

2020
 2021
 2022
 2023
 2024
 2025
 2026
 2027
 2028
 2029
 2030

Contents

Profile	1
Consolidated Financial Statements	5
Corporate Information.....	61

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
	2020	2019	2018	2020
For the Year:				
Total income	¥ 40,872	¥ 41,651	¥ 44,155	\$ 375,559
Total expenses	37,705	37,217	37,952	346,465
Income (loss) before income taxes.....	3,166	4,433	6,202	29,094
Net income attributable to owners of parent.....	2,140	3,158	3,927	19,666
Net income (loss) per share of common stock.....	89.83	132.69	165.57	0.83
At Year-end:				
Deposits	¥ 2,488,546	¥ 2,400,198	¥ 2,324,100	\$ 22,866,361
Loans and bills discounted	1,719,190	1,661,228	1,617,855	15,797,028
Trading account securities.....	591	570	504	5,432
Securities.....	660,304	613,594	609,185	6,067,306
Total assets	2,951,019	2,802,693	2,673,165	27,115,868
Total net assets	123,759	131,522	128,310	1,137,186

Notes:

- The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥108.83 per US\$1.00 on March 31, 2020. 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 expansion course in the first half of the fiscal year thanks to continuing improvements in the environments for employment and household incomes. However, the pace of expansion slowed in the second half under the impact of the consumption tax rate increase and the novel coronavirus spread. In the time ahead, the rapid deceleration of the global economy caused by the novel coronavirus pandemic will require close attention.

As for the regional economy of Fukui Prefecture, the widening of public works related to the extension of the Hokuriku Shinkansen into Fukui Prefecture has led to a revitalization of the prefectural economy. In addition, the environments for employment and household income continue to improve, and personal consumption remains on a moderate up-trend. However, as the novel coronavirus spread's significant impact on the prefecture becomes apparent, the resulting rapid economic deceleration with its effects on corporate activities and personal consumption requires close attention.

Consolidated Performance Review

The consolidated results of the Bank and its six consolidated subsidiaries in the period under review developed as follows.

Consolidated ordinary income decreased by ¥869 million from the previous year to ¥40,729 million mainly due to the absence of gains from sales of government bonds and stocks, etc. Ordinary expenses rose by ¥207 million from the previous year to ¥37,316 million, reflecting the cost of a precautionary

increase in allowances for loan losses based on the assumption that the effects of the novel coronavirus spread on economic activity will continue for around one year from now.

As a result, ordinary profit decreased by ¥1,077 million from the previous year to ¥3,413 million. Net income attributable to owners of the parent decreased by ¥1,018 million from the previous year to ¥2,140 million.

In terms of reportable segments, ordinary income from banking operations decreased by ¥463 million from the previous year to ¥33,947 million. Segment profit decreased by ¥1,139 million from the previous year to ¥3,051 million. Ordinary income from leasing operations increased by ¥590 million from the previous year to ¥7,799 million, while segment profit increased by ¥1,084 million to ¥1,305 million. Ordinary income from "Others" outside of the reportable segments increased by ¥235 million to ¥833 million, and segment profit increased by ¥182 million from the previous year to ¥248 million. Each amount above included intersegment transactions.

Cash Flows

Consolidated net cash flows rose by ¥99,866 million provided by operating activities, ¥57,545 million was used in investing activities, and ¥3,214 million used in financing activities. As a result, cash and cash equivalents at the end of the year were ¥474,154 million, which increased by ¥39,110 million compared with the previous year.

Net cash provided by operating activities

Net cash provided by operating activities was ¥99,866 million. Main factors behind the increase were income from an increase in deposits, call money, etc., and borrowed money that

exceeded expenditure, reflecting factors such as increased lending. Net cash provided by operating activities was ¥12,741 million higher than in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities was ¥57,545 million. The main factor behind the increase was expenditure for the acquisition of securities, which exceeded income from sales and redemptions of securities. Net cash used in investing activities was ¥52,215 million higher than in the previous fiscal year.

Net cash used in financing activities

Net cash used in financing activities was ¥3,214 million, reflecting expenditure for shares in subsidiaries and the payment of dividends among others. Net cash used in financing activities was ¥2,212 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. In addition, under the widening impact of the novel coronavirus spread on the regional economy, dislocation is seen to continue in the near term, affecting the business operations and performance of the Group.

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 fiscal 2019, which was also the second year of the medium-term management plan “Toward Realizing Our Corporate Philosophy (Chapter 1): Faster, deeper, wider,” we implemented the following measures.

With regard to winning new customers by helping increase the number of workplaces and workers, the Bank continued with the implementation of proactive funding support and main business support based on thorough understanding of customers' circumstances and business viability assessments. This led to an increase in the number of borrowers qualified for loans based on viability assessments, with an expanded loan balance to small and medium-sized borrows. In addition, the Bank has been working on realizing sustainable local communities through activities geared at increasing customers by initiating the distribution of Fukugin SDGs Private Placement Bonds, aiding corporate customers' activities to contribute to SDGs, and providing financing support.

With regard to the strengthening of the consulting function, in order to meet the diversifying needs of customers, the Bank took steps to increase the number of consulting personnel at head office while strengthening cooperation between the head office and branches. Specifically, for corporate customers, the Bank strengthened its support services relating to business succession, M&A, recruitment, and expanding overseas sales channels, while

consulting services for individual customers were reinforced in areas such as inheritance and asset management. Furthermore, in order to establish a framework enabling the group-based provision of comprehensive financial services of yet higher quality, the Bank reviewed the capital structures of its five consolidated subsidiaries and integrated the entities as wholly owned subsidiaries.


With regard to selecting and concentrating its fields of business activity, the Bank continued with the reorganization of its branch offices and the consolidation of branch functions in order to strengthen its consulting functions and took steps to increase the number of sales personnel to facilitate an increase in contact with customers. Moreover, to reduce the burden of paperwork required of customers for transactions, shorten transaction times, and promote paperless operations, the Bank expanded the range of banking transactions where biometric IC cash cards can be used instead of customers' personal seals, and started letting customers use tablet terminals for purchases of products such as investment trusts and insurance products.

The Bank's initiative for revolutionizing personnel development has been aiming at creating an organization where each staff member grows and grows together, through their work by achieving the corporate philosophy. To this end, the Bank started operating medium-term individual training plans for its employees. Moreover, aiming to create a rewarding workplace where employees can thrive individually to the best of their capabilities, the Bank has been working on management reform directed at branch managers and other administrative or supervisory positions. As part of efforts to increase the Bank's appeal as a satisfying and rewarding workplace, an office-appropriate casual dress code was introduced for head office personnel, which promoted flexible thinking and planning capabilities among employees and led to improved efficiency.

In other developments, the Bank started a comprehensive partnership (“F Project”) with The Fukuho Bank, Ltd. for the sustainable development of the local economy. As for the business alliance under the partnership, the Bank has set up project teams respectively focusing on the four spheres of customers, local communities, enhancement of effectiveness and efficiency of business operations, and integration of human resources/preparations for the future. It is also continuing with proactive discussions and deliberations surrounding partnerships and cooperative alliances. Regarding an equity-based alliance under the partnership, discussions will continue regarding the optional choices with a view to grouping the two banks together to enhance the effectiveness of the business alliance.

