,896	228	4,798	131,522

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Thousands of U.S. dollars)

	Shareholders' equity					Accumulated other comprehensive income					Sub- scription rights to shares	Non- controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total sharehold- ers' equity	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Re- valuation reserve for land	Remeasure- ments of de- fined benefit plans	Total ac- cumulated other com- prehensive income			
Balance at the start of the period	161,866	24,556	762,035	(7,775)	940,682	120,284	(13)	52,129	53	172,453	1,692	41,228	1,156,055
Changes of items during the period													
Dividends from surplus			(10,862)		(10,862)								(10,862)
Reversal of revaluation reserve for land			290		290								290
Net income attributable to owners of parent			28,459		28,459								28,459
Purchase of treasury shares				(26)	(26)								(26)
Disposal of treasury shares		(0)		1,892	1,892								1,892
Net changes of items other than shareholders' equity					—	7,426	(340)	(290)	15	6,811	368	2,003	9,182
Total changes of items during the period	—	(0)	17,887	1,866	19,753	7,426	(340)	(290)	15	6,811	368	2,003	28,935
Balance at the end of the period	161,866	24,556	779,922	(5,909)	960,435	127,710	(353)	51,839	68	179,264	2,060	43,231	1,184,990

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities			
Income before income taxes	¥ 4,433	¥ 6,202	\$ 39,949
Depreciation	1,112	938	10,021
Impairment loss	37	112	336
Increase (decrease) in allowance for loan losses	(281)	(3,465)	(2,538)
Increase (decrease) in provision for bonuses	0	4	8
Increase (decrease) in provision for directors' bonuses	(8)	(8)	(77)
Increase (decrease) in liability for retirement benefits	75	25	680
Increase (decrease) in provision for reimbursement of deposits	1	23	13
Increase (decrease) in provision for contingent losses	(20)	(13)	(184)
Increase (decrease) in provision for losses on earthquake-proofing measures...	(333)	–	(3,003)
Increase (decrease) in provision for point card certificates.....	16	–	145
Gain on fund management	(23,356)	(24,412)	(210,437)
Financing expenses.....	1,397	1,436	12,592
Loss (Gain) related to securities.....	(402)	1,042	(3,624)
Loss (Gain) on money held in trust.....	(71)	(62)	(642)
Foreign exchange losses (gains).....	(1,537)	1,474	(13,855)
Loss (Gain) on disposal of non-current assets.....	27	12	247
Net decrease (increase) in loans and bills discounted.....	(43,372)	(26,048)	(390,781)
Net increase (decrease) in deposits.....	76,098	78,940	685,631
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ..	67,722	12,986	610,165
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)...	191	1,160	1,726
Net decrease (increase) in call loans.....	(144)	(169)	(1,299)
Net increase (decrease) in call money.....	(11,740)	22,792	(105,778)
Net increase (decrease) in payables under securities lending transactions ..	(6,345)	(36,866)	(57,172)
Net decrease (increase) in trading account securities.....	(65)	204	(593)
Net decrease (increase) in foreign exchanges - assets.....	1,405	(1,145)	12,659
Net increase (decrease) in foreign exchanges - liabilities	121	(65)	1,093
Net decrease (increase) in lease receivables and investment assets	(583)	114	(5,255)
Proceeds from fund management	23,749	24,443	213,979
Payments for finance	(1,415)	(1,423)	(12,750)
Other	1,736	(28,280)	15,643
Subtotal	88,447	29,953	796,899
Income taxes paid	(1,322)	(2,098)	(11,913)
Net cash provided by operating activities.....	87,125	27,855	784,986
Cash flows from investing activities:			
Purchase of securities	(253,994)	(172,029)	(2,288,448)
Proceeds from sale of securities.....	173,098	133,982	1,559,588
Proceeds from redemption of securities.....	79,377	72,834	715,176
Increase in money held in trust	(100)	–	(901)
Purchase of tangible fixed assets	(3,577)	(3,097)	(32,228)
Purchase of intangible fixed assets.....	(286)	(1)	(2,581)
Proceeds from sales of tangible fixed assets.....	151	494	1,366
Net cash provided by (used in) investing activities.....	(5,330)	32,182	(48,028)
Cash flows from financing activities:			
Cash dividends paid	(1,205)	(1,204)	(10,862)
Cash dividends paid to non-controlling interests	(3)	(3)	(34)
Purchase of treasury shares.....	(2)	(6)	(26)
Sale of treasury shares	209	224	1,892
Net cash used in financing activities	(1,002)	(990)	(9,030)
Effect of exchange rate changes on cash and cash equivalents	10	5	97
Net increase (decrease) in cash and cash equivalents	80,803	59,053	728,025
Cash and cash equivalents at beginning of year	354,241	295,188	3,191,651
Cash and cash equivalents at end of year (Note 21).....	¥ 435,044	¥ 354,241	\$ 3,919,676

Notes to the Consolidated Financial Statements

Years ended March 31, 2019 and 2018

1. Basis of presentation

The accompanying consolidated financial statements of The Fukui Bank, Ltd. (“the Bank”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law, its related accounting regulation and the Banking Act of Japan, and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Japanese GAAP are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Bank which were prepared in accordance with Japanese GAAP and were filed with the applicable Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies and practices

(1) Scope of consolidation

The consolidated financial statements as of March 31, 2019 include the accounts of the Bank and its six subsidiaries (“the Group”).

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

(i) Consolidated subsidiaries: Six companies

The Fukugin Lease Co., Ltd.
The Fukui Credit Guarantee Service Co., Ltd.
Fukui Card Co., Ltd.
The Fukui Net Co., Ltd.
The Fukugin Business Service Co., Ltd.
The Fukui Capital & Consulting Co., Ltd.

(ii) Unconsolidated subsidiaries:

None

(2) Application of the equity method

Those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(i) Unconsolidated subsidiaries accounted for by the equity method

None

(ii) Affiliates accounted for by the equity method

None

(iii) Unconsolidated subsidiaries not accounted for by the equity method

None

(iv) Affiliates not accounted for by the equity method: Two companies

Investments in the remaining affiliated companies are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

Fukui Tourism Promotion Fund Investment Business Limited Partnership
Fukui Future Business Support Investment Limited Partnership

(3) The Balance sheet date of consolidated subsidiaries

(i) The balance sheet dates of the consolidated subsidiaries are as follows:

March 31: Six companies

(4) Significant accounting policies

(i) Trading account securities

Trading account securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period.

(ii) Securities

A. Available-for-sale securities are in general stated at fair value (cost of sale calculated according to the moving-average method) indicated according to market price at the consolidated balance sheet date.

Available-for-sale securities having no readily available market value are valued at cost using the moving-average method.

Unrealized gains (losses) on available-for-sale securities are reported as a component of net assets.

B. Securities constituting trust assets within money held in trust are valued using the same methods as those for the above-mentioned A.

(iii) Derivatives

Derivatives are stated at fair value.

(iv) Depreciation and amortization methods

A. Tangible fixed assets (excluding lease assets)

Tangible fixed assets of the Bank are depreciated using the straight-line method.

Useful lives of major asset categories:

Buildings: 3–50 years

Others: 2–20 years

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

B. Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over the useful life specified by the Bank and consolidated subsidiaries, generally 5 years.

C. Lease assets

Lease assets included within tangible fixed assets related to finance lease transactions that do not transfer ownership are depreciated over the lease term using the straight-line method. For lease assets with a guaranteed residual value stated in their lease agreements, the residual value is set at the guaranteed amount. Otherwise, the residual value is assumed to be zero.

(v) Allowance for loan losses

The Bank records allowance for loan losses in accordance with internally established criteria for write-offs and allowance.

For claims against borrowers that have initiated special liquidation proceedings or other bankruptcy proceedings ("legal bankruptcy") and against borrowers that are in substantially similar adverse condition ("substantial bankruptcy"), the allowance is provided based on the amount of claims, net of the write-off stated below, deducted by the expected amount of recoveries from collateral and guarantees.

For claims against borrowers that have not yet initiated bankruptcy proceedings, but are very likely to become bankrupt in the future ("possible bankruptcy"), the allowance is provided for the amount deemed necessary based on the overall assessment of the borrowers' solvency, and reduced by the amount expected to be collected through the disposal of collateral or execution of guarantees from the claims.

For claims against large borrowers with certain outstanding balances that are classified as possible bankruptcy borrowers, restructured loan borrowers, or close-observation borrowers, the allowance is provided for the difference between the present value of expected future cash flows discounted at the contractual interest rate prior to the loan restructuring and the carrying amount of the claim, if future cash flows from collection of the principal and interest can be reasonably estimated (the "estimated cash flow method").

For claims that are classified as other than those above, the allowance is provided based on the historical loan-loss ratios during a certain period.

All claims are assessed at branches and credit supervision departments based on the criteria for self-assessment of asset quality. The Risk Management Department, which is independent from the operating sections, monitors the results of such assessments.

For claims against borrowers who are legally bankrupt or substantially bankrupt with collateral or guarantees, the write-off amount is determined as the unrecoverable portion, the claims due from borrowers deducted by the amounts expected to be collected through the disposal of collateral or through the execution of guarantees, and is directly deducted from the original balance of claims. The write-off amount was ¥10,686 million (U.S. \$96,278 thousand) and ¥10,486 million for the fiscal year ended March 31, 2019 and 2018, respectively.

As for the consolidated subsidiaries, the allowance for loan losses for general claims is provided based on the historical loan-loss ratios, and the allowance for loan losses for specific claims, such as possible uncollectible claims, is provided based on the estimate of unrecoverable amount for each claim.

(vi) Provision for bonuses

Provision for bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses that are attributable to the current fiscal year.

(vii) Provision for directors' bonuses

Provision for directors' bonuses is provided for payment of bonuses to directors, in the amount of estimated bonuses that are attributable to the current fiscal year.

(viii) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided for in order to meet depositor requests for reimbursement on deposits already derecognized as liabilities, in the amount deemed necessary by estimating the losses corresponding to the expected requests for reimbursements in the future.

(ix) Provision for contingent losses

Provision for contingent losses is provided for contingent losses associated with claims due to the implementation of a responsibility-sharing system in the amount deemed necessary based on the estimated possible future losses.

(x) Provision for losses on earthquake-proofing measures

Provision for losses on earthquake-proofing measures is provided for losses that arise associated with the earthquake proofing of business premises in the amounts on reasonable estimates of their future incidence.

(xi) Provision for point loyalty programs

Provision for point loyalty programs, which is provided for the future use of points granted to customers under credit card points programs, is calculated by converting outstanding points into a monetary amount and rationally estimating the amount that will be redeemed in the future.

