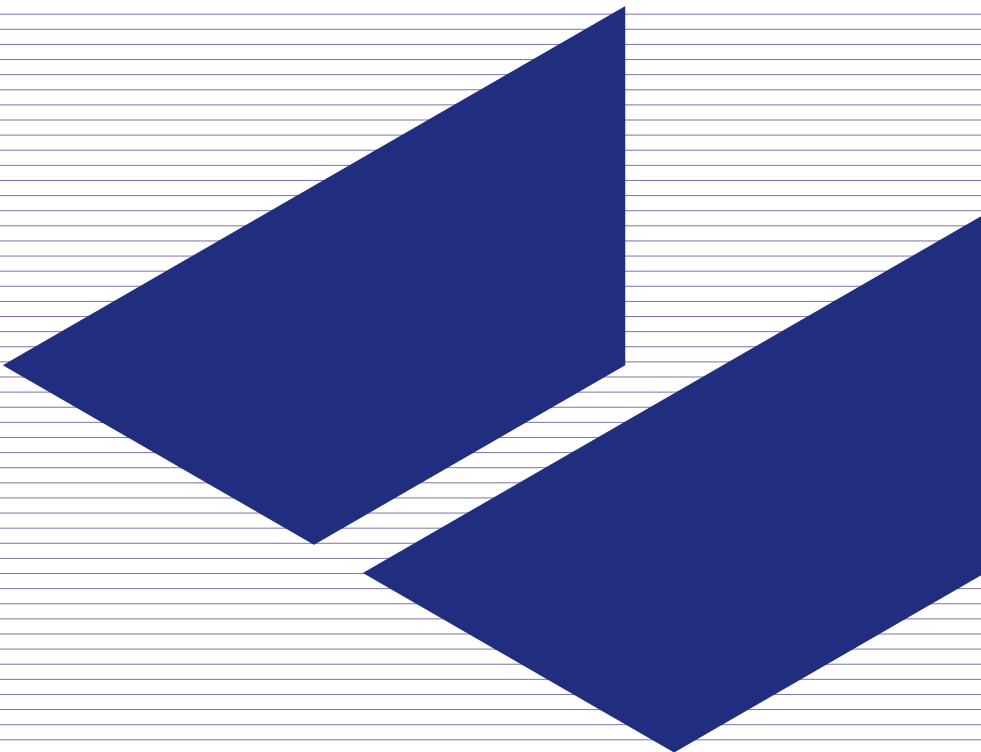


THE FUKUI BANK REPORT
2021.3
Financial Statements



REPORT
2021.3



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Profile

Innovative Action

Our Mission as a Regional Bank

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

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

Recently, regional financial institutions have faced a continuation of uncertain prospects arising in the main from the continuing long-term policy by the government of monetary easing, banking market entries by other industries, shrinking population in our regional base, the advancement of demographic aging, and the spread of the novel coronavirus. Conversely, though, the development of the traffic network in Fukui—particularly of the Chubu-Jukan Expressway and with the extension of the Hokuriku Shinkansen—is predicted to have a major positive impact on the business environment in the prefecture. In response to this turbulent environment, the Bank declared the one-year period of fiscal 2021 to be “A term in which to improve organizational capabilities in short order.” With the three themes of “Demonstrating consulting functions,” “Reforming work processes,” and “Revolutionizing personnel development,” the Bank will contribute to the sustainable development of Fukui Prefecture as well as gain a robust management foundation and construct a strong management culture.

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.

The Bank will continue to further strengthen its corporate governance structure and provide a wide range of products and services. This will allow it to fulfill its role as both an incorporated company and a regional financial institution. Going forward, the Bank will continue to strive to be a financial institution that truly deserves your trust.

Consolidated Financial Highlights

The Fukui Bank, Ltd. and its consolidated subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
For the Year:				
Total income	¥ 42,536	¥ 40,872	¥ 41,651	\$ 384,216
Total expenses	38,274	37,705	37,217	345,714
Income before income taxes	4,262	3,166	4,433	38,502
Net income attributable to owners of parent	2,553	2,140	3,158	23,067
Net income per share of common stock	107.48	89.83	132.69	0.97
At Year-end:				
Deposits	¥ 2,774,895	¥ 2,488,546	¥ 2,400,198	\$ 25,064,542
Loans and bills discounted	1,790,164	1,719,190	1,661,228	16,169,855
Trading account securities	482	591	570	4,356
Securities	725,306	660,304	613,594	6,551,413
Total assets	3,513,315	2,951,019	2,802,693	31,734,402
Total net assets	136,607	123,759	131,522	1,233,924

Notes:

- The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥110.71 per US\$1.00 on March 31, 2021. 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 first half of the period under review moved into an extremely difficult situation due to the implementation of strict public health measures, such as restricting people from leaving home unnecessarily and pausing sales and production activities, to combat the spread of COVID-19. In the latter half of the year, economic activities restarted and this caused the economy to improve. The speed of these improvements was kept to a gentle pace, however, by the sense of caution engendered by the pandemic. While it is predicted that the economy will continue to improve as virus countermeasures and economic activities gain ground, the trend for restrictions aimed at COVID-19—and the degree of impact they have on the economy—mean that this could change. As such, we find ourselves in very uncertain times.

As for the regional economy of Fukui Prefecture, the situation continues to be difficult due to the pandemic. There are signs, though, of improvements ahead with a steady return to production and personal consumption activities. Expectations are also high for the prefecture's economic base as a high degree of public investment continues, particularly focused on work related to the extension of the Hokuriku Shinkansen to Tsuruga. On the other hand, as the effects of the pandemic are forecast to continue for the time being, the resulting economic deceleration in the region—and the impact on corporate activities and personal consumption—requires close attention.

Consolidated Performance Review

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

Consolidated ordinary income increased by ¥1,651 million from the previous year to ¥42,381 million mainly due to an increase in gains from interest and dividends on securities and sales of stocks. Ordinary expenses increased by ¥830 million from the previous year to ¥38,146 million mainly due to an increase in losses on sales of government bonds.

As a result, ordinary profit increased by ¥821 million from the previous year to ¥4,234 million. Net income attributable to owners of the parent increased by ¥413 million from the previous year to ¥2,553 million.

In terms of reportable segments, ordinary income from banking operations increased by ¥1,210 million from the previous year to ¥35,157 million. Segment profit increased by ¥803 million from the previous year to ¥3,855 million. Ordinary income from leasing operations decreased by ¥654 million from the previous year to ¥7,144 million, while segment profit decreased by ¥974 million to ¥330 million. Ordinary income from “Others” outside of the reportable segments decreased by ¥188 million to ¥644 million, and segment profit decreased by ¥207 million from the previous year to ¥41 million. Each amount above included intersegment transactions.

Cash Flows

Consolidated net cash flows rose by ¥483,845 million provided by operating activities, ¥53,767 million was used in investing activities, and ¥976 million used in financing activities. As a result, cash and cash equivalents at the end of the year were ¥903,247 million, which increased by ¥429,092 million compared with the previous year.

Net cash provided by operating activities

Net cash provided by operating activities was ¥483,845 million. Main factors behind the increase were income from an increase in deposits and borrowed money that exceeded expenditure, reflecting factors such as increased lending. Net cash provided by operating activities was ¥383,979 million higher than in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities was ¥53,767 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 ¥3,778 million lower than in the previous fiscal year.

Net cash used in financing activities


Net cash used in financing activities was ¥976 million, reflecting the payment of dividends. Net cash used in financing activities was ¥2,238 million lower 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 policy by the government of monetary easing, 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 COVID-19 spread on the regional economy, harsh conditions are predicted to continue in the near term.