In fiscal 2020, the final year of the Bank's medium-term management plan, while taking into account changes in the business environment, the Bank will continue to contribute to the sustainable development of Fukui Prefecture by steadily and continuously implementing the plan's four-point agenda. At the same time, the Bank will solidify its management base and build a robust management structure.

For corporate customers, the Bank will provide appropriate and proactive funding support and main business support through business viability assessments, while placing yet greater



emphasis on life-stage specific asset formation support for individual customers based on a thorough understanding of customers' circumstances in accordance with the Bank's concept of "Faster, deeper, wider." To this end, the Bank will continue to increase sales personnel and consulting personnel at head office, expand opportunities to reach customers, and provide consulting services that meet customers' needs. In particular, for customers affected by the novel coronavirus, the Bank will make swift and sincere efforts centering on support for the continuity of businesses and livelihoods.

In addition, through participation in redevelopment projects in various parts of the prefecture, including the redevelopment of the Fukui Station area, the Bank will make visible progress in the ongoing efforts to create attractive urban ambiances. With the completion and opening of the new head office expected in fiscal 2020, which is also part of the town development, more than ever

before our banking 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. In so doing, the Bank will help connect the regions and shape the future.

In addition, the Bank will promote the comprehensive alliance ("F Project") with The Fukuho Bank, Ltd., and strive for the sustainable development of the regional economy.

Going forward, to work toward achieving the goals of the corporate philosophy, its reason for being, the Fukui Bank Group will continue to concentrate its collective strengths, coordinate and collaborate with relevant local organizations, and fulfill the Bank's central role in revitalizing Fukui Prefecture.

Consolidated Financial Statements

The Fukui Bank, Ltd. and its consolidated subsidiaries

Consolidated Balance Sheets

March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets:			
Cash and due from banks (Notes 10 and 23)	¥ 474,536	¥ 435,326	\$ 4,360,345
Monetary claims bought (Note 23)	951	818	8,742
Trading account securities (Note 23)	591	570	5,432
Money held in trust (Note 25)	6,504	6,500	59,764
Securities (Notes 3, 4, 10, 15, 23 and 24)	660,304	613,594	6,067,306
Loans and bills discounted (Notes 5, 6, 7, 8, 9, 10, 11 and 23)	1,719,190	1,661,228	15,797,028
Foreign exchange (Note 9)	8,538	9,369	78,453
Other assets (Notes 10, 27, 32 and 33)	54,316	51,725	499,093
Tangible fixed assets (Notes 12, 13 and 14)	27,758	25,950	255,059
Intangible fixed assets	310	412	2,854
Deferred tax assets (Note 30)	2,772	876	25,476
Customers' liabilities for acceptances and guarantees (Note 15)	8,953	9,414	82,270
Allowance for loan losses (Note 23)	(13,707)	(13,095)	(125,954)
Total assets	¥ 2,951,019	¥ 2,802,693	\$ 27,115,868
Liabilities:			
Deposits (Notes 10 and 23)	¥ 2,488,546	¥ 2,400,198	\$ 22,866,361
Call money and bills sold	3,809	—	35,000
Payables under repurchase agreements (Notes 10 and 23)	61,158	16,661	561,960
Payables under securities lending transactions (Notes 10 and 23)	8,090	41,112	74,341
Borrowed money (Notes 10 and 23)	217,183	177,431	1,995,624
Foreign exchange	195	190	1,797
Other liabilities (Note 27)	30,109	15,444	276,661
Provision for bonuses	228	228	2,101
Provision for directors' bonuses	8	8	75
Liability for retirement benefits (Note 28)	5,405	5,293	49,671
Provision for share-based compensation for executive officers	144	—	1,328
Provision for reimbursement of deposits	272	343	2,502
Provision for contingent losses	212	198	1,949
Provision for losses on earthquake-proofing measures	452	452	4,155
Provision for point loyalty programs	54	44	498
Deferred tax liabilities (Note 30)	0	1,600	7
Deferred tax liabilities for land revaluation (Note 12)	2,435	2,549	22,383
Acceptances and guarantees (Note 15)	8,953	9,414	82,270
Total liabilities	¥ 2,827,260	¥ 2,671,170	\$ 25,978,683
Net assets (Note 20):			
Capital stock	¥ 17,965	¥ 17,965	\$ 165,078
Capital surplus	5,972	2,725	54,878
Retained earnings	87,758	86,563	806,384
Treasury shares	(844)	(655)	(7,758)
Total shareholders' equity	110,852	106,598	1,018,582
Valuation difference on available-for-sale securities (Note 26)	7,412	14,174	68,114
Deferred gains (losses) on hedges	(1)	(39)	(14)
Revaluation reserve for land (Note 12)	5,494	5,753	50,486
Remeasurements of defined benefit plans	1	7	17
Total accumulated other comprehensive income	12,907	19,896	118,603
Subscription rights to shares	—	228	—
Non-controlling interests	—	4,798	—
Total net assets	123,759	131,522	1,137,185
Total liabilities and net assets	¥ 2,951,019	¥ 2,802,693	\$ 27,115,868

Consolidated Statements of Operations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Income:			
Interest on loans and discounts.....	¥ 16,256	¥ 16,388	\$ 149,371
Interest and dividends on securities	6,827	6,297	62,734
Other interest income.....	664	670	6,110
Fees and commissions.....	7,995	7,425	73,463
Other operating income.....	7,332	8,562	67,372
Other income (Note 16).....	1,796	2,306	16,509
Total income	40,872	41,651	375,559
Expenses:			
Interest on deposits.....	475	529	4,369
Interest on borrowings.....	712	749	6,545
Other interest expenses.....	290	118	2,669
Fees and commissions payments	2,980	2,830	27,388
Other operating expenses	6,491	8,051	59,649
General and administrative expenses (Note 17)	22,486	22,338	206,616
Other expenses (Note 18)	4,269	2,600	39,229
Total expenses.....	37,705	37,217	346,465
Income before income taxes	3,166	4,433	29,094
Income taxes—current (Note 30)	1,535	1,005	14,107
Income taxes—deferred (Note 30)	(781)	36	(7,182)
Net income	2,412	3,391	22,169
Net income attributable to non-controlling interests	272	232	2,503
Net income attributable to owners of parent	¥ 2,140	¥ 3,158	\$ 19,666
Net income per share of common stock (Note 36)	¥ 89.83	¥ 132.69	\$ 0.83

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income (loss)	¥ 2,412	¥ 3,391	\$ 22,169
Other comprehensive income (Note 19).....	(6,731)	781	(61,851)
Valuation difference on available-for-sale securities	(6,763)	817	(62,146)
Deferred gains (losses) on hedges	37	(37)	346
Adjustments for retirement benefits	(5)	1	(51)
Comprehensive income.....	(4,318)	4,172	(39,682)
Comprehensive income attributable to owners of parent.....	(4,589)	3,946	(42,170)
Comprehensive income attributable to non-controlling interests	270	226	2,488

Consolidated Statements of Changes in Net Assets

Previous 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 (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
Change in ownership interest of parent due to transactions with non-controlling interests					—								—
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, 2019, to March 31, 2020)