(xii) Liability for retirement benefits

In determining the retirement benefit obligations, the Bank adopts the benefit formula basis to attribute projected benefit obligations to the period of the year-end. Past service cost and actuarial gains or losses are expensed using the following methods:

Past service cost: Past service cost is recognized using the straight-line method, over 5 years within the employees' average remaining service period at incurrence.

Actuarial differences: Actuarial differences are expensed using the straight-line method, over 5 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(xiii) Foreign currency translation

Foreign currency assets and liabilities are translated into yen at the rates prevailing at the consolidated balance sheet date.

(xiv) Accounting for lease transactions

Lessor side

Income arising from transactions of finance leases is recognized as sales and costs of goods sold when lease payments are collected.

(xv) Hedge accounting

The method of hedge accounting related to managing foreign exchange risk is the deferral hedge method as specified in "Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry" (JICPA Industry Auditing Committee Report No. 25, July 29, 2002, "Report No. 25").

In evaluating the hedge effectiveness, hedging instruments such as currency swaps are used as a means of mitigating the foreign exchange risk arising from monetary claims and debts denominated in foreign currencies, which are the hedged items, in order to verify that the foreign currency positions of such hedging instruments are in amounts equivalent to the corresponding monetary claims and debts denominated in foreign currencies.

(xvi) Scope of cash and cash equivalents in the consolidated statement of cash flows

The balance of cash and cash equivalents in the consolidated statements of cash flows consist of cash and due from the Bank of Japan.

(xvii) Income taxes

Income taxes comprise corporate, enterprise and inhabitant taxes. The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(xviii) Accounting for consumption taxes

The Bank and its consolidated subsidiaries in Japan employ the tax exclusion method for consumption tax and local consumption taxes, meaning that transaction amounts and consumption tax amounts are treated separately for accounting purposes.

However, non-deductible consumption taxes for purchase of property, plant and equipment are recognized as expenses for the year of the purchase.

Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The standard and guidance above provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following five steps:

Step 1: Identify contract(s) with.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The effect of the application of these accounting standards is under consideration.

Additional information

Transactions of delivering of the company's own stock to employees, etc. through trusts

The Bank introduced the “Trust-type Employee Share Ownership Incentive Plan” (the “Plan”) in order to provide the Bank's employees with incentives to increase the Bank's corporate value over the mid-to-long term, and to improve the benefits and welfare of the employees of the Bank by promoting asset formation of employees who buy and own shares of the Bank through the Employee Stock Holdings.

The Plan is an incentive plan for all employees participating in the “Fukui Bank Employee Stock Holdings” (the “Employee Stock Holdings”). For the implementation of the plan, the Bank has established the “Fukui Bank Stock Holding Partnership Exclusive Trust Account” (the “Trust”) at the trust bank.

(1) Overview of the transaction process

The “Trust” buys a considerable number of the Bank shares that are expected to be acquired by the Employee Stock Holdings during approximately five years. Subsequently, the Trust is to continuously transfer the Bank shares to the Employee Stock Holdings, and if any gains on sales of shares remain in the Trust account at the Trust's termination, such residual assets are to be distributed to those who meet the requirements of eligible beneficiaries.

The Bank is required to guarantee the Trust's debts to acquire the Bank shares. When a decline in the Bank's share price increases losses on sales of shares in the Trust account, and there are any outstanding debts remaining in the Trust account at the Trust's termination, the Bank will repay remaining debts in accordance with the guarantee contract.

(2) Shares held by the Trust

Shares held by the Trust are recorded as treasury stock in the net assets at their stated book value of the Trust account (excluding incidental cost amounts). The book value and the number of shares of treasury stock are ¥574 million (U.S. \$5,171 thousand) and 249 shares, respectively.

(3) Book value of borrowings stated in accordance with the gross method

¥511 million (U.S. \$4,604 thousand)

Notes to the Consolidated Balance Sheets

3. Total amount of capital held in non-consolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Investments in capital	¥ 167	¥ 172	\$	1,510

4. Securities lent under unsecured loan agreements (i.e. bond-lending transactions) are included as other securities under the heading of securities. Amounts are as follows.

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
	¥ 2,115	¥ 3,017	\$	19,062

5. Loans and bills discounted include loans to borrowers in bankruptcy and other delinquent loans as follows.

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Loans to borrowers in bankruptcy	¥ 693	¥ 698	\$	6,246
Other delinquent loans	25,285	27,261		227,817

Loans to borrowers in bankruptcy are loans whose interest receivable, excluding loans that have been written off (“nonaccrual loans”), is not recorded for the reasons as prescribed in Paragraph 1, Items 3 and 4 of Article 96 of “Enforcement Ordinance for the Corporation Tax Act” (Cabinet Order No. 97 of 1965). Such loans’ collection or repayment of principals or interests is not expected due to delinquency in payment of principals or interests for a substantial period or other causes.

Other delinquent loans are nonaccrual loans other than (i) loans in bankruptcy proceedings and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers’ businesses.

6. Loans and bills discounted include delinquent loans past due three months or over as follows.

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Delinquent loans past due three months or more	¥ 137	¥ 133	\$	1,239

Delinquent loans past due three months or more are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding loans classified as loans to borrowers in bankruptcy or other delinquent loans.

7. Loans and bills discounted include restructured loans as follows.

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Restructured loans	¥ —	¥ 202	\$	—

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing some arrangements favorable to the borrower in order to assist or facilitate the restructuring of borrowers’ businesses, excluding those loans classified as loans to borrowers in bankruptcy, other delinquent loans, or delinquent loans past due three months or more.

8. Loans to bankrupt borrowers, delinquent loans, delinquent loans past due three months or over, and restructured loans amount to the following total.

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Total	¥ 26,116	¥ 28,296	\$	235,302

The amounts of loans above in Notes 5 through 8 are stated before deduction of allowance for loan losses.

9. Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the Industry Audit Committee Report No. 24 of the JICPA February 13, 2002. The Bank has the right to sell or pledge bills discounted and foreign exchange bills purchased without restrictions. Their total face value is as follows.

Millions of yen		Thousands of U.S. dollars	
2019	2018	2019	
¥ 10,133	¥ 10,165	\$	91,298

10. Assets pledged

Millions of yen		Thousands of U.S. dollars	
2019	2018	2019	
Assets pledged as collateral			
Securities	¥ 264,040	¥ 204,682	\$ 2,378,954
Total	264,040	204,682	2,378,954
Corresponding liabilities to assets pledged as collateral			
Deposits	14,020	12,584	126,321
Payables under repurchase agreements	16,661	28,401	150,119
Payables under securities lending transactions	41,112	47,457	370,415
Borrowed money	176,919	109,000	1,594,016

In addition to the foregoing, the following assets have been pledged as collateral for operating transactions, such as foreign exchange contracts.

Millions of yen		Thousands of U.S. dollars	
2019	2018	2019	
Securities	¥ 6,240	¥ 13,825	\$ 56,228
Other assets	25,058	24,054	225,771

Other assets include security deposits in the amount stated below.

Millions of yen		Thousands of U.S. dollars	
2019	2018	2019	
Security deposits	¥ 201	¥ 217	\$ 1,812
Cash collateral for financial instruments etc.	468	988	4,217

11. Overdraft facility agreements and commitment lines of credit

Overdraft facility agreements and commitment lines of credit are agreements to extend credit up to a prearranged amount at the customer's request as long as the terms of the agreement have not been violated. The amounts of unutilized commitment balances under such agreements are as follows.

Millions of yen		Thousands of U.S. dollars	
2019	2018	2019	
Unutilized loan commitment lines	¥ 446,232	¥ 431,481	\$ 4,020,470
Loans for which the term of the agreement is one year or less	439,295	423,572	3,957,978

The balance of unutilized credit will not necessarily affect the future cash flows of the Bank and the consolidated subsidiaries because most of these agreements expire without being exercised. Most of these agreements contain clauses allowing the Bank and the consolidated subsidiaries to reject requests for credit outright or reduce the credit limits due to changed financial circumstances, the need to secure claims, or other reasonable causes. Besides requesting collateral, such as real estate or securities, as necessary at the time of entering into the agreement, the Bank has also adopted other measures to keep its credit sound, such as periodically assessing the condition of customers' businesses following the internal procedures and, if necessary, revising agreements.

12. Revaluation reserve for land

Pursuant to the Law concerning Revaluation of Land (Law No. 34, promulgated March 31, 1998, the “Law”), land used for banking operations was revalued. The tax-equivalent portion of this revaluation amount was recorded as “Deferred tax liabilities for land revaluation” in liabilities and remainder as “Revaluation reserve for land” in net assets.

Revaluation date

March 31, 1998

Item 3, Article 3, of the Law establishes the evaluation method as that prescribed by Article 2, Paragraph 4 of the Enforcement Ordinance of Law on Revaluation of Land (Enforcement Ordinance No. 119, promulgated March 31, 1998), and the amount of land tax is calculated on the basis of the land tax amount specified under Article 16 of the Land-holding Tax Act, adjusted rationally in accordance with the basis of calculation announced officially by the National Tax Agency.

Total difference between market value of land for banking operations revalued in accordance with Article 10 of the Law and the total book value of the land after such revaluation are as follows.

Millions of yen		Thousands of U.S. dollars			
2019	2018	2019			
¥	8,431	¥	8,430	\$	75,962

13. Accumulated depreciation on tangible fixed assets

Millions of yen		Thousands of U.S. dollars				
2019	2018	2019				
Accumulated depreciation	¥	20,612	¥	21,656	\$	185,712

14. Fixed assets reduction entry

Millions of yen		Thousands of U.S. dollars				
2019	2018	2019				
Reduction entry	¥	3,453	¥	3,489	\$	31,114
(Consolidated reduction entry)		(-)		(-)		(-)

15. Acceptances and guarantees

The amounts of the bonds presented under “Securities” included guarantee obligations on corporate bonds that were placed through private securities offerings (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) are as follows.

Millions of yen		Thousands of U.S. dollars			
2019	2018	2019			
¥	560	¥	585	\$	5,045

Notes to the Consolidated Statements of Operations

16. Other income includes the following.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains on sales of shares	¥ 637	¥ 993	\$ 5,740

17. General and administrative expenses include the following.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Salaries and allowances	¥ 9,947	¥ 9,970	\$ 89,627

18. Other expenses include the following.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Losses on devaluation of shares	¥ —	¥ 675	\$ —
Losses on sales of shares	¥ 580	¥ 989	\$ 5,232

Notes to the Consolidated Statements of Comprehensive Income

19. Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ 1,654	¥ 295	\$ 14,906
Reclassification adjustments	(365)	1,081	(3,293)
Amount before tax effect	1,288	1,376	11,613
Tax effect	(471)	(433)	(4,245)
Total	817	943	7,368
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	(54)	37	(490)
Reclassification adjustments	—	—	—
Amount before tax effect	(54)	37	(490)
Tax effect	16	(11)	150
Total	(37)	25	(340)
Remeasurement of defined benefit plans			
Gains (losses) arising during the year	13	(7)	124
Reclassification adjustments	(11)	(17)	(102)
Amount before tax effect	2	(25)	22
Tax effect	(0)	7	(7)
Total	1	(17)	15
Total other comprehensive income	781	951	7,043

Notes to the Consolidated Statements of Changes in Net Assets

20. Changes in Net Assets

Under the Companies Law and the Banking Law of Japan, the following is provided: the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by a resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Companies Law and the Banking Law provide that an amount equal to at least 20% of cash dividends shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 100% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 100% of common stock, they are available for distribution by a resolution of the shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Companies Law.