However, Fukui Prefecture will benefit from an improved traffic network after the development 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. With an eye on recovery and development of the regional economy post-pandemic, the Bank feels firmly that it will be necessary to further demonstrate its consulting functions.

In fiscal 2021, the Bank must, in these trying times, work to improve its organizational capabilities in a short timeframe. That is why it is implementing a one-year, short-term management plan entitled “Toward Realizing Our Corporate Philosophy (Chapter 2).” One key concept behind the plan is an “Unchanging approach” toward customers and the region, and the Bank will continue with activities based on “Understanding business” and “Understanding customers,” which the Bank is implementing in an integrated manner. The other key concept is the “Evolving organization” of



the Group, which refers to efforts to bring about more sustainable management through reforms to the Group's organizational structure and culture. These two key concepts form the basis for the three themes and a sixteen-point action plan the Bank will work to steadily implement. In that way, the Bank will contribute to the sustainable development of Fukui Prefecture as well as gain a robust management foundation and construct a strong management culture.

By working to advance the F-project (a comprehensive collaborative project aimed at developing the regional economy) in conjunction with the Fukuho Bank, Ltd., the Bank will achieve greater synergies as a group sooner and maximize the group's effectiveness.

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
	2021	2020	2021
Assets:			
Cash and due from banks (Notes 10 and 23)	¥ 903,663	¥ 474,536	\$ 8,162,435
Monetary claims bought	906	951	8,185
Trading account securities (Note 23)	482	591	4,356
Money held in trust (Note 25)	6,502	6,504	58,733
Securities (Notes 3, 4, 10, 15, 23 and 24)	725,306	660,304	6,551,413
Loans and bills discounted (Notes 5, 6, 7, 8, 9, 10, 11 and 23)	1,790,164	1,719,190	16,169,855
Foreign exchange (Note 9)	7,533	8,538	68,052
Other assets (Notes 10 and 27)	53,215	54,316	480,672
Tangible fixed assets (Notes 12, 13, 14, 30 and 31)	30,294	27,758	273,639
Intangible fixed assets	264	310	2,388
Deferred tax assets (Note 29)	935	2,772	8,450
Customers' liabilities for acceptances and guarantees (Note 15)	8,567	8,953	77,390
Allowance for doubtful receivables (Note 23)	(14,521)	(13,707)	(131,166)
Total assets	¥ 3,513,315	¥ 2,951,019	\$ 31,734,402
Liabilities:			
Deposits (Notes 10 and 23)	¥ 2,774,895	¥ 2,488,546	\$ 25,064,542
Call money and bills sold (Note 10)	—	3,809	—
Payables under repurchase agreements (Notes 10 and 23)	71,947	61,158	649,870
Payables under securities lending transactions (Notes 10 and 23)	8,673	8,090	78,347
Borrowed money (Notes 10 and 23)	475,895	217,183	4,298,577
Foreign exchange	99	195	895
Other liabilities (Note 27 and 30)	24,604	30,109	222,245
Provision for bonuses	229	228	2,076
Provision for directors' bonuses	8	8	75
Liability for retirement benefits (Note 28)	5,373	5,405	48,539
Provision for share-based compensation for executive officers	166	144	1,508
Provision for reimbursement of deposits	228	272	2,066
Provision for contingent losses	183	212	1,658
Provision for losses on earthquake-proofing measures	312	452	2,825
Provision for point loyalty programs	66	54	601
Provision for losses on guarantees	70	—	632
Deferred tax liabilities (Note 29)	2,957	0	26,718
Deferred tax liabilities for land revaluation (Note 12)	2,426	2,435	21,914
Acceptances and guarantees (Note 15)	8,567	8,953	77,390
Total liabilities	¥ 3,376,707	¥ 2,827,260	\$ 30,500,478
Net assets (Note 20):			
Capital stock	¥ 17,965	¥ 17,965	\$ 162,275
Capital surplus	5,972	5,972	53,946
Retained earnings	89,132	87,758	805,095
Treasury shares	(617)	(844)	(5,577)
Total shareholders' equity	112,452	110,852	1,015,739
Valuation difference on available-for-sale securities (Note 26)	18,709	7,412	168,995
Deferred gains (losses) on hedges	(27)	(1)	(248)
Revaluation reserve for land (Note 12)	5,471	5,494	49,424
Remeasurements of defined benefit plans	1	1	14
Total accumulated other comprehensive income	24,155	12,907	218,185
Total net assets	136,607	123,759	1,233,924
Total liabilities and net assets	¥ 3,513,315	¥ 2,951,019	\$ 31,734,402

Consolidated Statements of Operations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income:			
Interest on loans and discounts.....	¥ 16,031	¥ 16,256	\$ 144,806
Interest and dividends on securities	8,230	6,827	74,347
Other interest income.....	736	664	6,652
Fees and commissions.....	7,666	7,995	69,252
Other operating income.....	7,735	7,332	69,874
Other income (Note 16).....	2,135	1,796	19,285
Total income	42,536	40,872	384,216
Expenses:			
Interest on deposits.....	249	475	2,255
Interest on borrowings.....	(82)	712	(746)
Other interest expenses.....	80	290	731
Fees and commissions payments	2,999	2,980	27,093
Other operating expenses	8,962	6,491	80,956
General and administrative expenses (Note 17)	23,194	22,486	209,506
Other expenses (Note 18).....	2,869	4,269	25,919
Total expenses.....	38,274	37,705	345,714
Income before income taxes	4,262	3,166	38,502
Income taxes—current (Note 29)	1,705	1,535	15,408
Income taxes—deferred (Note 29)	3	(781)	27
Net income	2,553	2,412	23,067
Net income attributable to non-controlling interests	—	272	—
Net income attributable to owners of parent	¥ 2,553	¥ 2,140	\$ 23,067
Net income per share of common stock (Note 34)	¥ 107.48	¥ 89.83	\$ 0.97

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income	¥ 2,553	¥ 2,412	\$ 23,067
Other comprehensive income (loss) (Note 19)	11,270	(6,731)	101,801
Valuation difference on available-for-sale securities	11,296	(6,763)	102,037
Deferred gains (losses) on hedges	(25)	37	(234)
Adjustments for retirement benefits	(0)	(5)	(2)
Comprehensive income (loss)	13,824	(4,318)	124,868
Comprehensive income (loss) attributable to owners of parent.....	13,824	(4,589)	124,868
Comprehensive income attributable to non-controlling interests	—	270	—

Consolidated Statements of Changes in Net Assets

Previous 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	Remeasur- ements 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, 2020 to March 31, 2021)

(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	Remeasur- ements of de- fined benefit plans	Total ac- cumulated other com- prehensive income			
Balance at the start of the period	17,965	5,972	87,758	(844)	110,852	7,412	(1)	5,494	1	12,907	—	—	123,759
Changes of items during the period													
Dividends from surplus			(1,203)		(1,203)								(1,203)
Reversal of revaluation reserve for land			22		22								22
Net income attributable to owners of parent			2,553		2,553								2,553
Purchase of treasury shares				(1)	(1)								(1)
Disposal of treasury shares		0		228	228								228
Change in ownership interest of parent due to transactions with non-controlling interests					—								—
Net changes of items other than shareholders' equity					—	11,296	(25)	(22)	(0)	11,247	—	—	11,247
Total changes of items during the period	—	0	1,373	226	1,600	11,296	(25)	(22)	(0)	11,247	—	—	12,847
Balance at the end of the period	17,965	5,972	89,132	(617)	112,452	18,709	(27)	5,471	1	24,155	—	—	136,607

Current fiscal year (From April 1, 2020 to March 31, 2021)