(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 (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	86,563	(655)	106,598	14,174	(39)	5,753	7	19,896	228	4,798	131,522
Changes of items during the period													
Dividends from surplus			(1,204)		(1,204)								(1,204)
Reversal of revaluation reserve for land			259		259								259
Net income attributable to owners of parent			2,140		2,140								2,140
Purchase of treasury shares				(539)	(539)								(539)
Disposal of treasury shares		14		350	364								364
Change in ownership interest of parent due to transactions with non-controlling interests		3,232			3,232								3,232
Net changes of items other than shareholders' equity					—	(6,761)	37	(259)	(5)	(6,988)	(228)	(4,798)	(12,015)
Total changes of items during the period	—	3,246	1,195	(188)	4,253	(6,761)	37	(259)	(5)	(6,988)	(228)	(4,798)	(7,762)
Balance at the end of the period	17,965	5,972	87,758	(844)	110,852	7,412	(1)	5,494	1	12,907	—	—	123,759

Current fiscal year (From April 1, 2019, to March 31, 2020)

(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 (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	165,078	25,044	795,402	(6,026)	979,498	130,245	(360)	52,868	69	182,822	2,101	44,089	1,208,510
Changes of items during the period													
Dividends from surplus			(11,066)		(11,066)								(11,066)
Reversal of revaluation reserve for land			2,382		2,382								2,382
Net income attributable to owners of parent			19,666		19,666								19,666
Purchase of treasury shares				(4,953)	(4,953)								(4,953)
Disposal of treasury shares		130		3,221	3,351								3,351
Change in ownership interest of parent to transactions with non-controlling interests		29,704			29,704								29,704
Net changes of items other than shareholders' equity					—	(62,131)	346	(2,382)	(52)	(64,219)	(2,101)	(44,089)	(110,409)
Total changes of items during the period	—	29,834	10,982	(1,732)	39,084	(62,131)	346	(2,382)	(52)	(64,219)	(2,101)	(44,089)	(71,325)
Balance at the end of the period	165,078	54,878	806,384	(7,758)	1,018,582	68,114	(14)	50,486	17	118,603	—	—	1,137,185

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from operating activities			
Income before income taxes	¥ 3,166	¥ 4,433	\$ 29,094
Depreciation	1,048	1,112	9,636
Impairment loss	97	37	896
Increase (decrease) in allowance for loan losses	612	(281)	5,626
Increase (decrease) in provision for bonuses	0	0	6
Increase (decrease) in provision for directors' bonuses	0	(8)	(4)
Increase (decrease) in liability for retirement benefits	112	75	1,034
Increase (decrease) in provision for share-based compensation for executive officers ..	144	—	1,328
Increase (decrease) in provision for reimbursement of deposits	(70)	1	(651)
Increase (decrease) in provision for contingent losses	13	(20)	125
Increase (decrease) in provision for losses on earthquake-proofing measures...	—	(333)	—
Increase (decrease) in provision for point card certificates	10	16	93
Gain on fund management	(23,748)	(23,356)	(218,215)
Financing expenses	1,478	1,397	13,583
Loss (Gain) related to securities	(130)	(402)	(1,195)
Loss (Gain) on money held in trust	(70)	(71)	(649)
Foreign exchange losses (gains)	2,992	(1,537)	27,501
Loss (Gain) on disposal of non-current assets	165	27	1,518
Net decrease (increase) in loans and bills discounted	(57,962)	(43,372)	(532,597)
Net increase (decrease) in deposits	88,347	76,098	811,797
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ..	39,752	67,722	365,267
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)...	(99)	191	(914)
Net decrease (increase) in call loans	(132)	(144)	(1,219)
Net increase (decrease) in call money	48,305	(11,740)	443,862
Net increase (decrease) in payables under securities lending transactions ..	(33,021)	(6,345)	(303,426)
Net decrease (increase) in trading account securities	(21)	(65)	(193)
Net decrease (increase) in foreign exchanges - assets	831	1,405	7,643
Net increase (decrease) in foreign exchanges - liabilities	5	121	48
Net decrease (increase) in lease receivables and investment assets	(359)	(583)	(3,304)
Proceeds from fund management	24,364	23,749	223,878
Payments for finance	(1,475)	(1,415)	(13,556)
Other	6,501	1,736	59,740
Subtotal	100,858	88,447	926,752
Income taxes paid	(991)	(1,322)	(9,113)
Net cash provided by operating activities	99,866	87,125	917,639
Cash flows from investing activities:			
Purchase of securities	(214,826)	(253,994)	(1,973,966)
Proceeds from sale of securities	40,981	173,098	376,567
Proceeds from redemption of securities	119,329	79,377	1,096,477
Investment in money held in trust	—	(100)	—
Purchase of tangible fixed assets	(3,346)	(3,577)	(30,748)
Purchase of intangible fixed assets	(7)	(286)	(67)
Proceeds from sales of tangible fixed assets	323	151	2,969
Net cash provided by (used in) investing activities	(57,545)	(5,330)	(528,768)
Cash flows from financing activities:			
Cash dividends paid	(1,204)	(1,205)	(11,066)
Cash dividends paid to non-controlling interests	(3)	(3)	(35)
Purchase of treasury shares	(539)	(2)	(4,953)
Sale of treasury shares	364	209	3,351
Payments for purchase of stocks of subsidiaries (not affecting scope of consolidation) ..	(1,832)	—	(16,838)
Net cash provided by (used in) financing activities	(3,214)	(1,002)	(29,541)
Effect of exchange rate changes on cash and cash equivalents	4	10	38
Net increase (decrease) in cash and cash equivalents	39,110	80,803	359,368
Cash and cash equivalents at beginning of year	435,044	354,241	3,997,472
Cash and cash equivalents at end of year (Note 21)	¥ 474,154	¥ 435,044	\$ 4,356,840

Notes to the Consolidated Financial Statements

Years ended March 31, 2020 and 2019

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, 2020, which was ¥108.83 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, 2020 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: One company

Fukui Regional Revitalization Investment Limited Partnership

The accounts of the subsidiary have not been consolidated since its total assets, ordinary income, net income (loss), retained earnings and accumulated other comprehensive income did not have a significant impact on the consolidated financial statements.

(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: One company

Fukui Regional Revitalization Investment Limited Partnership

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

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

Investments in the affiliates are not accounted for by the equity method since their net income (loss), retained earnings attributable to the Company did not have a significant impact on the consolidated financial statements.

(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 other than those stated above, the allowance is provided for expected loss amounts. These are calculated based on the average actual loss ratios for the historical one-year or three-year loan loss records, using the lower limit of the average actual loss ratios for the entire measurable period in order to reflect long-term economic fluctuations.

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 ¥10,385 million (U.S. \$95,427 thousand) and ¥10,686 million for the fiscal year ended March 31, 2020 and 2019, 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 share-based compensation for executive officers

Provision for share-based compensation for executive officers is provided for issuance of shares to executive officers in accordance with the performance-linked stock compensation plan.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) Foreign currency translation

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

(xv) 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.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) 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 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

(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.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued.

Fair Value Accounting Standards are applicable to the fair value measurement of the following item:

Financial instruments in “Accounting Standard for Financial Instruments”

Moreover, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised and notes were established that included a breakdown of the content of each level of financial instruments’ fair value.

(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.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

The purpose of this standard is to provide an overview of the principles and procedures of the adopted accounting treatment in cases where the stipulations of the relevant accounting standards, etc., are not clear.

(2) Effective date

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

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

In order to ensure comparability of financial statements, “Accounting Standard for Disclosure of Accounting Estimates” was developed and published by ASBJ.