Previous fiscal year (From April 1, 2017, to March 31, 2018)

(1) Classes and total number of shares issued including treasury shares

(Thousands of shares)

	Number of shares outstanding at the beginning of the fiscal year	Increase	Decrease	Number of shares outstanding at the end of the fiscal year	Remarks
Number of shares issued and outstanding					
Common shares	241,446	—	217,302	24,144	(Notes 1, 2)
Total	241,446	—	217,302	24,144	
Treasury shares					
Common shares	4,727	5	4,358	373	(Notes 1, 3, 4, 5)
Total	4,727	5	4,358	373	

Notes:

- On October 1, 2017, the Bank implemented a consolidation of shares at the ratio of one share per 10 shares.
- The number of shares issued and outstanding decreased by 217,302 thousand shares due to the share consolidation.
- The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (4,119 thousand shares at the beginning of the fiscal year and 340 thousand shares at the end of the fiscal year).
- The number of treasury shares increased by 4 thousand shares (3 thousand shares before the share consolidation; 0 thousand shares after the share consolidation) due to the acquisition of fractional share units and by 1 thousand shares due to the acquisition of allotted fractional share units resulting from the share consolidation.
- The number of treasury shares decreased by 388 thousand shares (352 thousand shares before the share consolidation and 36 thousand shares after the share consolidation) due to a transfer of the shares of the Bank held by the employee stock ownership trust to the Stockholding Association; 293 thousand shares (before the share consolidation) due to the exercise of stock options; 0 thousand shares (before the share consolidation) due to requests for share purchases to supplement fractional share units; and 3,676 thousand shares due to the consolidation of shares.

(2) Subscription rights to shares

Category	Description of subscription rights to shares	Type of share underlying subscription rights to shares	Number of shares underlying subscription rights to shares (Shares)				Balance at the end of the fiscal year (Millions of yen)	Remarks
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year		
The Fukui Bank	Subscription rights to shares as stock options					187		
Total						187		

(3) Dividends

(i) Dividends paid in the fiscal year

(Resolution)	Type of share	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 12, 2017 Board of Directors	Common shares	602	2.5	March 31, 2017	June 2, 2017
November 10, 2017 Board of Directors	Common shares	602	2.5	September 30, 2017	November 30, 2017

Note: Total dividend amounts pursuant to the resolutions of the Board of Directors of May 12, 2017, and November 10, 2017, respectively include dividend amounts of ¥10 million and ¥9 million paid to the employee stock ownership trust.

(ii) Dividends with a record date during the fiscal year ended March 31, 2018, but whose effective date is after March 31, 2018, are as follows:

(Resolution)	Type of share	Aggregate amount of dividends (Millions of yen)	Dividend resources	Dividends per share (Yen)	Record date	Effective date
May 11, 2018 Board of Directors	Common shares	602	Retained earnings	25	March 31, 2018	June 1, 2018

Note: The total dividend amount includes ¥8 million in dividends to the employee stock ownership trust.

Current fiscal year (From April 1, 2018, to March 31, 2019)

(1) Classes and total number of shares issued including treasury shares

(Thousands of shares)

	Number of shares outstanding at the beginning of the fiscal year	Increase	Decrease	Number of shares outstanding at the end of the fiscal year	Remarks
Number of shares issued and outstanding					
Common shares	24,144	—	—	24,144	
Total	24,144	—	—	24,144	
Treasury shares					
Common shares	373	1	91	283	(Notes 1, 2, 3)
Total	373	1	91	283	

Notes:

1. The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (340 thousand shares at the beginning of the fiscal year and 249 thousand shares at the end of the fiscal year).
2. The number of treasury shares increased by one thousand shares due to the acquisition of fractional share units.
3. The number of treasury shares decreased by 90 thousand shares due to a transfer of the shares of the Bank held by the employee stock ownership trust to the Stockholding Association, and 0 thousand shares due to requests for share purchases to supplement fractional share units.

(2) Subscription rights to shares

Category	Description of subscription rights to shares	Type of share underlying subscription rights to shares	Number of shares underlying subscription rights to shares (Shares)				Balance at the end of the fiscal year		Remarks
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	(Millions of yen)	(Thousands of U.S. dollars)	
The Fukui Bank	Subscription rights to shares as stock options						228	2,060	
Total							228	2,060	

(3) Dividends

(i) Dividends paid in the fiscal year

(Resolution)	Type of share	Aggregate amount of dividends		Dividends per share (Yen)	Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
May 11, 2018 Board of Directors	Common shares	602	5,431	25	March 31, 2018	June 1, 2018
November 8, 2018 Board of Directors	Common shares	602	5,431	25	September 30, 2018	November 29, 2018

Note: Total dividend amounts pursuant to the resolutions of the Board of Directors of May 11, 2018, and November 8, 2018, respectively include dividend amounts of ¥8 million and ¥7 million paid to the employee stock ownership trust.

(ii) Dividends with a record date during the fiscal year ended March 31, 2019, but whose effective date is after March 31, 2019, are as follows:

(Resolution)	Type of share	Aggregate amount of dividends		Dividend resources	Dividends per share (Yen)	Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
May 10, 2019 Board of Directors	Common shares	602	5,431	Retained earnings	25	March 31, 2019	May 31, 2019

Note: The total dividend amount includes ¥6 million (\$54 thousand) in dividends to the employee stock ownership trust.

Notes to the Consolidated Statement of Cash Flows

21. Reconciliation of cash and cash equivalents

The following table shows reconciliation between “Cash and cash equivalents” in the consolidated statements of cash flows and “Cash and due from banks” in the consolidated balance sheets as of March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and due from banks	¥ 435,326	¥ 354,714	\$ 3,922,217
Time deposits in other banks	(241)	(278)	(2,175)
Other deposits	(40)	(194)	(366)
Cash and cash equivalents	435,044	354,241	3,919,676

22. Lease Transactions

(1) Finance lease transactions

Finance leases that do not transfer ownership

(i) As a lessee

A. Description of lease assets

a. Tangible fixed assets

Vehicles

b. Intangible fixed assets

None

B. Depreciation method for lease assets

Refer to “(iv) Depreciation and amortization methods” of “(4). Significant accounting policies” in 2. Significant accounting policies and practices.

(ii) As a lessor

This note is omitted, as the total amount is insignificant.

(2) Operating lease transactions

Total lease payments or receivables under non-cancelable operating lease transactions

(i) As a lessee

	Millions of yen		Thousand of U.S. dollars
	2019	2018	2019
Within one year	¥ 0	¥ 0	\$ 7
Over one year	2	2	19
Total	2	3	26

(ii) As a lessor

This note is omitted, as the total amount is insignificant.

(3) Sublease transactions

Amounts corresponding to sublease transactions stated on the consolidated sheet before deduction of interest were omitted due to insignificant.

23. Financial Instruments

(1) Circumstances of financial instruments

(i) Policies for engagement with financial instruments

The Group is engaged in a variety of financial services centered on the banking businesses, such as deposit operations, lending operations, and foreign exchange operations. Moreover, in order to acquire stable returns, the Bank utilizes the funds of securities on the investment side.

Furthermore, the Bank engages in derivative transactions in order to comply with customers' requests on risk hedging related to foreign currency exchange as well as for use in asset liability management (ALM) for the appropriate management of the Bank's own market risks, and as a measure for investing with partially mitigated risk. And the Bank has determined not to engage in derivative transactions of a complex structure and speculative nature.

The operations of a number of consolidated subsidiaries of the Bank include lease operations.

(ii) Content and risks of financial instruments

Financial assets held by the Group, principally loans and bills discounted extended to domestic customers are exposed to credit risk and market risk. Securities, principally debt securities, shares, and investment trusts, held by the Group are exposed to credit risk and market risk. Moreover, call loans are exposed to credit risk.

Financial liabilities held by the Group, principally deposits, are exposed to market risk. Call money and borrowed money held by the Group are subject to market risk and liquidity risk of becoming unable to execute payment on due date, such as that the Bank cannot use the market under certain circumstances.

With regard to derivative transactions, the Group employs interest rate swaps in interest-related transactions, currency swaps, currency options, and currency forwards in currency-related transactions. The Group is exposed to credit risk and market risk. The hedge accounting is applied for certain currency swap transactions when they are employed in order to convert the currency of financing (Japanese yen denominated) into the currency of fund management (foreign currency denominated). The Group performs its hedge effective test through defining the financial claims and obligation as a hedged item and foreign currency swaps as a hedging instrument, and checking that the hedging instruments of foreign currency position equivalent to the hedged items exist.

(iii) Risk management structure related to financial instruments

A. Credit risk management

Credit risk means the risk of suffering loss from a decrease or extermination of the value of assets (including off-balance items) of the Bank by the deterioration in the creditworthiness of the obligor.

For the Bank, credit risk is an unavoidable risk for the purposes of its business operations. The Bank aims to create its structure capable of controlling credit risk because the Bank is fully aware of the necessity of rapid responsive action to such risk. Specifically, the Bank has established the Credit concentration risk management standards and is working to identify and improve upon such risk in order to avoid credit concentration risks and create balanced credit portfolios.

With regard to credit risk measurement, the Bank assesses and analyzes its credit risk status according to credit rating, industry and region, and exercises risk-based quantitative management and control in accordance with the Risk capital system.

B. Market risk management

Market risk means the risk of financial loss to the Group through changes in income and value of assets and liabilities held, including off-balance items, due to fluctuations in various market risk factors, such as interest rates, exchange rates, equity prices.

a. Risk management

Market risk mainly consists of interest risk, foreign exchange risk and price fluctuation.

The Bank considers market risk as a constituent part of ALM. The Bank intends to maintain an appropriate balance of risk and return based on capital adequacy, profitability, trends of loan and deposit, the status of securities holdings.

Specifically, the management committee makes discussions concerning the status of comprehensive risk values, risk values of the market investment division, and quantitative interest rate risk of loans and deposits, as well as discussions of the securities investment plan, which enables the Bank to manage integrally the Bank's overall risk and market risk. The market investment division establishes its position limits for entire securities and by type of security, and carries out market transaction flexibly within them.