(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	162,275	53,946	792,691	(7,627)	1,001,285	66,957	(14)	49,629	17	116,589	—	—	1,117,874
Changes of items during the period													
Dividends from surplus			(10,868)		(10,868)								(10,868)
Reversal of revaluation reserve for land			205		205								205
Net income attributable to owners of parent			23,067		23,067								23,067
Purchase of treasury shares				(10)	(10)								(10)
Disposal of treasury shares		0		2,060	2,060								2,060
Change in ownership interest of parent to transactions with non-controlling interests					—								—
Net changes of items other than shareholders' equity						102,038	(234)	(205)	(3)	101,596	—	—	101,596
Total changes of items during the period	—	0	12,404	2,050	14,454	102,038	(234)	(205)	(3)	101,596	—	—	116,050
Balance at the end of the period	162,275	53,946	805,095	(5,577)	1,015,739	168,995	(248)	49,424	14	218,185	—	—	1,233,924

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities			
Income before income taxes	¥ 4,262	¥ 3,166	\$ 38,502
Depreciation	1,159	1,048	10,474
Impairment loss	90	97	820
Increase (decrease) in allowance for doubtful receivables	813	612	7,350
Increase (decrease) in provision for bonuses	1	0	11
Increase (decrease) in provision for directors' bonuses	0	(0)	2
Increase (decrease) in liability for retirement benefits	(31)	112	(289)
Increase (decrease) in provision for share-based compensation for executive officers	22	144	203
Increase (decrease) in provision for reimbursement of deposits	(43)	(70)	(394)
Increase (decrease) in provision for contingent losses	(28)	13	(258)
Increase (decrease) in provision for losses on earthquake-proofing measures	(139)	—	(1,259)
Increase (decrease) in provision for point card certificates	12	10	111
Increase (decrease) in provision for losses on guarantees	70	—	632
Gain on fund management	(24,998)	(23,748)	(225,804)
Financing expenses	247	1,478	2,239
Loss (Gain) related to securities	1,171	(130)	10,578
Loss (Gain) on money held in trust	(55)	(70)	(503)
Foreign exchange losses (gains)	(6,565)	2,992	(59,299)
Loss (Gain) on disposal of non-current assets	21	165	190
Net decrease (increase) in loans and bills discounted	(70,974)	(57,962)	(641,081)
Net increase (decrease) in deposits	286,349	88,347	2,586,482
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ..	258,711	39,752	2,336,842
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan) ..	(34)	(99)	(313)
Net decrease (increase) in call loans	45	(132)	409
Net increase (decrease) in call money	6,979	48,305	63,047
Net increase (decrease) in payables under securities lending transactions ..	583	(33,021)	5,269
Net decrease (increase) in trading account securities	108	(21)	984
Net decrease (increase) in foreign exchanges - assets	1,004	831	9,068
Net increase (decrease) in foreign exchanges - liabilities	(96)	5	(871)
Net decrease (increase) in lease receivables and investment assets	451	(359)	4,074
Proceeds from fund management	25,504	24,364	230,376
Payments for finance	(434)	(1,475)	(3,920)
Other	1,535	6,501	13,869
Subtotal	485,744	100,858	4,387,541
Income taxes paid	(1,898)	(991)	(17,151)
Net cash provided by operating activities	483,845	99,866	4,370,390
Cash flows from investing activities:			
Purchase of securities	(231,825)	(214,826)	(2,093,985)
Proceeds from sale of securities	73,069	40,981	660,012
Proceeds from redemption of securities	109,527	119,329	989,317
Purchase of tangible fixed assets	(4,561)	(3,346)	(41,201)
Purchase of intangible fixed assets	(17)	(7)	(154)
Proceeds from sales of tangible fixed assets	44	323	404
Payments for asset retirement obligations	(5)	—	(54)
Net cash used in investing activities	(53,767)	(57,545)	(485,661)
Cash flows from financing activities:			
Cash dividends paid	(1,203)	(1,204)	(10,868)
Cash dividends paid to non-controlling interests	—	(3)	—
Purchase of treasury shares	(1)	(539)	(10)
Sale of treasury shares	228	364	2,060
Payments for purchase of stocks of subsidiaries (not affecting scope of consolidation) ..	—	(1,832)	—
Net cash used in financing activities	(976)	(3,214)	(8,818)
Effect of exchange rate changes on cash and cash equivalents	(9)	4	(90)
Net increase (decrease) in cash and cash equivalents	429,092	39,110	3,875,821
Cash and cash equivalents at beginning of year	474,154	435,044	4,282,856
Cash and cash equivalents at end of year (Note 21)	¥ 903,247	¥ 474,154	\$ 8,158,677

Notes to the Consolidated Financial Statements

Years ended March 31, 2021 and 2020

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, 2021, which was ¥110.71 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, 2021 include the accounts of the Bank and its five 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: Five companies

The Fukugin Lease Co., Ltd.

The Fukui Credit Guarantee Service Co., Ltd.

Fukui Card Co., Ltd.

The Fukui Net 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 Group 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: Five 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 doubtful receivables

The Bank records allowance for doubtful receivables 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 ("bankrupt borrowers") and against borrowers that are in substantially similar adverse condition ("substantially bankrupt borrowers"), 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 ("potentially bankrupt borrowers"), 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 potentially bankrupt 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 "cash flow estimation 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 bankrupt borrowers or substantially bankrupt borrowers 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 ¥9,750 million (U.S. \$88,072 thousand) and ¥10,385 million for the fiscal year ended March 31, 2021 and 2020, respectively.

As for the consolidated subsidiaries, the allowance for doubtful receivables for general claims is provided based on the historical loan-loss ratios, and the allowance for doubtful receivables 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) Provision for losses on guarantees

Provision for losses on guarantees is provided for the repayment of borrowings of the "Fukui Bank Stock Holding Partnership Exclusive Trust Account" established for the implementation of the "Trust-type Employee Share Ownership Incentive Plan," in the amount of the estimated repayment.

(xiv) 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.

(xv) Foreign currency translation

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

(xvi) 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.

(xvii) 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 Specific Committee Practical Guidance No. 25, October 8, 2020).

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.

(xviii) 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.

(xix) 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.

(xx) 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.

Significant accounting estimates

Items recorded in the consolidated financial statements for the fiscal year under based on accounting estimates that may have a significant impact on the consolidated financial statements for the next fiscal year are as follows.

Allowance for doubtful receivables

(1) Carrying amounts in consolidated financial statements for the current fiscal year

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Allowance for doubtful receivables	¥ 14,521	\$ 131,166

Of the amount above, the allowance for doubtful receivables recorded at the Bank was ¥13,107 million (U.S. \$118,393 thousand). Of this, the allowance for doubtful receivables for claims to corporations, including ¥955,179 million loans to corporations, was ¥11,278 million, which accounts for the major balance. Hence, the following calculation method for the allowance for doubtful receivables has been set forth with respect to the Bank.

(2) Information on the nature of significant accounting estimates for identified items

(i) Method of calculation

The calculation method of the allowance for doubtful receivables is described “(v) Allowance for doubtful receivables” in “Significant accounting policies.”

For calculating the allowance for doubtful receivables, the borrowers are classified into five categories based on the internal self-assessment criteria: “normal borrowers,” “borrowers requiring caution,” “potentially bankrupt borrowers,” “substantially bankrupt borrowers,” and “bankrupt borrowers.” Allowance for doubtful receivables is provided for each category of claims according to their assigned credit risk rating determined in accordance with the write-off and provisions policy.

The borrower categories are determined based on quantitative assessments using financial information of the borrowers, in consideration of qualitative factors such as the outlook for business continuity and profitability, the appropriateness of the business improvement plan, the financial support provided by other financial institutions, and the impact of COVID-19, including industry specific factors.