The accounting standard requires disclosure of information about sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year.

(2) Effective date

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

Additional information

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

(1) Trust-type Employee Share Ownership Incentive Plan

The Bank introduced the "Trust-type Employee Share Ownership Incentive Plan" (the "Incentive 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 Incentive Plan for all employees participating in the "Fukui Bank Employee Stock Holdings" (the "Employee Stock Holdings"). For the implementation of the Incentive Plan, the Bank has established the "Fukui Bank Stock Holding Partnership Exclusive Trust Account" (the "Trust") at the trust bank.

(i) 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.

(ii) 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 ¥317 million (U.S. \$2,921 thousand) and 138 thousand shares, respectively.

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

¥330 million (U.S. \$3,037 thousand)

(2) Board benefit trust

Based on a resolution of the Compensation Committee on June 14, 2019, the Bank reviewed the compensation regulations for executive officers, abolished the stock compensation-type stock option plan, and introduced a performance-linked stock compensation plan using a trust (the "Plan").

(i) Transaction outline

The Plan consists of a stock compensation scheme under which a trust established with cash paid by the Bank (the "Trust") acquires shares of the Bank. Shares corresponding to the points awarded to executive officers by the Bank will be transferred to executive officers through the Trust.

Under the Plan, shares will be awarded to executive officers who have held office during the five fiscal years ending March 31, 2020, through March 31, 2024. As a rule, shares will be transferred to the executive officers at the time of their retirement.

(ii) 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 ¥383 million (U.S. \$3,528 thousand) and 210 thousand shares, respectively.

Loan loss estimates associated with the widespread impact of the COVID-19

The bank assumes that the spread of the COVID-19 and its impact on the economy will continue for the time being and that the impact will be more severe on credit risks associated with loans to specific industries. With this assumption, the allowance for loan losses for borrowers with unsecured balance over certain amounts from such industries is recorded in accordance with the estimated cash flow method, based on the best estimates on the reporting date. However, the assumptions underlying the estimates are highly uncertain and significant additional allowance may be recognized for the fiscal year ending March 31, 2021 due to developments in the spread of COVID-19 and its impact on the economy.

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	
	2020	2019	2020	
Investments in capital	¥ 291	¥ 167	\$ 2,676	

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	
	2020	2019	2020	
	¥ 2,051	¥ 2,115	\$ 18,847	

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	
	2020	2019	2020	
Loans to borrowers in bankruptcy	¥ 770	¥ 693	\$ 7,083	
Other delinquent loans	26,486	25,285	243,376	

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	
	2020	2019	2020	
Delinquent loans past due three months or more	¥ 153	¥ 137	\$ 1,411	

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	
	2020	2019	2020	
Restructured loans	¥ 518	¥ —	\$ 4,762	

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	
	2020	2019	2020	
Total	¥ 27,929	¥ 26,116	\$ 256,632	

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
2020	2019	2020
¥ 8,530	¥ 10,133	\$ 78,381

10. Assets pledged

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets pledged as collateral			
Securities	¥ 268,250	¥ 264,040	\$ 2,464,854
Loans and bills discounted	81,892	—	752,481
Total	350,142	264,040	3,217,335
Corresponding liabilities to assets pledged as collateral			
Deposits	17,733	14,020	162,949
Call money and bills sold	3,809	—	35,000
Payables under repurchase agreements	61,158	16,661	561,960
Payables under securities lending transactions	8,090	41,112	74,341
Borrowed money	216,853	176,919	1,992,587

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
	2020	2019	2020
Securities	¥ 100	¥ 6,240	\$ 922
Other assets	25,343	25,058	232,870

Other assets include security deposits in the amount stated below.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Security deposits	¥ 213	¥ 201	\$ 1,964
Cash collateral for financial instruments etc.	1,437	468	13,210

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
	2020	2019	2020
Unutilized loan commitment lines	¥ 469,706	¥ 446,232	\$ 4,315,963
Loans for which the term of the agreement is one year or less	460,541	439,295	4,231,752

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
2020	2019	2020
¥ 8,251	¥ 8,431	\$ 75,819

13. Accumulated depreciation on tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accumulated depreciation	¥ 20,895	¥ 20,612	\$ 192,001

14. Fixed assets reduction entry

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Reduction entry	¥ 3,453	¥ 3,453	\$ 31,731
(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
2020	2019	2020
¥ 1,237	¥ 560	\$ 11,366

Notes to the Consolidated Statements of Operations

16. Other income includes the following.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gains on sales of shares	¥ 255	¥ 637	\$ 2,345

17. General and administrative expenses include the following.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salaries and allowances	¥ 9,847	¥ 9,947	\$ 90,487

18. Other expenses include the following.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Losses on devaluation of shares	¥ 92	¥ —	\$ 849
Losses on sales of shares	¥ 675	¥ 580	\$ 6,206

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
	2020	2019	2020
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ (9,123)	¥ 1,654	\$ (83,830)
Reclassification adjustments	(482)	(365)	(4,429)
Amount before tax effect	(9,605)	1,288	(88,259)
Tax effect	2,841	(471)	26,113
Total	(6,763)	817	(62,146)
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	54	(54)	498
Reclassification adjustments	—	—	—
Amount before tax effect	54	(54)	498
Tax effect	(16)	16	(152)
Total	37	(37)	346
Remeasurement of defined benefit plans			
Gains (losses) arising during the year	(3)	13	(36)
Reclassification adjustments	(4)	(11)	(38)
Amount before tax effect	(8)	2	(74)
Tax effect	2	(0)	23
Total	(5)	1	(51)
Total other comprehensive income	(6,731)	781	(61,851)

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, 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 (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						228	
Total							228	

(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 11, 2018 Board of Directors	Common shares	602	25	March 31, 2018	June 1, 2018
November 8, 2018 Board of Directors	Common shares	602	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 (Millions of yen)	Dividend resources	Dividends per share (Yen)	Record date	Effective date
May 10, 2019 Board of Directors	Common shares	602	Retained earnings	25	March 31, 2019	May 31, 2019

Note: The total dividend amount includes ¥6 million in dividends to the employee stock ownership trust.

Current fiscal year (From April 1, 2019, to March 31, 2020)

(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	283	310	165	429	(Notes 1, 2, 3)
Total	283	310	165	429	

Notes:

1. The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (249 thousand shares at the beginning of the fiscal year and 138 thousand shares at the end of the fiscal year) and shares held by the board benefit trust (zero shares at the beginning of the fiscal year and 210 thousand shares at the end of the fiscal year).
2. The number of treasury shares increased due to the acquisition of 210 thousand shares of the Bank by the board benefit trust, the acquisition of 100 thousand shares of treasury shares, and the purchase of 0 thousand fractional share units.
3. The number of treasury shares decreased by 111 thousand shares due to a transfer of the shares of the Bank held by the employee stock ownership trust to the Stockholding Association, 53 thousand shares due to the exercise of stock options 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						-	-	
Total							-	-	

(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 10, 2019 Board of Directors	Common shares	602	5,538	25	March 31, 2019	May 31, 2019
November 8, 2019 Board of Directors	Common shares	601	5,528	25	September 30, 2019	December 4, 2019

Note: Total dividend amounts pursuant to the resolutions of the Board of Directors of May 10, 2019, and November 8, 2019, respectively include dividend amounts of ¥6 million (\$57 thousand) and ¥4 million (\$43 thousand) paid to the employee stock ownership trust.