Additionally, the market risk management unit (middle office) is organizationally segregated from the front office operations to maintain the segregation of duties, and conducts daily monitoring of the risk status.

The market risk management unit identifies quantitative market risk using Value at risk (VaR) for the securities, loans and deposits accounts of banking operation, and conduct risk management and analysis.

b. Quantitative information concerning market risk

The Bank uses the variance-covariance method for the calculation of market risk (VaR): Holding period: 1 year; Confidence level: 99.0%; Observation period: 5 years.

In the calculation of market risk (VaR) of loans and deposits accounts, core deposits are taken into account. The Bank changed the core deposits measurement method from the Standardized Measurement Approach to an internal model approach, which has been used since the beginning of the fiscal year ended March 31, 2019.

At the end of this fiscal year, the total amount of market risk (VaR) of the Bank amounted to ¥29,508 million/\$265,861 thousand (¥31,593 million at the previous fiscal year-end) and loans and deposit accounts totaled ¥17,635 million/\$158,888 thousand (¥4,633 million at the previous fiscal year-end).

In order to verify the reliability of its methods for measuring market risk, the Bank performs back testing by comparing VaR calculated for securities accounts for a one-day holding period with the day-to-day declines in market value.

The back testing conducted for the year ended March 31, 2019, displayed zero instances where actual losses exceeded VaR (similarly no instances were displayed in the previous fiscal year). The Bank therefore believes that the market risk is being captured by its market risk measurement methods with a sufficient level of accuracy.

However, VaR measures the market risk under a certain probability statistically calculated based on historical market fluctuations, and capturing risks may not be possible in the event of extraordinarily rapid changes in market conditions.

C. Liquidity risk management relevant to fundraising

Liquidity risk comprises “cash management risk”, the risk of suffering loss when necessary funds cannot be secured or the funds are forced to be raised only at an abnormally high interest rate, due to a period mismatch between investments and funding, or due to unforeseeable fund outflows; “market liquidity risk”, the risk of suffering loss when transactions cannot take place due to market turmoil or can only be conducted at an abnormally inferior price; and “settlement risk”, the risk of suffering loss when funds or assets cannot be received as planned through settlements with counterparties.

Liquidity risk refers to those 3 comprehensive risks, cash management risk, market liquidity risk, and settlement risk. The Bank considers controlling of cash management risk the important management issue since market liquidity risk and settlement risk belong ultimately to cash management risk.

The Bank conducts appropriate cash management and reporting to the executive officer in charge of the comprehensive risk management division through management of the fund procurement structure, funding gaps between investments and procurement, and liquidity reserves for Japanese yen and foreign denominated funds.

Specifically, the Bank has defined categories rated as “normal,” “alert,” and “crisis” according to the status of cash management and has determined subsets of management methods, reporting frameworks, and approval modes for each category, managed by the organizationally independent front office, back office, and middle office with monitoring mutually.

(iv) Supplementary explanation concerning fair value of financial instruments

Fair Value of financial instruments is based on quoted prices in markets. If a quoted price is not available, a reasonably calculated amount is used as fair value. Calculation of such amounts involves certain assumptions and may vary when different assumptions are employed. Moreover, the notional amount of the derivative transactions referred to in the notes on “Derivative transactions” does not reflect the market risks associated with the noted derivative transactions.

(2) Fair values of financial instruments

The carrying amounts on the consolidated balance sheets and fair values of financial instruments as of March 31, 2019 and 2018, as well as the differences between these values are presented below. The financial instruments deemed immaterial, and unlisted stocks whose fair values are extremely difficult to determine are excluded from the table (See Note 2).

Previous fiscal year (March 31, 2018)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	354,714	354,714	—
(2) Trading account securities			
Securities for trading purposes	504	504	—
(3) Securities			
Available-for-sale securities	607,369	607,369	—
(4) Loans and bills discounted	1,617,855		
Allowance for loan losses*1	(13,274)		
	1,604,580	1,635,615	31,034
Total assets	2,567,169	2,598,203	31,034
(1) Deposits	2,324,100	2,324,218	118
(2) Payables under securities lending transactions	47,457	47,457	—
(3) Borrowed money	109,709	109,709	—
Total liabilities	2,481,267	2,481,385	118
Derivative transactions*2			
Not qualifying for hedge accounting	137	137	—
Qualifying for hedge accounting	666	666	—
Total derivative transactions	803	803	—

*1: A general allowance for loan losses and specific allowances for loan losses are deducted from loans and bills discounted.

*2: Derivative transactions recorded in other assets and other liabilities are presented collectively.

Receivables and payables arising from derivative transactions are presented on a net basis, with items qualified as payables shown with brackets: ()

Current fiscal year (March 31, 2019)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	435,326	435,326	—
(2) Trading account securities			
Securities for trading purposes	570	570	—
(3) Securities			
Available-for-sale securities	611,646	611,646	—
(4) Loans and bills discounted	1,661,228		
Allowance for loan losses ^{*1}	(12,789)		
	1,648,438	1,681,536	33,097
Total assets	2,695,982	2,729,080	33,097
(1) Deposits	2,400,198	2,400,286	88
(2) Payables under securities lending transactions	41,112	41,112	—
(3) Borrowed money	177,431	177,431	—
Total liabilities	2,618,742	2,618,831	88
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	(4)	(4)	—
Qualifying for hedge accounting	123	123	—
Total derivative transactions	119	119	—

*1: A general allowance for loan losses and specific allowances for loan losses are deducted from loans and bills discounted.

*2: Derivative transactions recorded in other assets and other liabilities are presented collectively.

Receivables and payables arising from derivative transactions are presented on a net basis, with items qualified as payables shown with brackets: ()

(Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	3,922,217	3,922,217	—
(2) Trading account securities			
Securities for trading purposes	5,137	5,137	—
(3) Securities			
Available-for-sale securities	5,510,824	5,510,824	—
(4) Loans and bills discounted	14,967,367		
Allowance for loan losses ^{*1}	(115,227)		
	14,852,140	15,150,346	298,206
Total assets	24,290,318	24,290,318	—
(1) Deposits	21,625,355	21,626,155	800
(2) Payables under securities lending transactions	370,415	370,415	—
(3) Borrowed money	1,598,628	1,598,628	—
Total liabilities	23,594,398	23,595,198	800
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	(39)	(39)	—
Qualifying for hedge accounting	1,112	1,112	—
Total derivative transactions	1,073	1,073	—

*1: A general allowance for loan losses and specific allowances for loan losses are deducted from loans and bills discounted.

*2: Derivative transactions recorded in other assets and other liabilities are presented collectively.

Receivables and payables arising from derivative transactions are presented on a net basis, with items qualified as payables shown with brackets: ()

Note 1: Calculation method of fair values of financial instruments

Assets

(1) Cash and due from banks

The fair values of cash and due to banks without maturities are stated at their carrying amounts, because the carrying amounts of those instruments approximate the fair values. The fair values of cash and due to banks with maturities are stated at their carrying amounts, because most of such transactions have short contractual terms (one year or less) and the carrying amounts of those instruments approximate the fair values.

The fair values of derivative-embedded instruments are determined based on prices quoted by the financial institutions.

(2) Trading account securities

The fair values of bonds and other securities held for dealing purposes are stated at quoted market prices or dealer/broker quoted prices.

(3) Securities

The fair values of stocks are stated at quoted market prices or dealer/broker quoted prices. The fair values of investment trusts are stated at published reference prices. The fair values of private placement bonds guaranteed by the Bank are calculated based on the present value of expected future cash flows of principal redemptions and interest repayments discounted at the market interest rate.

The notes regarding securities by their holding purpose are presented under the "Securities" section.

(4) Loans and bills discounted

The fair values of loans to legally bankrupt obligors, substantially bankrupt obligors or obligors who are likely to become bankrupt are essentially equivalent to the book value deducted by the allowance for possible loan losses as of the consolidated balance sheet date because their estimated collectible amount is based on either the present value of estimated future cash flows or the expected amounts recoverable from the disposal of collateral and/or under guarantees.

The fair values of loans without maturities (as the amount of credit is limited to the value of the collateral or due to some other special characteristics) are stated at their carrying amounts because their fair values are deemed to approximate the carrying amounts in consideration of the expected repayment periods and the interest terms.

The fair values of loans other than mentioned above are stated at present values of expected future cash flows of principals and interests discounted at the market interest rate.

Liabilities

(1) Deposits

The fair values of demand deposits are determined at the amount that would have to be paid on demand at the consolidated balance sheet date (book value). The fair values of time deposits are determined based on the present value of future cash flows by certain time periods discounted at the interest rate required for newly originated deposits.

(2) Payables under securities lending transactions

The fair values of payables under securities lending transactions with short contractual terms (no more than one year) are stated at their carrying amounts, because the carrying amounts of those instruments approximate the fair values.

(3) Borrowed money

The fair values of borrowed money with short contractual terms (one year or less) are stated at their carrying amounts, because the carrying amounts of those instruments approximate the fair values.

The fair values of borrowed money with fixed interest rates are determined based on the present value of the total amount of principal and interest by certain time periods discounted at the interest rate that would be presumably applied for similar borrowings.

Derivative transactions

The notes regarding fair values of derivatives are presented under the “Derivatives” section.

Note 2: The amounts of financial instruments on the consolidated balance sheets for which fair values are not reliably determinable are as stated below, and such amounts are not included in the fair value information for financial instruments presented in “Assets, (4) Available-for-sale Securities”.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unlisted stocks ^{*1, *2}	¥ 1,460	¥ 1,461	\$ 13,160
Investments in partnerships ^{*3}	487	355	4,396
Total	1,948	1,816	17,556

*1: Unlisted stocks are excluded from fair value disclosure because there are no quoted market prices, and therefore, there is no reliable measurement of fair value.

*2: During the previous fiscal year, an impairment loss of ¥0 million was recognized against unlisted stocks.

During the current fiscal year, no impairment loss was recognized against unlisted stocks.

*3: Investments in certain partnerships whose assets consist of unlisted stocks and other financial instruments that are deemed extremely difficult to determine fair values for are out of the scope of fair value disclosure.

Note 3: Redemption schedule of monetary claims and securities with maturities after March 31, 2019 and 2018

Previous fiscal year (March 31, 2018)

(Millions of yen)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
Due from banks	318,841	—	—	—	—	—
Securities	77,064	208,509	114,569	45,362	48,346	53,932
Available-for-sale securities with maturities	77,064	208,509	114,569	45,362	48,346	53,932
Government bonds	28,500	77,900	17,000	—	—	18,000
Local government bonds	8,778	36,486	16,567	3,821	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	28,918	56,261	33,463	19,700	1,000	31,012
Loans and bills discounted*	426,567	328,527	231,296	136,058	135,441	312,816
Total	822,473	537,036	345,866	181,420	183,787	366,748

* The balances exclude loans and bills discounted for debtors who are legally bankrupt, substantially bankrupt or likely to become bankrupt that are not expected to be collected, amounting to ¥26,893 million and those without maturity, amounting to ¥20,253 million.