Notably, if business restructuring is initiated by implementing financial support in line with a reasonable and feasible business improvement plan, the borrower will be classified as borrowers requiring caution and claims will not constitute restructured loans.

(ii) Key assumptions

Key assumptions are “the business continuity and profitability outlook based on the characteristics of the specific industry with respect to determining borrower categories, the viability of business improvement plans, and the financial support provided by other financial institutions,” especially “prospects for future business recovery and business continuity resulting from a reasonable and feasible business improvement plan.” These assumptions are assessed and individually set for each borrower.

Notably, as of the end of the current fiscal year, COVID-19 was continuing to spread and its effects were expected for the foreseeable future. However, although all industries are affected, it is assumed that the degree of impact on credit risk depends on factors unique to individual companies. Based on these assumptions, the allowance for doubtful receivables is provided using cash flow estimation method for claims without sufficient collaterals to financially weak borrowers classified as potentially bankrupt borrowers.

(iii) Impact on consolidated financial statements for the next fiscal year

A change in the assumptions used in the initial estimates due to developments in COVID-19 and its impact on the economy could have a significant impact, such as requiring an increase in the allowance for doubtful receivables on consolidated accounts in the next fiscal year.

Unapplied accounting standards and others

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 26, 2021)

(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 effects of the application of the standard are expected to be insignificant.

“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 effects of the application of the standard are expected to be insignificant.

Changes in presentation method

Adoption of “Accounting Standard for Disclosure of Accounting Estimates”

The Group and its subsidiaries adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

Additional information

Transactions of delivering of the Bank'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. The accounting treatment of the trust agreement conforms to the provisions of "Practical Solution on Transactions of Delivering the Bank's Own Stock to Employees etc., through Trusts" (ASBJ PITF No. 30 of March 26, 2015).

(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 ¥107 million (U.S. \$968 thousand) and 46 thousand shares, respectively.

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

¥167 million (U.S. \$1,509 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"). The accounting treatment of the trust agreement adopt to the provisions of "Practical Solution on Transactions of Delivering the Bank's Own Stock to Employees etc., through Trusts" (ASBJ PITF No. 30 of March 26, 2015).

(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 ¥366 million (U.S. \$3,313 thousand) and 200 thousand shares, respectively.

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
	2021	2020	2021
Investments in capital	¥ 276	¥ 291	\$ 2,501

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
	2021	2020	2021
	¥ 1,816	¥ 2,051	\$ 16,411

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
	2021	2020	2021
Loans to borrowers in bankruptcy	¥ 729	¥ 770	\$ 6,585
Other delinquent loans	24,385	26,486	220,262

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
	2021	2020	2021
Delinquent loans past due three months or more	¥ 19	¥ 153	\$ 177

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
	2021	2020	2021
Restructured loans	¥ 1,181	¥ 518	\$ 10,669

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
	2021	2020	2021
Total	¥ 26,315	¥ 27,929	\$ 237,693

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

9. Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Specific Committee Practical Guidance No. 24, October 8, 2020. 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
		2021	2020	2021
¥	4,539	¥	8,530	\$ 41,005

10. Assets pledged

		Millions of yen		Thousands of U.S. dollars
		2021	2020	2021
Assets pledged as collateral				
Securities	¥	353,344	¥ 268,250	\$ 3,191,620
Loans and bills discounted		355,489	81,892	3,210,995
Other assets		31	—	287
Total		708,865	350,142	6,402,902
Corresponding liabilities to assets pledged as collateral				
Deposits		21,128	17,733	190,842
Call money and bills sold		—	3,809	—
Payables under repurchase agreements		71,947	61,158	649,870
Payables under securities lending transactions		8,673	8,090	78,347
Borrowed money		475,728	216,853	4,297,068

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
		2021	2020	2021
Securities	¥	—	¥ 100	\$ —
Other assets		25,311	25,343	228,630

Other assets include security deposits in the amount stated below.

		Millions of yen		Thousands of U.S. dollars
		2021	2020	2021
Security deposits	¥	201	¥ 213	\$ 1,822
Cash collateral for financial instruments etc.		1,628	1,437	14,705

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
		2021	2020	2021
Unutilized loan commitment lines	¥	523,811	¥ 469,706	\$ 4,731,384
Loans for which the term of the agreement is one year or less		510,811	460,541	4,613,961

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			
2021	2020	2021			
¥	8,205	¥	8,251	\$	74,115

13. Accumulated depreciation on tangible fixed assets

Millions of yen		Thousands of U.S. dollars				
2021	2020	2021				
Accumulated depreciation	¥	21,394	¥	20,895	\$	193,249

14. Fixed assets reduction entry

Millions of yen		Thousands of U.S. dollars				
2021	2020	2021				
Reduction entry	¥	3,359	¥	3,453	\$	30,348
(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			
2021	2020	2021			
¥	1,565	¥	1,237	\$	14,140

Notes to the Consolidated Statements of Operations

16. Other income includes the following.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Gains on sales of shares	¥ 898	¥ 255	\$ 8,120

17. General and administrative expenses include the following.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Salaries and allowances	¥ 9,773	¥ 9,847	\$ 88,280

18. Other expenses include the following.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Losses on devaluation of shares	¥ 257	¥ 92	\$ 2,326
Losses on sales of shares	¥ 371	¥ 675	\$ 3,357

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
	2021	2020	2021
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ 17,245	¥ (9,123)	\$ 155,768
Reclassification adjustments	(1,156)	(482)	(10,447)
Amount before tax effect	16,088	(9,605)	145,321
Tax effect	(4,791)	2,841	(43,283)
Total	11,296	(6,763)	102,038
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	(37)	54	(337)
Reclassification adjustments	—	—	—
Amount before tax effect	(37)	54	(337)
Tax effect	11	(16)	103
Total	(25)	37	(234)
Remeasurement of defined benefit plans			
Gains (losses) arising during the year	(0)	(3)	(2)
Reclassification adjustments	(0)	(4)	(2)
Amount before tax effect	(0)	(8)	(4)
Tax effect	0	2	1
Total	(0)	(5)	(3)
Total other comprehensive income	11,270	(6,731)	101,801

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, 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:

- 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).
- 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.
- 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

Not applicable.

(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 10, 2019 Board of Directors	Common shares	602	25	March 31, 2019	May 31, 2019
November 8, 2019 Board of Directors	Common shares	601	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 and ¥4 million 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 (Millions of yen)	Dividend resources	Dividends per share (Yen)	Record date	Effective date
May 8, 2020 Board of Directors	Common shares	601	Retained earnings	25	March 31, 2020	May 29, 2020

Note: Total dividend amounts include ¥3 million in dividends paid to shares of the employee stock ownership trust and ¥5 million in dividends paid to shares of the board benefit trust.

Current fiscal year (From April 1, 2020 to March 31, 2021)

(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	429	0	100	329	(Notes 1, 2, 3)
Total	429	0	100	329	

Notes:

1. The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (138 thousand shares at the beginning of the fiscal year and 46 thousand shares at the end of the fiscal year) and shares held by the board benefit trust (210 shares at the beginning of the fiscal year and 200 thousand shares at the end of the fiscal year).
2. The number of treasury shares increased due to the purchase of 0 thousand fractional share units.
3. The number of treasury shares decreased due to a transfer of 91 thousand shares of the Bank held by the employee stock ownership trust to the Stockholding Association, an award of 9 thousand shares associated with the retirement of one executive officer based on the board benefit trust, and 0 thousand shares due to requests for share purchases to supplement fractional share units.

(2) Subscription rights to shares

Not applicable.