(ii) Dividends with a record date during the fiscal year ended March 31, 2020, but whose effective date is after March 31, 2020, 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 8, 2020 Board of Directors	Common shares	601	5,528	Retained earnings	25	March 31, 2020	May 29, 2020

Note: Total dividend amounts include ¥3 million (\$32 thousand) in dividends paid to shares of the employee stock ownership trust and ¥5 million (\$48 thousand) in dividends paid to shares of the board benefit 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, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥ 474,536	¥ 435,326	\$ 4,360,345
Time deposits in other banks	(241)	(241)	(2,221)
Other deposits	(139)	(40)	(1,284)
Cash and cash equivalents	474,154	435,044	4,356,840

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
	2020	2019	2020
Within one year	¥ 1	¥ 0	\$ 13
Over one year	4	2	39
Total	5	2	52

(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 Group utilizes the funds of securities on the investment side.

Furthermore, the Group 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 Group's own market risks, and as a measure for investing with partially mitigated risk. And the Group 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 Group 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 Group 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 Group by the deterioration in the creditworthiness of the obligor.

For the Group, credit risk is an unavoidable risk for the purposes of its business operations. The Group aims to create its structure capable of controlling credit risk because the Group is fully aware of the necessity of rapid responsive action to such risk. Specifically, the Group 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 Group 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 Group considers market risk as a constituent part of ALM. The Group 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 Group to manage integrally the Group'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 Group 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 the amount of market risk (VaR) of loans and deposits accounts, the Group considers core deposits and uses an internal model approach to measure core deposits.

At the end of this fiscal year, the total amount of market risk (VaR) of the Group amounted to ¥47,295 million/\$434,585 thousand (¥29,508 million at the previous fiscal year-end) and loans and deposit accounts totaled ¥20,392 million/\$187,376 thousand (¥17,635 million at the previous fiscal year-end).

In order to verify the reliability of its methods for measuring market risk, the Group 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, 2020, displayed four instances where actual losses exceeded VaR (similarly no instances were displayed in the previous fiscal year). The Group 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 Group considers controlling of cash management risk the important management issue since market liquidity risk and settlement risk belong ultimately to cash management risk.

The Group 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 Group 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, 2020 and 2019, 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, 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 repurchase agreements	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: ()

Current fiscal year (March 31, 2020)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	474,536	474,536	–
(2) Trading account securities			
Securities for trading purposes	591	591	–
(3) Securities			
Available-for-sale securities	657,356	657,356	–
(4) Loans and bills discounted	1,719,190		
Allowance for loan losses ^{*1}	(13,429)		
	1,705,761	1,754,001	48,240
Total assets	2,838,245	2,886,485	48,240
(1) Deposits	2,488,546	2,488,623	77
(2) Payables under repurchase agreements	61,158	61,158	–
(3) Borrowed money	217,183	217,183	–
Total liabilities	2,766,887	2,766,965	77
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	(113)	(113)	–
Qualifying for hedge accounting	421	421	–
Total derivative transactions	307	307	–

*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	4,360,345	4,360,345	–
(2) Trading account securities			
Securities for trading purposes	5,432	5,432	–
(3) Securities			
Available-for-sale securities	6,040,219	6,040,219	–
(4) Loans and bills discounted	15,797,028		
Allowance for loan losses ^{*1}	(123,399)		
	15,673,629	16,116,891	443,262
Total assets	26,079,625	26,522,887	443,262
(1) Deposits	22,866,361	22,867,074	713
(2) Payables under repurchase agreements	561,960	561,960	–
(3) Borrowed money	1,995,624	1,995,624	–
Total liabilities	25,423,945	25,424,658	713
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	(1,045)	(1,045)	–
Qualifying for hedge accounting	3,869	3,869	–
Total derivative transactions	2,824	2,824	–

*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 repurchase agreements

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
	2020	2019	2020
Unlisted stocks ^{*1, *2}	¥ 1,463	¥ 1,460	\$ 13,445
Investments in partnerships ^{*3}	1,484	487	13,643
Total	2,947	1,948	27,088

*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, no impairment loss 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, 2020 and 2019

Previous 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, 2020)

(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	444,252	–	–	–	–	–
Securities	102,788	126,604	117,907	45,495	96,550	92,272
Available-for-sale securities with maturities	102,788	126,604	117,907	45,495	96,550	92,272
Government bonds	27,400	17,000	–	–	–	24,000
Local government bonds	22,634	18,274	5,573	1,751	41,427	8,046
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	16,399	36,715	47,557	22,800	5,900	60,226
Loans and bills discounted*	486,785	348,911	217,688	129,090	130,220	358,700
Total	1,033,826	475,515	335,595	174,585	226,770	450,972

* 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 ¥26,529 million and those without maturity, amounting to ¥21,265 million.

Current fiscal year (March 31, 2020)

(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	4,082,077	–	–	–	–	–
Securities	944,487	1,163,323	1,083,405	418,044	887,166	847,856
Available-for-sale securities with maturities	944,487	1,163,323	1,083,405	418,044	887,166	847,856
Government bonds	251,769	156,207	–	–	–	220,527
Local government bonds	207,984	167,919	51,211	16,093	380,659	73,932
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	150,685	337,361	436,985	209,501	54,213	553,396
Loans and bills discounted	4,472,894	3,206,022	2,000,259	1,186,163	1,196,549	3,295,972
Total	9,499,458	4,369,345	3,083,664	1,604,207	2,083,715	4,143,828

* 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 \$243,772 thousand and those without maturity, amounting to \$195,399 thousand.

Note 4: Repayment schedule of interest-bearing liabilities after March 31, 2020 and 2019

Previous 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 repurchase agreements	16,661	–	–	–	–	–
(3) Borrowed money	177,147	284	–	–	–	–
Total	2,478,864	103,907	8,560	1,717	1,241	–

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

Current fiscal year (March 31, 2020)

(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*	2,384,875	92,323	8,137	1,739	1,469	–
(2) Payables under repurchase agreements	61,158	–	–	–	–	–
(3) Borrowed money	115,517	60,466	41,200	–	–	–
Total	2,561,551	152,789	49,337	1,739	1,469	–

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

Current fiscal year (March 31, 2020)

(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*	21,913,773	848,329	74,774	15,986	13,500	–
(2) Payables under repurchase agreements	561,960	–	–	–	–	–
(3) Borrowed money	1,061,450	555,601	378,572	–	–	–
Total	23,537,183	1,403,930	453,346	15,986	13,500	–

* 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	
	2020	2019	2020	
Valuation difference reflected on the statements of operations	¥	(11)	¥	(8)
			\$	(105)

(2) Securities-held-to-maturity

Previous fiscal year (March 31, 2019)

None

Current fiscal year (March 31, 2020)

None

(3) Available-for-sale securities

Previous 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, 2020)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	22,276	9,638	12,637
	Bonds	220,033	217,008	3,025
	Government bonds	63,601	61,808	1,792
	Local government bonds	73,397	72,611	785
	Short-term corporate bonds	—	—	—
	Corporate bonds	83,034	82,588	446
	Others	127,673	122,393	5,280
	Foreign securities	90,730	88,608	2,122
	Subtotal	369,983	349,040	20,943
Securities for which carrying amount does not exceed acquisition cost	Stocks	7,747	9,680	(1,933)
	Bonds	139,655	140,477	(821)
	Government bonds	6,986	7,058	(71)
	Local government bonds	25,084	25,182	(97)
	Short-term corporate bonds	—	—	—
	Corporate bonds	107,584	108,236	(652)
	Others	139,969	147,719	(7,750)
	Foreign securities	81,025	82,886	(1,861)
	Subtotal	287,372	297,878	(10,505)
Total		657,356	646,918	10,438