Current fiscal year (March 31, 2019)

(Millions of yen)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
Due from banks	404,474	—	—	—	—	—
Securities	117,671	168,657	98,230	43,774	54,760	63,383
Available-for-sale securities with maturities	117,671	168,657	98,230	43,774	54,760	63,383
Government bonds	50,500	38,400	6,000	—	—	15,000
Local government bonds	14,884	31,554	7,943	4,259	17,764	2,405
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	34,311	30,889	36,593	18,300	1,800	44,109
Loans and bills discounted*	466,220	333,188	224,230	131,916	126,743	332,989
Total	988,367	501,846	322,460	175,691	181,504	396,373

* The balances exclude loans and bills discounted for debtors who are legally bankrupt, substantially bankrupt or likely to become bankrupt that are not expected to be collected, amounting to ¥25,096 million and those without maturity, amounting to ¥20,841 million.

Current fiscal year (March 31, 2019)

(Thousands of U.S. dollars)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
Due from banks	3,644,246	—	—	—	—	—
Securities	1,060,202	1,519,578	885,039	394,404	493,382	571,074
Available-for-sale securities with maturities	1,060,202	1,519,578	885,039	394,404	493,382	571,074
Government bonds	454,996	345,977	54,059	—	—	135,147
Local government bonds	134,107	284,298	71,574	38,376	160,051	21,676
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	309,143	278,309	329,696	164,880	16,218	397,416
Loans and bills discounted	4,200,567	3,001,971	2,020,273	1,188,544	1,141,940	3,000,177
Total	8,905,015	4,521,549	2,905,312	1,582,948	1,635,322	3,571,251

* The balances exclude loans and bills discounted for debtors who are legally bankrupt, substantially bankrupt or likely to become bankrupt that are not expected to be collected, amounting to \$226,110 thousand and those without maturity, amounting to \$187,773 thousand.

Note 4: Repayment schedule of interest-bearing liabilities after March 31, 2019 and 2018

Previous fiscal year (March 31, 2018)

(Millions of yen)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
(1) Deposits*	2,221,549	85,704	14,025	860	1,960	—
(2) Payables under securities lending transactions	47,457	—	—	—	—	—
(3) Borrowed money	109,218	436	54	—	—	—
Total	2,378,225	86,141	14,079	860	1,960	—

* The balance of demand deposits is included in "Within one year."

Current fiscal year (March 31, 2019)

(Millions of yen)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
(1) Deposits*	2,285,055	103,622	8,560	1,717	1,241	—
(2) Payables under securities lending transactions	41,112	—	—	—	—	—
(3) Borrowed money	177,147	284	—	—	—	—
Total	2,503,315	103,907	8,560	1,717	1,241	—

* The balance of demand deposits is included in "Within one year."

Current fiscal year (March 31, 2019)

(Thousands of U.S. dollars)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
(1) Deposits*	20,587,939	933,622	77,126	15,479	11,189	—
(2) Payables under securities lending transactions	370,415	—	—	—	—	—
(3) Borrowed money	1,596,066	2,562	—	—	—	—
Total	22,704,539	936,184	77,126	15,479	11,189	—

* The balance of demand deposits is included in "Within one year."

24. Securities

*1 In addition to the “Securities” presented in the consolidated balance sheets, the following information includes securities classified as “Trading account securities.”

*2 Information on “Shares in subsidiaries and affiliates” is stated in the notes to the financial statements.

(1) Securities for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference reflected on the statements of operations	¥ (8)	¥ (5)	\$ (76)

(2) Securities-held-to-maturity

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(3) Available-for-sale securities

Previous fiscal year (March 31, 2018)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	24,140	9,300	14,839
	Bonds	336,429	331,070	5,358
	Government bonds	140,218	136,935	3,283
	Local government bonds	67,339	65,779	1,560
	Short-term corporate bonds	—	—	—
	Corporate bonds	128,871	128,356	514
	Others	86,611	84,749	1,862
	Foreign securities	72,144	70,904	1,239
	Subtotal	447,180	425,120	22,059
Securities for which carrying amount does not exceed acquisition cost	Stocks	4,265	4,516	(251)
	Bonds	40,923	41,054	(130)
	Government bonds	4,890	4,922	(32)
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	36,033	36,131	(98)
	Others	114,999	117,922	(2,922)
	Foreign securities	67,861	68,722	(861)
	Subtotal	160,188	163,493	(3,305)
Total		607,369	588,614	18,754

Current fiscal year (March 31, 2019)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	21,205	7,781	13,424
	Bonds	354,926	349,689	5,237
	Government bonds	113,153	110,313	2,839
	Local government bonds	80,329	78,924	1,405
	Short-term corporate bonds	—	—	—
	Corporate bonds	161,442	160,451	991
	Others	139,246	135,564	3,682
	Foreign securities	92,174	90,722	1,452
Subtotal	515,379	493,035	22,343	
Securities for which carrying amount does not exceed acquisition cost	Stocks	8,988	9,915	(927)
	Bonds	6,696	6,725	(29)
	Government bonds	—	—	—
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	6,696	6,725	(29)
	Others	80,582	81,926	(1,343)
	Foreign securities	57,526	57,851	(324)
Subtotal	96,267	98,567	(2,300)	
Total		611,646	591,603	20,043

Current fiscal year (March 31, 2019)

(Thousands of U.S. dollars)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	191,060	70,105	120,955
	Bonds	3,197,824	3,150,639	47,185
	Government bonds	1,019,493	993,909	25,584
	Local government bonds	723,759	711,096	12,663
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,454,572	1,445,634	8,938
	Others	1,254,590	1,221,415	33,175
	Foreign securities	830,477	817,392	13,085
Subtotal	4,643,474	4,442,159	201,305	
Securities for which carrying amount does not exceed acquisition cost	Stocks	80,985	89,339	(8,354)
	Bonds	60,332	60,599	(267)
	Government bonds	—	—	—
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	60,332	60,599	(267)
	Others	726,034	738,141	(12,107)
	Foreign securities	518,308	521,230	(2,922)
Subtotal	867,351	888,079	(20,728)	
Total		5,510,824	5,330,238	180,586

(4) Securities-held-to-maturity sold in the current fiscal year

Previous fiscal year (From April 1, 2017, to March 31, 2018)

None

Current fiscal year (From April 1, 2018, to March 31, 2019)

None

(5) Available-for-sale securities sold in the current fiscal year

Previous fiscal year (From April 1, 2017, to March 31, 2018)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	4,732	626	155
Bonds	14,959	75	68
Government bonds	3,022	10	—
Local government bonds	9,937	64	27
Short-term corporate bonds	—	—	—
Corporate bonds	2,000	1	40
Others	98,459	1,375	2,220
Foreign securities	79,173	786	1,114
Total	118,151	2,077	2,444

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	2,515	438	173
Bonds	11,238	20	1
Government bonds	3,919	15	1
Local government bonds	5,715	1	—
Short-term corporate bonds	—	—	—
Corporate bonds	1,604	4	—
Others	157,095	2,010	1,893
Foreign securities	130,167	1,154	882
Total	170,850	2,469	2,067

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Thousands of U.S. dollars)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	22,668	3,954	1,559
Bonds	101,256	187	11
Government bonds	35,312	140	11
Local government bonds	51,492	11	—
Short-term corporate bonds	—	—	—
Corporate bonds	14,452	36	—
Others	1,415,406	18,111	17,058
Foreign securities	1,172,788	10,402	7,952
Total	1,539,330	22,252	18,628

(6) Securities that changed their holding purpose

None

(7) Impairment of securities

Securities other than trading securities, excluding securities whose fair values are not reliably determined, are treated as impaired when their fair values have declined significantly from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. Such securities are recorded at their fair values in the consolidated balance sheets. The difference between the acquisition cost and the fair values is recognized as an impairment loss.

Impairment losses recognized were ¥675 million (\$6,087 thousand; all related to “Stocks”) in the previous fiscal year.

No impairment losses were recognized in the current fiscal year.

The impairment of securities is recognized for all securities when the market value of the securities has fallen by 50% or more compared with the acquisition cost, and for other securities when the market value of the securities has fallen by 30% or more compared with the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value in consideration of past reduction rates over a specific period of time and financial conditions of issuing companies.

25. Money held in trust

(1) Money held in trust for trading purposes

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(2) Money held in trust held to maturity

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(3) Other money held in trust (other than those for trading purposes or held to maturity)

Previous fiscal year (March 31, 2018)

(Millions of yen)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	6,400	6,400	—	—	—

Note: The amount of "Difference" is the net of "Positive Difference" and "Negative Difference."

Current fiscal year (March 31, 2019)

(Millions of yen)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	6,500	6,500	—	—	—

Note: The amount of "Difference" is the net of "Positive Difference" and "Negative Difference."

Current fiscal year (March 31, 2019)

(Thousands of U.S. dollars)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	58,566	58,566	—	—	—

Note: The amount of "Difference" is the net of "Positive Difference" and "Negative Difference."

26. Valuation differences on available-for-sale securities

The following table shows components of Valuation differences on available-for-sale securities in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation differences	¥ 20,043	¥ 18,754	\$ 180,586
Securities	20,043	18,754	180,586
Deferred tax liability	(5,855)	(5,384)	(52,754)
Valuation differences on available-for-sale securities (before adjustment for non-controlling interests)	14,188	13,370	127,832
Non-controlling interests	(13)	(19)	(122)
Valuation differences on available-for-sale securities	14,174	13,350	127,710

27. Derivatives

(1) Derivative transactions not qualifying for hedge accounting

Derivative transactions not qualifying for hedge accounting are grouped by the type of underlying transactions. The notional amounts (or the amount equivalent to the principal specified in the contracts), the fair values, and the valuation differences as of the consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(i) Interest-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(ii) Currency-related transactions

Previous fiscal year (March 31, 2018)

(Millions of yen)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	–	–	–	–
	Purchased	–	–	–	–
	Currency options				
	Sold	–	–	–	–
	Purchased	–	–	–	–
OTC	Currency swaps	–	–	–	–
	Forward exchange contracts				
	Sold	11,815	956	148	148
	Purchased	10,739	–	(11)	(11)
	Currency options				
	Sold	67,482	44,590	(2,688)	787
	Purchased	67,482	44,590	2,688	(181)
	Others				
Sold	–	–	–	–	
	Purchased	–	–	–	–
Total		–	–	137	743

Notes:

1. The transactions above are stated at their fair values and valuation differences are recorded in the consolidated statement of operations.