(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 8, 2020 Board of Directors	Common shares	601	5,434	25	March 31, 2020	May 29, 2020
November 13, 2020 Board of Directors	Common shares	601	5,434	25	September 30, 2020	December 3, 2020

Note: Total dividend amounts pursuant to the resolutions of the Board of Directors of May 8, 2020, and November 13, 2020, respectively include dividend amounts of ¥3 million (\$31 thousand) and ¥2 million (\$20 thousand) paid to the employee stock ownership trust and ¥5 million (\$47 thousand) and ¥5 million (\$45 thousand) to the board benefit trust.

(ii) Dividends with a record date during the fiscal year ended March 31, 2021, but whose effective date is after March 31, 2021, 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 14, 2021 Board of Directors	Common shares	601	5,434	Retained earnings	25	March 31, 2021	June 4, 2021

Note: Total dividend amounts include ¥1 million (\$11 thousand) in dividends paid to shares of the employee stock ownership trust and ¥5 million (\$45 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, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥ 903,663	¥ 474,536	\$ 8,162,435
Time deposits in other banks	(186)	(241)	(1,688)
Other deposits	(229)	(139)	(2,070)
Cash and cash equivalents	903,247	474,154	8,158,677

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
	2021	2020	2021
Within one year	¥ 1	¥ 1	\$ 13
Over one year	2	4	25
Total	4	5	38

(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 respond to 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.

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 variance-covariance method is used to calculate the Group's market risk (VaR).

Notably, the holding period of net investment held in securities accounts has been changed from 1 year to 6 months.

Investment held in securities accounts

Holding period: 6 months; confidence level: 99.0%; observation period: 5 years

Policy investments held in securities accounts

Holding period: 1 year; confidence level: 99.0%; observation period: 5 years

Loans and deposits accounts

Holding period: 1 year; confidence level: 99.0%; observation period: 5 years

In the calculation of 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 ¥33,658 million/\$304,024 thousand (¥47,295 million at the previous fiscal year-end) and loans and deposit accounts totaled ¥22,431 million/\$202,612 thousand (¥20,392 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, 2021, displayed one instance where actual losses exceeded VaR (similarly four 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 captured 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 three 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, 2021 and 2020, 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, 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 doubtful receivables*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 doubtful receivables and specific allowance for doubtful receivables 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, 2021)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	903,663	903,663	—
(2) Trading account securities			
Securities for trading purposes	482	482	—
(3) Securities			
Available-for-sale securities	721,831	721,831	—
(4) Loans and bills discounted	1,790,164		
Allowance for doubtful receivables ^{*1}	(14,251)		
	1,775,912	1,827,350	51,437
Total assets	3,401,890	3,453,327	51,437
(1) Deposits	2,774,895	2,774,949	54
(2) Payables under repurchase agreements	71,947	71,947	—
(3) Borrowed money	475,895	475,895	—
Total liabilities	3,322,738	3,322,792	54
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	(614)	(614)	—
Qualifying for hedge accounting	211	211	—
Total derivative transactions	(403)	(403)	—

*1: A general allowance for doubtful receivables and specific allowance for doubtful receivables 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	8,162,435	8,162,435	—
(2) Trading account securities			
Securities for trading purposes	4,356	4,356	—
(3) Securities			
Available-for-sale securities	6,520,025	6,520,025	—
(4) Loans and bills discounted	16,169,855		
Allowance for doubtful receivables ^{*1}	(128,731)		
	16,041,124	16,505,738	464,614
Total assets	30,727,940	31,192,554	464,614
(1) Deposits	25,064,542	25,065,031	489
(2) Payables under repurchase agreements	649,870	649,870	—
(3) Borrowed money	4,298,577	4,298,577	—
Total liabilities	30,012,989	30,013,478	489
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	(5,554)	(5,554)	—
Qualifying for hedge accounting	1,910	1,910	—
Total derivative transactions	(3,644)	(3,644)	—

*1: A general allowance for doubtful receivables and specific allowance for doubtful receivables 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 bankrupt borrowers, substantially bankrupt borrowers or potentially bankrupt borrowers 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 (one year or less) 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
	2021	2020	2021
Unlisted stocks ^{*1, *2}	¥ 1,439	¥ 1,463	\$ 13,002
Investments in partnerships ^{*3}	2,035	1,484	18,387
Total	3,475	2,947	31,389

*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, 2021 and 2020

Previous 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, 2021)

(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	872,150	—	—	—	—	—
Securities	61,434	118,928	119,952	56,990	169,854	102,734
Available-for-sale securities with maturities	61,434	118,928	119,952	56,990	169,854	102,734
Government bonds	11,000	6,000	—	—	20,000	36,000
Local government bonds	10,550	10,171	6,501	2,751	55,027	11,930
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	16,558	42,217	54,019	19,500	7,400	51,823
Loans and bills discounted*	475,214	364,288	231,369	140,731	152,396	381,764
Total	1,408,799	483,217	351,322	197,722	322,251	484,499

* 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 ¥24,500 million and those without maturity, amounting to ¥19,899 million.

Current fiscal year (March 31, 2021)

(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	7,877,793	—	—	—	—	—
Securities	554,918	1,074,234	1,083,484	514,771	1,534,233	927,962
Available-for-sale securities with maturities	554,918	1,074,234	1,083,484	514,771	1,534,233	927,962
Government bonds	99,359	54,196	—	—	180,652	325,174
Local government bonds	95,301	91,874	58,725	24,853	497,039	107,767
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	149,568	381,337	487,941	176,136	66,841	468,100
Loans and bills discounted*	4,292,423	3,290,476	2,089,871	1,271,176	1,376,535	3,448,331
Total	12,725,134	4,364,710	3,173,355	1,785,947	2,910,768	4,376,293

* 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 \$221,302 thousand and those without maturity, amounting to \$179,740 thousand.

Note 4: Repayment schedule of interest-bearing liabilities after March 31, 2021 and 2020

Previous 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, 2021)

(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*	2,686,732	77,166	8,750	1,012	1,234	—
(2) Payables under repurchase agreements	71,947	—	—	—	—	—
(3) Borrowed money	154,795	148,900	172,200	—	—	—
Total	2,913,475	226,066	180,950	1,012	1,234	—

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

Current fiscal year (March 31, 2021)

(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*	24,268,201	697,012	79,036	9,145	11,148	—
(2) Payables under repurchase agreements	649,870	—	—	—	—	—
(3) Borrowed money	1,398,207	1,344,956	1,555,415	—	—	—
Total	26,316,278	2,041,968	1,634,451	9,145	11,148	—

* 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			
	2021	2020	2021			
Valuation difference reflected on the statements of operations	¥	(10)	¥	(11)	\$	(97)

(2) Securities-held-to-maturity

Previous fiscal year (March 31, 2020)

None

Current fiscal year (March 31, 2021)

None

(3) Available-for-sale securities

Previous 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, 2021)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	33,634	12,075	21,558
	Bonds	182,569	180,410	2,159
	Government bonds	33,730	32,334	1,396
	Local government bonds	44,272	43,877	395
	Short-term corporate bonds	—	—	—
	Corporate bonds	104,567	104,198	368
	Others	198,239	188,928	9,310
	Foreign securities	127,675	124,377	3,297
Subtotal	414,443	381,414	33,028	
Securities for which carrying amount does not exceed acquisition cost	Stocks	4,345	5,199	(854)
	Bonds	179,846	181,191	(1,345)
	Government bonds	40,714	41,223	(508)
	Local government bonds	52,852	53,122	(270)
	Short-term corporate bonds	—	—	—
	Corporate bonds	86,279	86,845	(566)
	Others	123,196	127,499	(4,302)
	Foreign securities	58,373	60,482	(2,108)
Subtotal	307,388	313,890	(6,502)	
Total		721,831	695,305	26,526