Current fiscal year (March 31, 2020)

(Thousands of U.S. dollars)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	204,693	88,569	116,124
	Bonds	2,021,810	1,994,014	27,796
	Government bonds	584,410	567,937	16,473
	Local government bonds	674,421	667,205	7,216
	Short-term corporate bonds	—	—	—
	Corporate bonds	762,979	758,872	4,107
	Others	1,173,148	1,124,629	48,519
	Foreign securities	833,691	814,188	19,503
	Subtotal	3,399,651	3,207,212	192,439
Securities for which carrying amount does not exceed acquisition cost	Stocks	71,187	88,954	(17,767)
	Bonds	1,283,248	1,290,796	(7,548)
	Government bonds	64,199	64,854	(655)
	Local government bonds	230,496	231,393	(897)
	Short-term corporate bonds	—	—	—
	Corporate bonds	988,553	994,549	(5,996)
	Others	1,286,133	1,357,345	(71,212)
	Foreign securities	744,516	761,618	(17,102)
	Subtotal	2,640,568	2,737,095	(96,527)
Total		6,040,219	5,944,307	95,912

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

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

None

Current fiscal year (From April 1, 2019, to March 31, 2020)

None

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

Previous 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, 2019, to March 31, 2020)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	1,274	140	238
Bonds	3,175	114	–
Government bonds	3,175	114	–
Local government bonds	–	–	–
Short-term corporate bonds	–	–	–
Corporate bonds	–	–	–
Others	24,394	952	746
Foreign securities	15,777	287	18
Total	28,845	1,207	985

Current fiscal year (From April 1, 2019, to March 31, 2020)

(Thousands of U.S. dollars)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	11,714	1,289	2,195
Bonds	29,183	1,054	–
Government bonds	29,183	1,054	–
Local government bonds	–	–	–
Short-term corporate bonds	–	–	–
Corporate bonds	–	–	–
Others	224,156	8,755	6,859
Foreign securities	144,972	2,641	167
Total	265,053	11,098	9,054



(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.

No impairment losses were recognized in the previous fiscal year.

Impairment losses recognized were ¥92 million (\$849 thousand; all related to “Stocks”) 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, 2019)

None

Current fiscal year (March 31, 2020)

None

(2) Money held in trust held to maturity

Previous fiscal year (March 31, 2019)

None

Current fiscal year (March 31, 2020)

None

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

Previous 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, 2020)

(Millions of yen)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	6,504	6,504	—	—	—

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

Current fiscal year (March 31, 2020)

(Thousands of U.S. dollars)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	59,764	59,764	—	—	—

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	
	2020	2019	2020	
Valuation differences	¥ 10,438	¥ 20,043	\$ 95,912	
Securities	10,438	20,043	95,912	
Deferred tax liability	(3,013)	(5,855)	(27,689)	
Valuation differences on available-for-sale securities (before adjustment for non-controlling interests)	7,424	14,188	68,223	
Non-controlling interests	(11)	(13)	(109)	
Valuation differences on available-for-sale securities	7,412	14,174	68,114	

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, 2019)

None

Current fiscal year (March 31, 2020)

None

(ii) Currency-related transactions

Previous 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, 2020)

(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	20,640	-	(33)	(33)
	Purchased	8,460	-	(80)	(80)
	Currency options				
	Sold	47,394	32,770	(1,447)	1,291
	Purchased	47,394	32,770	1,447	(829)
	Others				
	Sold	-	-	-	-
	Purchased	-	-	-	-
Total				(113)	348

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, 2020)

(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	189,660	-	(304)	(304)
	Purchased	77,736	-	(743)	(743)
	Currency options				
	Sold	435,495	301,115	(13,296)	11,871
	Purchased	435,495	301,115	13,298	(7,622)
	Others				
	Sold	-	-	-	-
	Purchased	-	-	-	-
Total				(1,045)	3,202

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, 2019)

None

Current fiscal year (March 31, 2020)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2019)

None

Current fiscal year (March 31, 2020)

None

(v) Commodity-related transactions

Previous fiscal year (March 31, 2019)

None

Current fiscal year (March 31, 2020)

None

(vi) Credit derivative transactions

Previous fiscal year (March 31, 2019)

None

Current fiscal year (March 31, 2020)

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, 2019)

None

Current fiscal year (March 31, 2020)

None

(ii) Currency-related transactions

Previous 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, 2020)

(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	10,883	10,883	421
Total					421

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, 2020)

(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	3,869
Total					3,869

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, 2019)

None

Current fiscal year (March 31, 2020)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2019)

None

Current fiscal year (March 31, 2020)

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	
	2020	2019	2020	
Retirement benefit obligations (opening balance)	¥ 5,293	¥ 5,217	\$ 48,637	
Service cost-benefits earned during the fiscal year	308	312	2,834	
Interest cost on projected benefit obligations	26	26	243	
Actuarial differences	3	(13)	37	
Retirement benefits paid	(226)	(249)	(2,080)	
Past service cost	—	—	—	
Other	—	—	—	
Retirement benefit obligations (closing balance)	¥ 5,405	¥ 5,293	\$ 49,671	

(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	
	2020	2019	2020	
Net defined benefit liability	¥ 5,405	¥ 5,293	\$ 49,671	
Net defined benefit asset	—	—	—	
Net of liabilities and assets recorded in the consolidated balance sheet	¥ 5,405	¥ 5,293	\$ 49,671	

(iii) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
Service cost-benefits earned during the fiscal year	¥ 308	¥ 312	\$ 2,835	
Interest cost on projected benefit obligations	26	26	243	
Expected return on plan assets	—	—	—	
Amortization of actuarial differences	(4)	(11)	(38)	
Amortization of past service cost	—	—	—	
Other	—	—	—	
Retirement benefit expenses for defined benefit obligations	¥ 330	¥ 327	\$ 3,040	

(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	
	2020	2019	2020	
Past service cost	¥	—	¥	—
Actuarial differences		(8)	2	(74)
Other		—	—	—
Total	¥	(8)	¥	2
			\$	(74)

(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	
	2020	2019	2020	
Unrecognized past service cost	¥	—	¥	—
Unrecognized actuarial differences		(2)	(10)	(25)
Other		—	—	—
Total	¥	(2)	¥	(10)
			\$	(25)

(vi) Actuarial assumptions

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

	2020	2019
Discount rate	0.5%	0.5%
Expected rate of retirement benefits basis increase	4.5%	4.5%

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 ¥65 million in the previous fiscal year, and ¥65 million (\$598 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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
General and administrative expenses	¥ 10	¥ 40	\$ 94	

Note: As stated in the additional information, based on a resolution of the Compensation Committee on June 14, 2019, the Bank has abolished the stock compensation-type stock option plan for executive officers and has introduced a performance-linked stock compensation plan.