2. The fair values are calculated using the net present value method, etc.

Current fiscal year (March 31, 2019)

(Millions of yen)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	-	-	-	-
	Purchased	-	-	-	-
	Currency options				
	Sold	-	-	-	-
	Purchased	-	-	-	-
OTC	Currency swaps	-	-	-	-
	Forward exchange contracts				
	Sold	15,744	-	(120)	(120)
	Purchased	6,094	-	114	114
	Currency options				
	Sold	58,757	38,028	(1,829)	1,277
	Purchased	58,757	38,028	1,830	(744)
	Others				
	Sold	-	-	-	-
Purchased	-	-	-	-	
Total				(4)	527

Notes:

1. The transactions above are stated at their fair values and valuation differences are recorded in the consolidated statement of operations.
2. The fair values are calculated using the net present value method, etc.

Current fiscal year (March 31, 2019)

(Thousands of U.S. dollars)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	-	-	-	-
	Purchased	-	-	-	-
	Currency options				
	Sold	-	-	-	-
	Purchased	-	-	-	-
OTC	Currency swaps	-	-	-	-
	Forward exchange contracts				
	Sold	141,856	-	(1,085)	(1,085)
	Purchased	54,911	-	1,033	1,033
	Currency options				
	Sold	529,398	342,627	(16,483)	11,512
	Purchased	529,398	342,627	16,496	(6,705)
	Others				
	Sold	-	-	-	-
Purchased	-	-	-	-	
Total				(39)	4,755

Notes:

1. The transactions above are stated at their fair values and valuation differences are recorded in the consolidated statement of operations.
2. The fair values are calculated using the net present value method, etc.

(iii) Stock-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(v) Commodity-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(vi) Credit derivative transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(2) Derivative transactions qualifying for hedge accounting

Derivative transactions qualifying for hedge accounting are grouped by the type of underlying transactions. The notional amounts (or the amount equivalent to the principal specified in the contracts) and the fair values as of the consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(i) Interest-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(ii) Currency-related transactions

Previous fiscal year (March 31, 2018)

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Notional amounts (total)	Notional amounts (over one year)	Fair value
Deferral method	Currency swaps	Foreign-currency denominated securities	5,312	–	666
Total					666

Notes:

1. Deferred hedge accounting stipulated in Report No. 25 is applied, in principle.
2. The fair values are calculated using the net present value method, etc.

Current fiscal year (March 31, 2019)

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Notional amounts (total)	Notional amounts (over one year)	Fair value
Deferral method	Currency swaps	Foreign-currency denominated securities	11,099	11,099	123
Total					123

Notes:

1. Deferred hedge accounting stipulated in Report No. 25 is applied, in principle.
2. The fair values are calculated using the net present value method, etc.

Current fiscal year (March 31, 2019)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Notional amounts (total)	Notional amounts (over one year)	Fair value
Deferral method	Currency swaps	Foreign-currency denominated securities	100,000	100,000	1,112
Total					1,112

Notes:

1. Deferred hedge accounting stipulated in Report No. 25 is applied, in principle.
2. The fair values are calculated using the net present value method, etc.



(iii) Stock-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2018)

None

Current fiscal year (March 31, 2019)

None

28. Retirement and pension plans

(1) Outline of the retirement benefit plans

Dated April 1, 2005, the Bank obtained the permission to dissolve the corporate pension plan of the Bank from the Minister of Health, Labour and Welfare and received approval for the terms and conditions of a corporate defined contribution pension plan, and transferred a part of the lump-sum benefit program of the Bank and the corporate pension plan to a defined contribution pension plan. As a result, the retirement benefits plan of the Bank has a dual structure consisting of a lump-sum benefit program and a defined contribution pension plan.

Notably, the Bank may pay additional retirement benefit payments with premium at the retirement, etc., of employees.

Additionally, a number of consolidated subsidiaries are members to the Smaller Enterprise Retirement Allowance Mutual Aid Program.

(2) Defined benefit plans

(i) Reconciliation of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Retirement benefit obligations (opening balance)	¥ 5,217	¥ 5,191	\$	47,010
Service cost-benefits earned during the fiscal year	312	313		2,817
Interest cost on projected benefit obligations	26	25		235
Actuarial differences	(13)	7		(124)
Retirement benefits paid	(249)	(320)		(2,248)
Past service cost	-	-		-
Other	-	-		-
Retirement benefit obligations (closing balance)	¥ 5,293	¥ 5,217	\$	47,690

(ii) Reconciliation between closing balances of retirement benefit obligations and liabilities and assets for retirement benefits recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Net defined benefit liability	¥ 5,293	¥ 5,217	\$	47,690
Net defined benefit asset	-	-		-
Net of liabilities and assets recorded in the consolidated balance sheet	¥ 5,293	¥ 5,217	\$	47,690

(iii) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Service cost-benefits earned during the fiscal year	¥ 312	¥ 313	\$	2,817
Interest cost on projected benefit obligations	26	25		235
Expected return on plan assets	-	-		-
Amortization of actuarial differences	(11)	(17)		(102)
Amortization of past service cost	-	-		-
Other	-	-		-
Retirement benefit expenses for defined benefit obligations	¥ 327	¥ 321	\$	2,950

(iv) Adjustments for retirement benefits

Details of adjustments for retirement benefits (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars			
	2019	2018	2019			
Past service cost	¥	-	¥	-	\$	-
Actuarial differences		2		(25)		22
Other		-		-		-
Total	¥	2	¥	(25)	\$	22

(v) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits (before tax effects) is as follows.

	Millions of yen		Thousands of U.S. dollars			
	2019	2018	2019			
Unrecognized past service cost	¥	-	¥	-	\$	-
Unrecognized actuarial differences		(10)		(8)		(97)
Other		-		-		-
Total	¥	(10)	¥	(8)	\$	(97)

(vi) Actuarial assumptions

The major assumptions used for calculating the actuarial gains and losses are as follows.

	2019	2018
Discount rate	0.5%	0.5%
Expected rate of retirement benefits basis increase	4.5%	4.6%

Note: Since the Bank has adopted the benefit formula basis for calculating retirement benefit obligation, the expected rate of salary increase is not taken into consideration.

(3) Defined-contribution pension plans

The required contribution amount for the defined contribution plans of the Bank and its consolidated subsidiaries was ¥64 million in the previous fiscal year, and ¥65 million (\$587 thousand) in the current fiscal year.

29. Stock option plans

(1) Expenses recorded in connection with stock options during the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
General and administrative expenses	¥ 40	¥ 41	\$ 368	

(2) Description of stock options

(i) Description of stock options

	2011	2012	2013
Number of eligible persons and their position	Executive officers of the Bank, 7 persons	Executive officers of the Bank, 7 persons	Executive officers of the Bank, 7 persons
Number of stock options granted by class of share (Note)	Common stock: 22,120 shares	Common stock: 29,020 shares	Common stock: 25,490 shares
Grant date	July 11, 2011	July 10, 2012	July 9, 2013
Vesting conditions	Indeterminate	Indeterminate	Indeterminate
Eligible service period	Indeterminate	Indeterminate	Indeterminate
Exercise period	July 12, 2011 – July 11, 2041	July 11, 2012 – July 10, 2042	July 10, 2013 – July 9, 2043

	2014	2015	2016
Number of eligible persons and their position	Executive officers of the Bank, 7 persons	Executive officers of the Bank, 7 persons	Executive officers of the Bank, 7 persons
Number of stock options granted by class of share (Note)	Common stock: 23,230 shares	Common stock: 18,490 shares	Common stock: 24,120 shares
Grant date	July 8, 2014	July 7, 2015	July 12, 2016
Vesting conditions	Indeterminate	Indeterminate	Indeterminate
Eligible service period	Indeterminate	Indeterminate	Indeterminate
Exercise period	July 9, 2014 – July 8, 2044	July 8, 2015 – July 7, 2045	July 13, 2016 – July 12, 2046

	2017	2018
Number of eligible persons and their position	Executive officers of the Bank, 7 persons	Executive officers of the Bank, 7 persons
Number of stock options granted by class of share (Note)	Common stock: 17,190 shares	Common stock: 20,600 shares
Grant date	July 11, 2017	July 10, 2018
Vesting conditions	Indeterminate	Indeterminate
Eligible service period	Indeterminate	Indeterminate
Exercise period	July 12, 2017– July 11, 2047	July 11, 2018– July 10, 2048

Note: The number of shares stated in the table above is calculated considering the effect of the share consolidation implemented on October 1, 2017, at a ratio of one share per 10 shares.

(ii) Volume and changes in stock options

Concerning stock options in issuance in the current fiscal year (fiscal year ended March 2019); the number of stock options is translated into the number of shares.

A. Number of stock options

	2011	2012	2013	2014	2015
Unvested stock options (shares)					
At the beginning of the fiscal year	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Unvested	-	-	-	-	-
Vested stock options (shares)					
At the beginning of the fiscal year	11,890	9,360	15,130	14,350	11,610
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Unexercised	11,890	9,360	15,130	14,350	11,610

	2016	2017	2018
Unvested stock options (shares)			
At the beginning of the fiscal year	-	17,190	-
Granted	-	-	20,600
Forfeited	-	-	-
Vested	-	17,190	-
Unvested	-	-	20,600
Vested stock options (shares)			
At the beginning of the fiscal year	-	-	-
Vested	16,480	17,190	-
Exercised	-	-	-
Forfeited	-	-	-
Unexercised	16,480	17,190	-

Note: The number of shares stated in the table above is calculated considering the effect of the share consolidation implemented on October 1, 2017, at a ratio of one share per 10 shares.

B. Unit price information

	2011	2012	2013	2014	2015
Exercise price (yen)	1	1	1	1	1
Average stock price when exercised (yen)	-	-	-	-	-
Fair unit value on the grant date (yen)	2,120	1,580	1,960	2,130	2,210

	2016	2017	2018
Exercise price (yen)	1	1	1
Average stock price when exercised (yen)	-	-	-
Fair unit value on the grant date (yen)	1,920	2,350	1,991

Note: Average share price when exercised, and share fair unit value on the grant date, are calculated considering the effect of the share consolidation implemented on October 1, 2017, at a ratio of one share per 10 shares.

(3) Method for estimating a fair unit price of stock options

The method used to estimate a fair unit price of stock options issued in 2018 at the end of the current fiscal year is described as follows.

(i) Valuation method used: Black-Scholes model

(ii) Principal parameters and estimation method used

	2018
Stock price volatility (Note 1)	29.588%
Expected time to exercise (Note 2)	6.7 years
Expected dividend (Note 3)	50 yen / share
Risk-free interest rate (Note 4)	(0.073%)

Notes:

1. Calculated on the basis of stock price performance during the period (October 2011 to July 2018) corresponding to the expected number of years remaining .
2. Estimated according to the weighted average method based on the allocated number, with regarding the period between the age of incumbent officers at the grant date and the retirement age pursuant to the internal regulations of the Bank as expected incumbency.
3. Based on the actual dividend for the fiscal year ended March 31, 2018.
4. The rate represents the Japanese government bond yield corresponding to the expected time to exercise.