Current fiscal year (March 31, 2021)

(Thousands of U.S. dollars)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	303,806	109,073	194,733
	Bonds	1,649,082	1,629,579	19,503
	Government bonds	304,676	292,066	12,610
	Local government bonds	399,893	396,325	3,568
	Short-term corporate bonds	—	—	—
	Corporate bonds	944,513	941,188	3,325
	Others	1,790,618	1,706,517	84,101
	Foreign securities	1,153,244	1,123,455	29,789
Subtotal	3,743,506	3,445,169	298,337	
Securities for which carrying amount does not exceed acquisition cost	Stocks	39,252	46,968	(7,716)
	Bonds	1,624,478	1,636,633	(12,155)
	Government bonds	367,756	372,354	(4,598)
	Local government bonds	477,394	479,837	(2,443)
	Short-term corporate bonds	—	—	—
	Corporate bonds	779,328	784,442	(5,114)
	Others	1,112,788	1,151,651	(38,863)
	Foreign securities	527,267	546,314	(19,047)
Subtotal	2,776,518	2,835,252	(58,734)	
Total		6,520,024	6,280,421	239,603

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

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

None

Current fiscal year (From April 1, 2020 to March 31, 2021)

None

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

Previous 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, 2020 to March 31, 2021)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	3,205	644	284
Bonds	1,203	3	—
Government bonds	—	—	—
Local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	1,203	3	—
Others	38,054	1,222	1,877
Foreign securities	27,418	404	606
Total	42,463	1,870	2,162

Current fiscal year (From April 1, 2020 to March 31, 2021)

(Thousands of U.S. dollars)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	28,950	5,823	2,573
Bonds	10,870	30	—
Government bonds	—	—	—
Local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	10,870	30	—
Others	343,736	11,038	16,961
Foreign securities	247,660	3,652	5,476
Total	383,556	16,891	19,534

(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.

In the previous fiscal year, impairment loss was recognized in the amount of ¥92 million (all related to “Stocks”).

In the current fiscal year, Impairment loss was recognized in the amount of ¥878 million (\$7,935 thousand), of which ¥257 million (\$2,326 thousand) related to “Stocks” and ¥621 million (5,610 thousand) related to “Corporate bonds.”

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, 2020)

None

Current fiscal year (March 31, 2021)

None

(2) Money held in trust held to maturity

Previous fiscal year (March 31, 2020)

None

Current fiscal year (March 31, 2021)

None

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

Previous 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, 2021)

(Millions of yen)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	6,502	6,502	—	—	—

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

Current fiscal year (March 31, 2021)

(Thousands of U.S. dollars)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	58,733	58,733	—	—	—

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
	2021	2020	2021
Valuation differences	¥ 26,526	¥ 10,438	\$ 239,604
Securities	26,526	10,438	239,604
Deferred tax liability	(7,805)	(3,013)	(70,502)
Valuation differences on available-for-sale securities (before adjustment for non-controlling interests)	18,721	7,424	169,102
Non-controlling interests	(11)	(11)	(107)
Valuation differences on available-for-sale securities	18,709	7,412	168,995

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, 2020)

None

Current fiscal year (March 31, 2021)

None

(ii) Currency-related transactions

Previous 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, 2021)

(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	—	—	—	—
OTC	Purchased	—	—	—	—
	Currency swaps	—	—	—	—
	Forward exchange contracts				
	Sold	33,543	44	(781)	(781)
	Purchased	7,295	—	166	166
	Currency options				
	Sold	38,214	24,584	(1,241)	930
	Purchased	38,214	24,584	1,241	(567)
	Others				
	Sold	—	—	—	—
Purchased	—	—	—	—	
Total				(614)	(252)

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, 2021)

(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	—	—	—	—
OTC	Purchased	—	—	—	—
	Currency swaps	—	—	—	—
	Forward exchange contracts				
	Sold	302,982	400	(7,055)	(7,055)
	Purchased	65,899	—	1,501	1,501
	Currency options				
	Sold	345,178	222,065	(11,210)	8,405
	Purchased	345,178	222,065	11,210	(5,128)
	Others				
	Sold	—	—	—	—
Purchased	—	—	—	—	
Total				(5,554)	(2,277)

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, 2020)

None

Current fiscal year (March 31, 2021)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2020)

None

Current fiscal year (March 31, 2021)

None

(v) Commodity-related transactions

Previous fiscal year (March 31, 2020)

None

Current fiscal year (March 31, 2021)

None

(vi) Credit derivative transactions

Previous fiscal year (March 31, 2020)

None

Current fiscal year (March 31, 2021)

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, 2020)

None

Current fiscal year (March 31, 2021)

None

(ii) Currency-related transactions

Previous 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:

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

Current fiscal year (March 31, 2021)

(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	11,071	11,071	211
Total					211

Notes:

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

Current fiscal year (March 31, 2021)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Notional amounts (total)	Notional amounts (over one year)	Fair value
Deferral method	Currency swaps	Foreign-currency denominated securities	100,000	100,000	1,910
Total					1,910

Notes:

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



(iii) Stock-related transactions

Previous fiscal year (March 31, 2020)
None

Current fiscal year (March 31, 2021)
None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2020)
None

Current fiscal year (March 31, 2021)
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	
	2021	2020	2021	
Retirement benefit obligations (opening balance)	¥ 5,405	¥ 5,293	\$ 48,828	
Service cost-benefits earned during the fiscal year	298	308	2,699	
Interest cost on projected benefit obligations	27	26	244	
Actuarial differences	0	3	2	
Retirement benefits paid	(358)	(226)	(3,234)	
Past service cost	—	—	—	
Other	—	—	—	
Retirement benefit obligations (closing balance)	¥ 5,373	¥ 5,405	\$ 48,539	

(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	
	2021	2020	2021	
Net defined benefit liability	¥ 5,373	¥ 5,405	\$ 48,539	
Net defined benefit asset	—	—	—	
Net of liabilities and assets recorded in the consolidated balance sheet	¥ 5,373	¥ 5,405	\$ 48,539	

(iii) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Service cost-benefits earned during the fiscal year	¥ 298	¥ 308	\$ 2,700	
Interest cost on projected benefit obligations	27	26	244	
Expected return on plan assets	—	—	—	
Amortization of actuarial differences	(0)	(4)	(2)	
Amortization of past service cost	—	—	—	
Other	—	—	—	
Retirement benefit expenses for defined benefit obligations	¥ 325	¥ 330	\$ 2,942	

(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	
	2021	2020	2021	
Past service cost	¥ —	¥ —	\$ —	—
Actuarial differences	(0)	(8)	(4)	(4)
Other	—	—	—	—
Total	¥ (0)	¥ (8)	\$ (4)	(4)

(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	
	2021	2020	2021	
Unrecognized past service cost	¥ —	¥ —	\$ —	—
Unrecognized actuarial differences	(2)	(2)	(21)	(21)
Other	—	—	—	—
Total	¥ (2)	¥ (2)	\$ (21)	(21)

(vi) Actuarial assumptions

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

	2021	2020
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 (\$591 thousand) in the current fiscal year.

29. Income Taxes

(1) Deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets			
Allowance for doubtful receivables	¥ 6,704	¥ 6,574	\$ 60,562
Liability for retirement benefits	1,636	1,646	14,785
Devaluation of securities	878	659	7,933
Impairment loss on land	812	813	7,341
Depreciation	783	926	7,073
Others	1,183	1,038	10,693
Subtotal	11,999	11,658	108,387
Valuation allowance*	(6,028)	(5,684)	(54,451)
Total deferred tax assets	5,971	5,974	53,936
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(7,805)	(3,013)	(70,502)
Reserve for advanced depreciation of non-current assets	(174)	(176)	(1,578)
Others	(13)	(12)	(124)
Total deferred tax liabilities	(7,993)	(3,202)	(72,204)
Net deferred tax assets (liabilities)	¥ (2,022)	¥ 2,771	\$ (18,268)

* The valuation allowance amount increased by ¥343 million (\$3,106 thousand). This increase is mainly due to a ¥219 million (\$1,979 thousand) increase in the Bank's valuation allowance for devaluation of securities.