(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 2020); 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	8,320	7,020	11,290	10,360	3,900
Forfeited	3,570	2,340	3,840	3,990	7,710
Unexercised	–	–	–	–	–

	2016	2017	2018
Unvested stock options (shares)			
At the beginning of the fiscal year	–	–	20,600
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	20,600
Unvested	–	–	–
Vested stock options (shares)			
At the beginning of the fiscal year	16,480	17,190	–
Vested	–	–	20,600
Exercised	5,090	3,630	4,340
Forfeited	11,390	13,560	16,260
Unexercised	–	–	–

Notes:

1. 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.
2. The "Forfeited" category of "Vested stock options" refer to vested stock options for which rights have been waived on the condition that appropriate performance points are granted in accordance with the performance-linked stock compensation plan with regard to subscription rights to shares granted but not yet exercised due to the abolition of the stock compensation-type stock option system and the introduction of the performance-linked stock compensation plan.

B. Unit price information

	2011	2012	2013	2014	2015
Exercise price (yen)	1	1	1	1	1
Average stock price when exercised (yen)	1,461	1,461	1,461	1,461	1,461
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)	1,461	1,461	1,461
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.

30. Income Taxes

(1) Deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets			
Allowance for loan losses	¥ 6,574	¥ 5,988	\$ 60,411
Liability for retirement benefits	1,646	1,612	15,130
Depreciation	926	994	8,514
Impairment loss on land	813	809	7,474
Devaluation of securities	659	748	6,057
Others	1,038	1,093	9,539
Subtotal	11,658	11,246	107,125
Valuation allowance*	(5,684)	(5,986)	(52,231)
Total deferred tax assets	5,974	5,260	54,894
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(3,013)	(5,855)	(27,689)
Reserve for advanced depreciation of non-current assets	(176)	(119)	(1,626)
Others	(12)	(9)	(110)
Total deferred tax liabilities	(3,202)	(5,984)	(29,425)
Net deferred tax assets (liabilities)	¥ 2,771	¥ (724)	\$ 25,469

* The valuation allowance amount decreased by ¥302 million (U.S. \$2,775 thousand). This decrease is mainly due to a ¥154 million (U.S. \$1,424 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

	2020	2019
Statutory effective tax rate	30.46%	30.46%
(Adjustments)		
Permanent differences such as entertainment expenses	1.31	1.01
Permanent differences such as dividend income	(1.3)	(0.74)
Change in the valuation allowance amount	(9.54)	(8.89)
Inhabitant tax on per capita basis	1.29	0.93
Others	1.58	0.74
Effective tax rate after adoption of tax effect accounting	23.80%	23.51%

31. Business combinations

Transactions under common control

Additional acquisition of shares in subsidiaries by the Bank

(1) Transaction outline

(i) Names and business lines of the companies subject to the business combination

Names	Business lines
The Fukui Credit Guarantee Service Co., Ltd.	Guarantee services, etc.
The Fukui Capital & Consulting Co., Ltd.	Asset administration, asset operation, and consulting services for investment partnerships
Fukui Card Co., Ltd.	Credit card services
The Fukui Net Co., Ltd.	Computer-related services
The Fukugin Lease Co., Ltd.	Leasing services

(ii) Dates of the business combination

Names	Dates
The Fukui Credit Guarantee Service Co., Ltd.	March 12, 2020
The Fukui Capital & Consulting Co., Ltd.	March 26, 2020
Fukui Card Co., Ltd.	March 17, 2020
The Fukui Net Co., Ltd.	March 23, 2020
The Fukugin Lease Co., Ltd.	March 24, 2020

(iii) Legal form of the business combination

Acquisition of shares from non-controlling interests

(iv) Company names after the business combination

Unchanged

(v) Other matters concerning the business combination

Amid the drastic changes in the environment of the financial industry, it is necessary for the Group to be a provider of integrated financial services. Based on this judgment, the Bank decided to raise the ownership interest in the above subsidiaries to 100% to further build up and enhance its financial offerings.

(2) Outline of implemented accounting treatment

The transaction was accounted for as a transaction with non-controlling interests under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Acquisition of additional shares in subsidiaries

Acquisition cost and its breakdown

		Millions of yen	Thousands of U.S.dollars
Consideration for acquisition	Cash and due from banks	1,832	16,838
Total acquisition cost		1,832	16,838

(4) Changes in ownership interest of the Bank

- (i) Major reason for change in capital surplus
Acquisition of additional shares in subsidiaries
- (ii) Increase in capital surplus due to transactions with non-controlling interests
¥3,232 million (\$29,704 thousand)

32. Asset retirement obligations

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2019, to March 31, 2020)

This note is not provided due to its low materiality.

33. Investment and rental property

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2019, to March 31, 2020)

This note is not provided due to its low materiality.

34. 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, 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 doubtful accounts	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 doubtful accounts	1	789
Written-off of loans	–	889
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, etc.
4. Segment income is adjusted to ordinary income stated in the consolidated statement of income.

Current fiscal year (From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	33,756	6,670	40,426	302	40,729
Intersegment	191	1,128	1,319	530	1,849
Total	33,947	7,799	41,746	833	42,579
Segment profits	3,051	1,305	4,356	248	4,605
Segment assets	2,944,952	20,127	2,965,079	1,731	2,966,811
Segment liabilities	2,826,095	14,652	2,840,748	1,240	2,841,989
Others					
Depreciation	1,068	3	1,071	3	1,075
Interest income	23,330	480	23,810	1	23,812
Interest expenses	1,477	56	1,534	–	1,534
Reversal of allowance for loan losses	–	–	–	0	0
Provision of allowance for doubtful accounts	2,436	18	2,454	–	2,454
Written-off of loans	502	0	502	–	502
Increase in tangible fixed assets and intangible fixed assets	3,348	0	3,349	10	3,359

(Millions of yen)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	0	40,729
Intersegment	(1,849)	–
Total	(1,849)	40,729
Segment profits	(1,192)	3,413
Segment assets	(15,791)	2,951,019
Segment liabilities	(14,729)	2,827,260
Others		
Depreciation	(26)	1,048
Interest income	(63)	23,748
Interest expenses	(55)	1,478
Reversal of allowance for loan losses	(0)	–
Provision of allowance for doubtful accounts	(0)	2,454
Written-off of loans	–	502
Increase in tangible fixed assets and intangible fixed assets	–	3,359

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, 2019, to March 31, 2020)

(Thousands of U.S. dollars)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	310,172	61,296	371,468	2,784	374,252
Intersegment	1,756	10,367	12,123	4,871	16,994
Total	311,928	71,663	383,591	7,655	391,246
Segment profits	28,036	11,995	40,031	2,286	42,317
Segment assets	27,060,118	184,940	27,245,058	15,911	27,260,969
Segment liabilities	25,967,987	134,640	26,102,627	11,397	26,114,024
Others					
Depreciation	9,816	31	9,847	34	9,881
Interest income	214,375	4,413	218,788	12	218,800
Interest expenses	13,577	520	14,097	–	14,097
Reversal of allowance for loan losses	–	–	–	1	1
Provision of allowance for doubtful accounts	22,385	173	22,558	–	22,558
Written-off of loans	4,614	1	4,615	–	4,615
Increase in tangible fixed assets and intangible fixed assets	30,770	7	30,777	93	30,870

(Thousands of U.S. dollars)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	0	374,252
Intersegment	(16,994)	–
Total	(16,994)	374,252
Segment profits	(10,955)	31,362
Segment assets	(145,101)	27,115,868
Segment liabilities	(135,341)	25,978,683
Others	–	
Depreciation	(245)	9,636
Interest income	(585)	218,215
Interest expenses	(514)	13,583
Reversal of allowance for loan losses	(1)	–
Provision of allowance for doubtful accounts	(6)	22,552
Written-off of loans	–	4,615
Increase in tangible fixed assets and intangible fixed assets	–	30,870

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, 2018 to March 31, 2019)

(1) Information by service

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	17,877	8,761	7,076	7,883	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."