(4) Method for estimating the number of vested stock options

The Bank has adopted the method to reflect only the number of stock options that have been actually forfeited, because it is practically difficult to reasonably estimate the number that will be forfeited in the future.

30. Income Taxes

(1) Deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Deferred tax assets				
Allowance for loan losses	¥ 5,988	¥ 6,138	\$ 53,955	
Liability for retirement benefits	1,612	1,589	14,526	
Depreciation	994	1,204	6,742	
Impairment loss on land	809	820	7,293	
Devaluation of securities	748	750	8,963	
Others	1,093	1,175	9,851	
Subtotal	11,246	11,679	101,333	
Valuation allowance*	(5,986)	(6,381)	(53,937)	
Total deferred tax assets	5,260	5,298	47,396	
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(5,855)	(5,384)	(52,755)	
Reserve for advanced depreciation of non-current assets	(119)	(123)	(1,080)	
Others	(9)	(7)	(85)	
Total deferred tax liabilities	(5,984)	(5,515)	(53,920)	
Net deferred tax assets (liabilities)	¥ (724)	¥ (217)	\$ (6,524)	

* The valuation allowance amount decreased by ¥395 million (U.S. \$3,558 thousand). This decrease is mainly due to a ¥387 million (U.S. \$3,486 thousand) reduction of the valuation allowance amount due to an excess over the loan loss allowance deduction limit amount at the Bank and its consolidated subsidiaries.

(2) Effective income tax rate

	2019	2018
Statutory effective tax rate	30.46%	30.69%
(Adjustments)		
Permanent differences such as entertainment expenses	1.01	0.72
Permanent differences such as dividend income	(0.74)	(0.45)
Valuation allowance	(8.89)	(0.95)
Inhabitant tax on per capita basis	0.93	0.66
Reduction in deferred tax assets at the end of the period due to tax rate change	–	0.09
Others	0.74	0.32
Effective tax rate after adoption of tax effect accounting	23.51%	31.08%

Changes in presentation method

Changes due to adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statements No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the current fiscal year, the Bank and its domestic subsidiaries changed the related notes of deferred tax assets.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves), which are required in paragraph 3 to 4 of Statement No. 28.

31. Asset retirement obligations

Previous fiscal year (From April 1, 2017 to March 31, 2018)

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2018, to March 31, 2019)

This note is not provided due to its low materiality.

32. Investment and rental property

Previous fiscal year (From April 1, 2017 to March 31, 2018)

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2018, to March 31, 2019)

This note is not provided due to its low materiality.

33. Segment information

(1) Reportable segment information

The reportable segments of the Group are defined as operation segments for which discrete financial information is available and whose operating results are regularly reviewed by executive corporate officers at management committee meetings to determine resource allocation and to assess their performance.

The Group focuses on banking operations (including operations that supplement and strengthen banking operations such as credit guarantee operations related to loans and credit card operations), also engages in lease operations and other operations related to management of the Group. In order to strengthen these business areas at the core of banking operations, the Bank devises business plans for and implements business activities in the individual banking operations conducted respectively at each group within head office or in each area at banking offices, as well as at individual consolidated subsidiaries.

Operations of the Group are segmented into Banking and Leasing based on the operations of the Bank and its consolidated subsidiaries.

Banking is comprised of banking operations such as deposit operations, lending operations, and domestic and foreign exchange operations, as well as operations serving to supplement and strengthen banking operations such as credit guarantee operations and credit card operations. Leasing consists of lease operations for industrial machinery, computers, and office equipment.

(2) Method for calculating income, profits or losses, assets, liabilities, and other items by reportable segment

The accounting policies for the reportable segments are the same as those presented under "Significant Accounting Policies and Practices."

(3) Income, profits or losses, assets, liabilities, and other items by reportable segment

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	36,689	6,994	43,683	298	43,982
Intersegment	194	300	495	284	779
Total	36,883	7,295	44,178	582	44,761
Segment profits	5,783	344	6,128	64	6,192
Segment assets	2,667,325	19,201	2,686,526	667	2,687,194
Segment liabilities	2,543,642	13,656	2,557,299	187	2,557,487
Others					
Depreciation	1,096	5	1,102	4	1,106
Interest income	23,981	519	24,501	1	24,502
Interest expenses	1,436	74	1,510	–	1,510
Reversal of allowance for loan losses	1,888	19	1,908	0	1,908
Written-off of loans	431	–	431	–	431
Increase in tangible fixed assets and intangible fixed assets	3,096	17	3,113	–	3,113

(Millions of yen)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	–	43,982
Intersegment	(779)	–
Total	(779)	43,982
Segment profits	135	6,327
Segment assets	(14,028)	2,673,165
Segment liabilities	(12,632)	2,544,854
Others		
Depreciation	(167)	938
Interest income	(89)	24,412
Interest expenses	(73)	1,436
Reversal of allowance for loan losses	(21)	1,887
Written-off of loans	–	431
Increase in tangible fixed assets and intangible fixed assets	(7)	3,106

Notes:

1. Ordinary income has been stated in place of net sales stated by non-financial firms. Adjustments for differences are stated with respect to the difference between operating income and operating income stated on the consolidated statement of income.
2. "Others" is a segment other than reportable segment, including computer related services.
3. Adjustment amounts reflect elimination of inter-segment transactions, etc.
4. Segment income is adjusted to ordinary income stated in the consolidated statement of income.

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	34,219	7,076	41,296	303	41,599
Intersegment	190	132	322	294	617
Total	34,410	7,208	41,619	597	42,216
Segment profits	4,191	220	4,411	66	4,477
Segment assets	2,796,748	19,568	2,816,316	1,837	2,818,154
Segment liabilities	2,670,035	13,898	2,683,933	1,315	2,685,249
Others					
Depreciation	1,123	5	1,128	2	1,131
Interest income	22,938	492	23,430	1	23,432
Interest expenses	1,397	66	1,463	-	1,463
Reversal of allowance for loan losses	-	-	-	0	0
Provision of allowance for loan losses	757	30	788	-	788
Written-off of loans	889	-	889	-	889
Increase in tangible fixed assets and intangible fixed assets	3,874	2	3,876	-	3,876

(Millions of yen)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	(0)	41,599
Intersegment	(617)	-
Total	(617)	41,599
Segment profits	13	4,490
Segment assets	(15,461)	2,802,693
Segment liabilities	(14,078)	2,671,170
Others		
Depreciation	(19)	1,112
Interest income	(75)	23,356
Interest expenses	(65)	1,397
Reversal of allowance for loan losses	(0)	-
Provision of allowance for loan losses	1	789
Written-off of loans	-	899
Increase in tangible fixed assets and intangible fixed assets	-	3,876

Notes:

1. Ordinary income has been stated in place of net sales stated by non-financial firms. Adjustments for differences are stated with respect to the difference between operating income and operating income stated on the consolidated statement of income.
2. "Others" is a segment other than reportable segment, including computer related services.
3. Adjustment amounts reflect elimination of inter-segment transactions.
4. Segment income is adjusted to ordinary income stated in the consolidated statement of income.

Current fiscal year (From April 1, 2018, to March 31, 2019)

(Thousands of U.S. dollars)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	308,314	63,757	372,071	2,732	374,803
Intersegment	1,717	1,192	2,909	2,652	5,561
Total	310,031	64,949	374,980	5,384	380,364
Segment profits	37,761	1,987	39,748	595	40,343
Segment assets	25,198,203	176,307	25,374,510	16,557	25,391,067
Segment liabilities	24,056,540	125,221	24,181,761	11,857	24,193,618
Others					
Depreciation	10,120	49	10,169	26	10,195
Interest income	206,673	4,436	211,109	12	211,121
Interest expenses	12,589	596	13,185	-	13,185
Reversal of allowance for loan losses	-	-	-	0	0
Provision of allowance for doubtful accounts	6,827	273	7,100	-	7,100
Written-off of loans	8,011	-	8,011	-	8,011
Increase in tangible fixed assets and intangible fixed assets	34,906	20	34,926	-	34,926

(Thousands of U.S. dollars)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	-	374,803
Intersegment	(5,561)	-
Total	(5,561)	374,803
Segment profits	117	40,460
Segment assets	(139,305)	25,251,762
Segment liabilities	(126,848)	24,066,771
Others		
Depreciation	(173)	10,022
Interest income	(684)	210,437
Interest expenses	(593)	12,592
Reversal of allowance for loan losses	0	-
Provision of allowance for doubtful accounts	11	7,111
Written-off of loans	-	8,011
Increase in tangible fixed assets and intangible fixed assets	-	34,926

Notes:

1. Ordinary income has been stated in place of net sales stated by non-financial firms. Adjustments for differences are stated with respect to the difference between operating income and operating income stated on the consolidated statement of income.
2. "Others" is a segment other than reportable segment, including computer related services.
3. Adjustment amounts reflect elimination of inter-segment transactions.
4. Segment income is adjusted to ordinary income stated in the consolidated statement of income.

Related information

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(1) Information by service

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	19,760	9,069	6,994	8,157	43,982

Notes:

1. The figures represent "Income" in substitution for net sales to be presented by companies in other industries.
2. Lending operations and securities trading operations are constituents of the reportable segment "Banking." Other constituents of "Banking" are stated combined with ordinary income of "Others" in this tabulation under "Others" stated in "Segment Information, (3). Amount of ordinary income, operating result, assets, liabilities, and other items."

(2) Geographic information

(i) Ordinary income

More than 90% of the Group's income on the consolidated statement of operations for the fiscal years ended March 31, 2018 is attributable to income from unaffiliated customers in Japan; accordingly, income by geographical area is not presented.

(ii) Tangible fixed assets

More than 90% of the Group's tangible fixed assets on the consolidated balance sheets as of March 31, 2018 are located in Japan; accordingly, tangible fixed assets by geographical area are not presented.

(3) Information about major customers

This information is not provided since no outside customers accounted for more than 10% of ordinary income of the Group.

Current fiscal year (From April 1, 2018, to March 31, 2019)

(1) Information by services

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	17,661	8,761	7,076	8,099	41,599

Notes:

1. The figures represent "Income" in substitution for net sales to be presented by companies in other industries.
2. Lending operations and securities trading operations are constituents of the reportable segment "Banking." Other constituents of "Banking" are stated combined with ordinary income of "Others" in this tabulation under "Others" stated in "Segment Information, (3). Amount of ordinary income, operating result, assets, liabilities, and other items."