(2) Effective income tax rate

	2021	2020
Statutory effective tax rate	30.46%	30.46%
(Adjustments)		
Permanent differences such as entertainment expenses	0.78	1.31
Permanent differences such as dividend income	(2.61)	(1.30)
Change in the valuation allowance amount	8.09	(9.54)
Inhabitant tax on per capita basis	0.95	1.29
Others	2.41	1.58
Effective tax rate after adoption of tax effect accounting	40.08%	23.80%

30. Asset retirement obligations

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2020 to March 31, 2021)

This note is not provided due to its low materiality.

31. Investment and rental property

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2020 to March 31, 2021)

This note is not provided due to its low materiality.

32. 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, 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 doubtful receivables	—	—	—	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 doubtful receivables	(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, etc.
4. Segment income is adjusted to ordinary income stated in the consolidated statement of income.

Current fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	34,980	7,088	42,069	314	42,383
Intersegment	176	55	232	330	563
Total	35,157	7,144	42,301	644	42,946
Segment profits	3,855	330	4,185	41	4,226
Segment assets	3,507,327	19,063	3,526,391	1,601	3,527,992
Segment liabilities	3,375,881	13,369	3,389,251	1,081	3,390,332
Others					
Depreciation	1,144	6	1,150	5	1,156
Interest income	24,527	521	25,049	0	25,049
Interest expenses	247	51	298	—	298
Reversal of allowance for doubtful receivables	—	1	1	—	1
Provision of allowance for doubtful accounts	1,413	—	1,413	—	1,413
Written-off of loans	586	—	586	—	586
Increase in tangible fixed assets and intangible fixed assets	4,532	67	4,599	6	4,606

(Millions of yen)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	(1)	42,381
Intersegment	(563)	—
Total	(565)	42,381
Segment profits	8	4,234
Segment assets	(14,676)	3,513,315
Segment liabilities	(13,624)	3,376,707
Others		
Depreciation	3	1,159
Interest income	(51)	24,998
Interest expenses	(50)	247
Reversal of allowance for doubtful receivables	(1)	—
Provision of allowance for doubtful accounts	1	1,415
Written-off of loans	—	586
Increase in tangible fixed assets and intangible fixed assets	(17)	4,588

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, 2020 to March 31, 2021)

(Thousands of U.S. dollars)

	Reportable segment			Others	Total
	Banking	Leasing	Total		
Ordinary income					
Unaffiliated customers	315,963	64,031	379,994	2,837	382,831
Intersegment	1,598	504	2,102	2,988	5,090
Total	317,561	64,535	382,096	5,825	387,921
Segment profits	34,822	2,986	37,808	372	38,180
Segment assets	31,680,310	172,196	31,852,506	14,463	31,866,969
Segment liabilities	30,493,015	120,763	30,613,778	9,766	30,623,544
Others					
Depreciation	10,336	60	10,396	47	10,443
Interest income	221,546	4,714	226,260	6	226,266
Interest expenses	2,234	463	2,697	—	2,697
Reversal of allowance for doubtful receivables	—	14	14	—	14
Provision of allowance for doubtful accounts	12,771	—	12,771	—	12,771
Written-off of loans	5,295	—	5,295	—	5,295
Increase in tangible fixed assets and intangible fixed assets	40,939	608	41,547	58	41,605

(Thousands of U.S. dollars)

	Adjustment	Consolidated financial statement
Ordinary income		
Unaffiliated customers	(14)	382,817
Intersegment	(5,090)	—
Total	(5,104)	382,817
Segment profits	74	38,254
Segment assets	(132,567)	31,734,402
Segment liabilities	(123,066)	30,500,478
Others	—	
Depreciation	31	10,474
Interest income	(462)	225,804
Interest expenses	(458)	2,239
Reversal of allowance for doubtful receivables	(14)	—
Provision of allowance for doubtful accounts	16	12,787
Written-off of loans	—	5,295
Increase in tangible fixed assets and intangible fixed assets	(162)	41,443

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, 2019 to March 31, 2020)

(1) Information by service

(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."

(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, 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.

Current fiscal year (From April 1, 2020 to March 31, 2021)

(1) Information by services

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	17,589	10,095	7,088	7,607	42,381

Notes:

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

(Thousands of U.S. dollars)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary income from unaffiliated customers	158,882	91,188	64,031	68,716	382,817

Notes:

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

(2) Geographic information

(i) Ordinary income

More than 90% of the Group's income on the consolidated statements of operations for the fiscal years ended March 31, 2021 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, 2021 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, 2019 to March 31, 2020)

None

Current fiscal year (From April 1, 2020 to March 31, 2021)

None

Information related to gain on negative goodwill by reportable segment

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

None

Current fiscal year (From April 1, 2020 to March 31, 2021)

None

33. 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, 2019 to March 31, 2020)

Not applicable.

Current fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

B. Transactions between the Group and unconsolidated subsidiaries or affiliates

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

Not applicable.

Current fiscal year (From April 1, 2020 to March 31, 2021)

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, 2019 to March 31, 2020)

Not applicable.

Current fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

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

Previous 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)
Lending of funds	—	Loans	131

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

Current fiscal year (From April 1, 2020 to March 31, 2021)

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	120	1,086

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, 2019 to March 31, 2020)

There were no material transactions.

Current fiscal year (From April 1, 2020 to March 31, 2021)

There were no material transactions.

(2) Notes concerning the parent company or important affiliates

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

None

Current fiscal year (From April 1, 2020 to March 31, 2021)

None

34. Per-share information

	Yen		U.S. dollars	
	2021	2020	2021	
Net assets per share of common stock	¥ 5,736.08	¥ 5,218.59	\$	51.81
Net income per share of common stock	107.48	89.83		0.97

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 and net income per share is as follows.

(1) Net assets per share

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Net assets as reported	¥ 136,607	¥ 123,759	\$	1,233,924
Less	—	—		—
Net assets attributable to common shares at the end of the period	¥ 136,607	¥ 123,759	\$	1,233,924

(Thousands of shares)

	2021	2020
The number of shares of common stock outstanding	23,815	23,715

(2) Net income per share of common stock

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Net income per share of common stock				
Net income attributable to owners of parent	¥ 2,553	¥ 2,140	\$	23,067
Net income not attributable to common shareholders	—	—		—
Net income attributable to owners of parent related to common stock	¥ 2,553	¥ 2,140	\$	23,067

(Thousands of shares)

	2021	2020
Average number of shares of common stock outstanding	23,758	23,824

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)

	2021		2020	
	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	46	200	138	210
Average number of treasury shares outstanding during the year, deducted when calculating net income per share	98	205	202	44

Subsequent events

(Conclusion of a capital and business alliance agreement with The Fukuho Bank, Ltd.)

The Bank and Fukuho Bank, Ltd. (“Fukuho Bank”) (Collectively, the Bank and Fukuho Bank are referred to as “the two Banks” in the following), have discussed aiming to enter into a capital and business alliance agreement based on the agreement dated January 14, 2021. As a result, on May 14, 2021, the two Banks concluded a capital and business alliance agreement (the “Capital and Business Alliance Agreement”) (The basic business alliance under this agreement is referred to as the “Capital and Business Alliance”). The Bank has resolved to acquire a third-party allotment of common stock implemented by Fukuho Bank. As a result of this third-party allotment, Fukuho Bank will become a consolidated subsidiary of the Bank. The details are as follows.