(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, 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.

Current fiscal year (From April 1, 2019, to March 31, 2020)

(1) Information by services

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	18,360	8,029	6,670	7,669	40,729

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."
3. Due to increased materiality, "Commission for new mortgage," etc., which were classified in "Others" in the fiscal year ended March 31, 2019, have been classified in "Lending business" from the fiscal year ended March 31, 2020. Following the change, the table was reorganized for the year ended March 31, 2019.

(Thousands of U.S. dollars)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	168,706	73,776	61,296	70,473	374,251

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."
3. Due to increased materiality, "Commission for new mortgage," etc., which were classified in "Others" in the fiscal year ended March 31, 2019, have been classified in "Lending business" from the fiscal year ended March 31, 2020. Following the change, the table was reorganized for the year ended March 31, 2019.

(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, 2020 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, 2020 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, 2018 to March 31, 2019)

None

Current fiscal year (From April 1, 2019, to March 31, 2020)

None

Information related to gain on negative goodwill by reportable segment

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

None

Current fiscal year (From April 1, 2019, to March 31, 2020)

None

35. 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, 2018 to March 31, 2019)

Not applicable.

Current fiscal year (From April 1, 2019, to March 31, 2020)

Not applicable.

B. Transactions between the Group and unconsolidated subsidiaries or affiliates

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

Not applicable.

Current fiscal year (From April 1, 2019, to March 31, 2020)

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, 2018 to March 31, 2019)

Not applicable.

Current fiscal year (From April 1, 2019, to March 31, 2020)

Not applicable.

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

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

Type	Name (company or individual)	Location	Capital stock or equity (Millions of 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	—

Transaction content	Transaction amount	Account	Balance at the end of the period (Millions of yen)
Lending of funds	—	Loans	143

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

Identical to terms used with general transaction counterparties.

Current fiscal year (From April 1, 2019, to March 31, 2020)

Type	Name (company or individual)	Location	Capital stock or equity (Millions of 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	–

Transaction content	Transaction amount	Account	Balance at the end of the period	
			(Millions of yen)	(Thousand of U.S. dollars)
Lending of funds	–	Loans	131	1,206

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, 2018 to March 31, 2019)

There were no material transactions.

Current fiscal year (From April 1, 2019, to March 31, 2020)

There were no material transactions.

(2) Notes concerning the parent company or important affiliates

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

None

Current fiscal year (From April 1, 2019, to March 31, 2020)

None

36. Per-share information

	Yen		U.S. dollars	
	2020	2019	2020	
Net assets per share of common stock	¥ 5,218.59	¥ 5,301.39	\$ 47.95	
Net income per share of common stock	89.83	132.69	0.83	
Diluted net income per share of common stock	—	132.10	—	

Notes 1: Diluted net income per share of common stock in the current fiscal year is not stated as there are no dilutive shares.

2: 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	
	2020	2019	2020	
Net assets as reported	¥ 123,759	¥ 131,522	\$ 1,137,186	
Less:	—	5,026	—	
Subscription rights to shares	—	228	—	
Non-controlling interests	—	4,798	—	
Net assets attributable to common shares at the end of the period	¥ 123,759	¥ 126,495	\$ 1,137,186	

(Thousands of shares)

	2020	2019
The number of shares of common stock outstanding	23,715	23,860

(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	
	2020	2019	2020	
Net income per share of common stock				
Net income attributable to owners of parent	¥ 2,140	¥ 3,158	\$ 19,666	
Net income not attributable to common shareholders	—	—	—	
Net income attributable to owners of parent related to common stock	¥ 2,140	¥ 3,158	\$ 19,666	

(Thousands of shares)

	2020	2019
Average number of shares of common stock outstanding	23,824	23,803

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
Diluted net income per share of common stock				
Adjustments to net income attributable to owners of parent	¥ —	¥ —	\$ —	

(Thousands of shares)		
	2020	2019
Effect of dilutive securities:	–	106
Subscription rights to shares	–	106
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.

Notes 3: The Bank's shares remaining in the employee stock ownership trust and the board benefit trust are recorded as treasury shares, which are deducted from the number of shares outstanding at the end of the year when calculating the net assets per share. They are also deducted from the average number of shares outstanding during the year when calculating the net income per share.

(Thousands of shares)				
	2020		2019	
	Employee stock ownership trust	Board benefit trust	Employee stock ownership trust	Board benefit trust
Number of treasury shares outstanding at the end of the year, deducted when calculating net assets per share	138	210	249	–
Average number of treasury shares outstanding during the year, deducted when calculating net income per share	202	44	306	–

Significant subsequent events

None



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Fukui Bank, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

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

The audit committee is responsible for overseeing the executive directors' and directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kashiwagi, Katsuhiro
Designated Engagement Partner
Certified Public Accountant

Kutsuwada, Rumiko
Designated Engagement Partner
Certified Public Accountant

Ishibashi, Yuichi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
August 31, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Corporate Information

Directors and Executive Officers (as of June 30, 2020)

Director, President and Representative Statutory Executive Officer:	Masahiro Hayashi	Directors:	Hideyuki Maeda Kazuhiro Uchikami* Masaru Nanbo* Yuko Mitsuya* *Outside Directors
Director and Representative Managing Executive Officer:	Toru Yuasa		
Director and Representative Managing Executive Officer:	Eiichi Hasegawa	Statutory Executive Officer:	Masatake Yoshida
Director and Managing Executive Officer:	Osamu Watanabe	Statutory Executive Officer:	Shin Okada
Director and Statutory Executive Officer:	Noriyuki Satake		

Corporate Data (as of March 31, 2020)

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 May 31, 2020)

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:	<table> <tr><td>Fukui</td><td>76</td></tr> <tr><td>Ishikawa</td><td>10</td></tr> <tr><td>Toyama</td><td>4</td></tr> <tr><td>Shiga</td><td>2</td></tr> <tr><td>Tokyo.....</td><td>1</td></tr> <tr><td>Aichi.....</td><td>1</td></tr> <tr><td>Kyoto</td><td>2</td></tr> <tr><td>Osaka</td><td>1</td></tr> <tr><td>Other</td><td>1</td></tr> <tr><td>Total.....</td><td>98</td></tr> </table>	Fukui	76	Ishikawa	10	Toyama	4	Shiga	2	Tokyo.....	1	Aichi.....	1	Kyoto	2	Osaka	1	Other	1	Total.....	98
Fukui	76																				
Ishikawa	10																				
Toyama	4																				
Shiga	2																				
Tokyo.....	1																				
Aichi.....	1																				
Kyoto	2																				
Osaka	1																				
Other	1																				
Total.....	98																				
Correspondent Banking Network:	34 countries 82 cities 147 banks																				

Consolidated Subsidiaries (as of June 30, 2020)

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