(Thousands of U.S. dollars)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	159,125	78,941	63,757	72,980	374,803

Notes:

1. The figures represent "Income" in substitution for net sales to be presented by companies in other industries.
2. Lending operations and securities trading operations are constituents of the reportable segment "Banking." Other constituents of "Banking" are stated combined with ordinary income of "Others" in this tabulation under "Others" stated in "Segment Information, (3). Amount of ordinary income, operating result, assets, liabilities, and other items."

(2) Geographic information

(i) Ordinary income

More than 90% of the Group's income on the consolidated statements of operations for the fiscal years ended March 31, 2019 is attributable to income from unaffiliated customers in Japan; accordingly, income by geographical area is not presented.

(ii) Tangible fixed assets

More than 90% of the Group's tangible fixed assets on the consolidated balance sheets as of March 31, 2019 are located in Japan; accordingly, tangible fixed assets by geographical area are not presented.

(3) Information about major customers

This information is not provided since no outside customers accounted for more than 10% of ordinary income of the Group.

Information related to losses on impairment of fixed assets by reportable segment

This note is not provided due to its low materiality.

Information related to amortization of goodwill and unamortized balance of goodwill by reportable segment

Previous fiscal year (From April 1, 2017 to March 31, 2018)

None

Current fiscal year (From April 1, 2018, to March 31, 2019)

None

Information related to gain on negative goodwill by reportable segment

Previous fiscal year (From April 1, 2017 to March 31, 2018)

None

Current fiscal year (From April 1, 2018, to March 31, 2019)

None

34. Related party transactions

(1) Transactions with related parties

(i) Transactions between the Group and related parties

A. Transactions between the Group and the parent company or major corporate shareholders

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (From April 1, 2018, to March 31, 2019)

Not applicable.

B. Transactions between the Group and unconsolidated subsidiaries or affiliates

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (From April 1, 2018, to March 31, 2019)

Not applicable.

C. Transactions between the Group and companies with the same parent or subsidiaries of the Group's affiliates

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (From April 1, 2018, to March 31, 2019)

Not applicable.

D. Transactions between the Group and directors and/or executive officers, or major individual shareholders

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Type	Name (company or individual)	Location	Capital stock or equity (million yen)	Business line or occupation	Percentage of voting rights, etc., held (held by the related party)	Relationship with the related party
Immediate family member of corporate officer	Kazuyuki Yuasa	–	–	Real estate leasing operations	Direct shareholdings of the related party 0.00	–

Type	Transaction content	Transaction amount	Item	Balance at the end of the period (Millions of yen)
Immediate family member of corporate officer	Lending of funds	–	Loans	155

Transaction terms and method of determination of transaction terms, etc.

Identical to terms used with general transaction counterparties.

Current fiscal year (From April 1, 2018, to March 31, 2019)

Type	Name (company or individual)	Location	Capital stock or equity (million yen)	Business line or occupation	Percentage of voting rights, etc., held (held by the related party)	Relationship with the related party
Immediate family member of corporate officer	Kazuyuki Yuasa	–	–	Real estate leasing operations	Direct shareholdings of the related party 0.00	–

Type	Transaction content	Transaction amount	Item	Balance at the end of the period	
				(Millions of yen)	(Thousand of U.S. dollars)
Immediate family member of corporate officer	Lending of funds	–	Loans	143	1,285

Transaction terms and method of determination of transaction terms, etc.
Identical to terms used with general transaction counterparties.

(ii) Transactions between the Group's consolidated subsidiaries and related parties.

Previous fiscal year (From April 1, 2017 to March 31, 2018)

There were no material transactions.

Current fiscal year (From April 1, 2018, to March 31, 2019)

There were no material transactions.

(2) Notes concerning the parent company or important affiliates

Previous fiscal year (From April 1, 2017 to March 31, 2018)

None

Current fiscal year (From April 1, 2018, to March 31, 2019)

None

35. Per-share information

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share of common stock	¥ 5,301.39	¥ 5,197.40	\$ 47.76
Net income per share of common stock	132.69	165.57	1.20
Diluted net income per share of common stock	132.10	164.91	1.19

Note 1: The basis for calculation of net assets per share, net income per share, and diluted net income per share is as follows:

(1) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net assets as reported	¥ 131,522	¥ 128,310	\$ 1,184,991
Less:	5,026	4,763	45,291
Subscription rights to shares	228	187	2,060
Non-controlling interests	4,798	4,575	43,231
Net assets attributable to common shares at the end of the period	¥ 126,495	¥ 123,547	\$ 1,139,700

(Unit: Thousands of shares)

	2019	2018
The number of shares of common stock outstanding	23,860	23,770

(2) Net income per share of common stock and diluted net income per share of common stock

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income per share of common stock			
Net income attributable to owners of parent	¥ 3,158	¥ 3,927	\$ 28,459
Net income not attributable to common shareholders	-	-	-
Net income attributable to owners of parent related to common stock	¥ 3,158	¥ 3,927	\$ 28,459

(Unit: Thousands of shares)

	2019	2018
Average number of shares of common stock outstanding	23,803	23,721

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Diluted net income per share of common stock			
Adjustments to net income attributable to owners of parent	¥ -	¥ -	\$ -

(Unit: Thousands of shares)

	2019	2018
Effect of dilutive securities:	106	94
Subscription rights to shares	106	94
Summary of the potential shares that were excluded from calculation of fully-diluted net income per share of common stock because they have no dilutive effect	–	–

Note: Diluted net income per share for the period is not stated given that a net loss was reported in the previous fiscal year.

Note 2: The Bank's shares remaining in the "trust" are recorded as treasury stock in shareholders' equity, which are deducted in the number of shares outstanding at the end of the year when calculating the net assets per share, and also deducted in the average number of shares outstanding during the year when calculating the net income per share.

(Unit: Thousands of shares)

	2019	2018
Number of treasury shares outstanding at the end of the year, deducted when calculating net assets per share	249	340
Average number of treasury shares outstanding during the year, deducted when calculating net income per share	306	383

(3) On October 1, 2017, we implemented a consolidation of shares at a ratio of one share per 10 shares. For the purposes of calculating the amount of net assets per share, basic net income per share and the diluted net income per share of common stock for the period under review, the share consolidation is taken as having been implemented at the beginning of the fiscal year ended March 31, 2017.

Significant subsequent events

1. Acquisition of treasury shares

For the purpose of implementing flexible capital policy in response to changes in the business environment and as a way to provide returns to shareholders, the Bank resolved at the Board of Directors' meeting held on June 14, 2019 to acquire treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of said Act.

- (1) Class of shares acquired: Shares of common stock of the Bank
- (2) Total number of shares acquired: 100,000 shares
- (3) Total acquisition price of shares: ¥153 million
- (4) Acquisition date: June 17, 2019

2. Introduction of performance-linked stock compensation plan

At the Compensation Committee meeting held on June 14, 2019, the Bank reviewed its compensation system for executive officers and resolved to abolish the stock compensation-type stock option and to introduce a performance-linked stock compensation plan (hereinafter the "Plan") as a replacement.

The Plan is designed to increase executive officers' commitment to improvement of the Bank's medium- and long-term business performance and enhancement of its corporate value, by strengthening the ties between compensation and the Bank's equity value.

Subscription rights to shares that have been granted but not yet exercised will be converted to points in accordance with the Plan, provided that the executive officers waive such rights.

As a result of introduction of the Plan, compensation consists of base compensation, bonuses and performance-linked stock compensation.

(1) Overview of the Plan

The Plan employs a scheme referred to as the "Board Benefit Trust (hereinafter the "Trust"). Under the Plan, the Bank will grant points to executive officers based on their positions and their business performance, and the Trust will acquire the Bank's shares and provide the eligible persons with the Bank's shares in accordance with the granted points.

The scope of the compensation plan is executive officers who stay in office for the five fiscal years starting from the fiscal year ending March 31, 2020, until the fiscal year ending March 31, 2024 (hereinafter the "Period").



In principle, the Bank's shares will be provided to the executive officers at the time of retirement.

(2) Trust amount

During the Period, the Bank will contribute money up to ¥790 million to the Trust as the funds required for the acquisition of the Bank's shares. This amount includes an estimated amount to cover points granted to the executive officers, who waive subscription rights to shares that have been granted but not yet exercised.

In addition, after the Period, based on the resolution of the Compensation Committee, the Bank can extend the Trust period up to five fiscal years to continue the Plan and make additional contributions to the Trust up to ¥140 million for each fiscal year that it is extended.

(3) Persons eligible for the plan

Executive officers satisfying the beneficiary requirements.



Independent Auditor's Report

To the Board of Directors of The Fukui Bank, Ltd.:

We have audited the accompanying consolidated financial statements of The Fukui Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Fukui Bank, Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 30, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate Information

Directors and Executive Officers (as of June 30, 2019)

Director, President and Representative Statutory Executive Officer:	Masahiro Hayashi	Directors:	Hideyuki Maeda Kazuhiro Uchikami* Masaru Nanbo* Yuko Mitsuya* *Outside Directors
Director and Managing Executive Officer (General Manager of Planning Headquarters):	Shinji Sano	Statutory Executive Officer (Deputy General Manager of ALM Headquarters and Risk Management Group Manager):	Osamu Watanabe
Director and Managing Executive Officer (General Manager of Business Support Headquarters):	Toru Yuasa	Statutory Executive Officer (Head Office General Manager):	Masatake Yoshida
Director and Managing Executive Officer (General Manager of ALM Headquarters):	Eiichi Hasegawa		
Director and Statutory Executive Officer (Deputy General Manager of Business Support Headquarters and Finance Support Group Manager):	Noriyuki Satake		

Corporate Data (as of March 31, 2019)

Date of Establishment:	December 19, 1899
Number of Shares Issued and Outstanding:	24,144 thousand shares
Paid-in Capital:	JPY17,965 million
Number of Employees:	1,403

Service Network (as of June 30, 2019)

Head Office:	1-1, Junka 1-chome, Fukui 910-8660, Japan Telephone: +81-776-24-2030
International Division:	66, Imaichi-cho, Fukui 918-8152, Japan Telephone: +81-776-50-7515 Facsimile: +81-776-38-0294 SWIFT: FKUIJPJT
Number of Domestic Offices:	Fukui76 Ishikawa10 Toyama4 Shiga2 Tokyo.....1 Aichi.....1 Kyoto2 Osaka1 Other1 Total.....98
Correspondent Banking Network:	42 countries 93 cities 163 banks

Consolidated Subsidiaries (as of June 30, 2019)

The Fukugin Lease Co., Ltd.	The Fukui Net Co., Ltd.
The Fukui Credit Guarantee Service Co., Ltd.	The Fukugin Business Service Co., Ltd.
Fukui Card Co., Ltd.	
The Fukui Capital & Consulting Co., Ltd.	

THE FUKUI BANK, LTD.

1-1, Junka 1-chome, Fukui 910-8660, Japan
Telephone: +81-776-24-2030