(1) Outline of the business combination

(i) Name of the acquired company and its business outline

Name	Business line
The Fukuho Bank, Ltd.	Banking

(ii) Reasons for the business combination

The Capital and Business Alliance is thought to enable the two Banks to secure appropriate capital so that they can continue to provide financial intermediation functions in their operating region. It will also allow the two Banks to further accelerate and deepen their business alliance, enabling the early realization and maximization of the effects of the synergy created between the two Banks. Furthermore, the respective brands of the two Banks will also be maintained after the conclusion of the Capital and Business Alliance, thereby enabling the two Banks to contribute to the further sustainable development of the regional economy as financial groups leveraging their respective strengths in order to provide services of yet higher quality to customers, which is the objective of the Capital and Business Alliance Agreement.

(iii) Date of the business combination

October 1, 2021 (prospective)

(iv) Legal form of the business combination

Acquisition of shares for cash (Acquiring capital increase through third-party allotment)

(v) Company name after the business combination

Unchanged.

(vi) Percentage of voting rights acquired

51.98% (prospective)

(2) Acquisition cost and breakdowns by type of consideration

Consideration for acquisition	Cash and due from banks	¥5,000 million	\$45,163 thousand
Total acquisition cost	–	¥5,000 million	\$45,163 thousand

The capital increase through third-party allotment is based on the assumption that the Bank has acquired all 6 million shares of the Class A Preferred Stock of Fukuho Bank held by the Resolution and Collection Corporation in exchange for cash, and has completed their cancellation of all shares of the Class A Preferred Stock. In addition, it is assumed that notification to the financial authorities and the Japan Fair Trade Commission and approval will be obtained.

(Acquisition of treasury shares)

On June 11, 2021, the Board of Directors of the Bank resolved to acquire treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of the Act.

(1) Reason for acquiring treasury shares

For the purpose of implementing flexible capital policies in response to changes in the business environment.

(2) Details of the acquisition

(i) Class of shares acquired: Shares of common stock of the Bank

(ii) Total number of shares acquired: 450,000 shares

(iii) Total acquisition price of the shares: ¥652,950,000

(iv) Acquisition date: June 14, 2021



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 Bank”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, 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 and 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, 2021 and 2020, and its consolidated financial performance and its consolidated 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.

Emphasis of Matter

As described in “Significant subsequent events,” on May 14, 2021, the Bank concluded a capital and business alliance agreement between the Bank and Fukuho Bank, Ltd. (“Fukuho Bank”). Pursuant to the agreement, the Bank will acquire a third-party allotment of common stock implemented by Fukuho Bank, and Fukuho Bank will become a consolidated subsidiary of the Bank.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimates of allowance for doubtful receivables for loans to corporations

The key audit matter	How the matter was addressed in our audit
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The consolidated financial statements of the Bank and its subsidiaries reported loans and bills discounted of ¥1,790,164 million (approximately 51% of consolidated total assets) and allowance for doubtful receivables of ¥14,521 million in the consolidated balance sheet. Of this loan amount, the balance of loans to corporations at the Bank, the consolidated parent company, amounted to ¥955,179 million. The allowance for doubtful receivables for claims to corporations of the Bank was ¥11,278 million, which accounts for a major portion of the balance.

As described in Note 2, “Significant accounting policies and practices (4) Significant accounting policies (v) Allowance for doubtful receivables” and “Significant accounting estimates - Allowance for doubtful receivables” to the consolidated financial statements, the Bank classifies borrowers into five categories based on its internal self-assessment criteria: “normal borrowers,” “borrowers requiring caution,” “potentially bankrupt borrowers,” “substantially bankrupt borrowers,” and “bankrupt borrowers.” Allowance for doubtful receivables is provided for each category of claims according to their assigned credit risk rating determined in accordance with the write-off and provisions policy.

In the self-assessment, the borrower categories of loans to corporations are determined based on the quantitative assessment by the self-assessment management rating system which utilizes financial information of the borrowers. However, the borrower may be determined to be in a different category, from the quantitative assessment above, based on qualitative factors such as the outlook for business continuity and profitability, the appropriateness of the business improvement plan, the financial support provided by other financial institutions, and the impact of

The primary procedures we performed to assess whether the borrower category in estimating the allowance for doubtful receivable for loans to corporations of the Bank, the consolidated parent company, was reasonable included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Bank’s internal controls relevant to determining the borrower category in the self-assessment, which is the basis for calculating the allowance for doubtful receivables.

In this assessment, we focused our testing on the following:

- controls to appropriately establish the internal self-assessment criteria and the policy for write-offs and provisions in compliance with the applicable accounting standards;
- controls to ensure the reliability of the financial information of borrowers that were entered into the self-assessment rating management systems;
- IT application controls over the determination of the quantitative credit rating; and
- controls over the determination of the borrower category based on the internal self-assessment criteria reflecting qualitative factors.

(2) Assessment of the reasonableness of the borrower category of loans to corporations

In order to assess whether the borrower categories were appropriately determined based on the self-assessment criteria, among borrowers who were determined to be in different categories from the quantitative assessment based on qualitative factors, we selected those borrowers to which business improvement plans were designed based on certain criteria, and primarily performed the following procedures:

- assessed the documents reviewed by the Bank and inquired the rationale for its evaluation as to the reasonable and feasible of the business improvement plan;
- evaluated the precision of the business improvement plan by comparing the planned sales and profits of the business improvement plan in the previous fiscal year with the actual result in the current year; and
- assessed, comprehensively, the feasibility of the business improvement plan based on non-financial information obtained from the Bank’s branches, such as the orders received and sales volumes of the

COVID-19, taking into consideration industry specific factors.

In particular, when assessing the credit risk of borrowers, taking into consideration the prospects for future business recovery and business continuity resulting from a reasonable and feasible business improvement plan, management's subjective judgment is involved and may have a significant impact on the allowance for doubtful receivables.

We, therefore, determined that our assessment of the reasonableness of determination of the borrower category in estimating the allowance for doubtful receivables for loans to corporations is the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

borrower, the financial support provided by other financial institutions, and the impact of COVID-19, taking into account the business environment surrounding the borrower.

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, 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 with regard to 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.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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, 2021

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 Bank and KPMG AZSA LLC.

Corporate Information

Directors and Executive Officers (as of June 30, 2021)

Director, President and Representative Statutory Executive Officer:	Masahiro Hayashi	Directors:	Masatake Yoshida Kazuhiro Uchikami* Masaru Nanbo* Yuko Mitsuya* *Outside Directors
Director and Senior Managing Executive Officers:	Toru Yuasa		
Director and Senior Managing Executive Officers:	Eiichi Hasegawa		
Director and Managing Executive Officer:	Osamu Watanabe	Statutory Executive Officer:	Shin Okada Keisuke Yoshida Yoshito Sawada Yoshihito Kobayashi
Director and Managing Executive Officer:	Noriyuki Satake		

Corporate Data (as of March 31, 2021)

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:	1,349

Service Network (as of May 31, 2021)

Head Office:	1-1, Junka 1-chome, Fukui 910-8660, Japan Telephone: +81-776-24-2030
International Division:	1-1, Junka 1-chome, Fukui 910-8660, Japan Telephone: +81-776-26-9841 Facsimile: +81-776-26-7605 SWIFT: FKUIJPJT
Number of Domestic Offices:	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 76 cities 137 banks

Consolidated Subsidiaries (as of June 30, 2021)

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

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