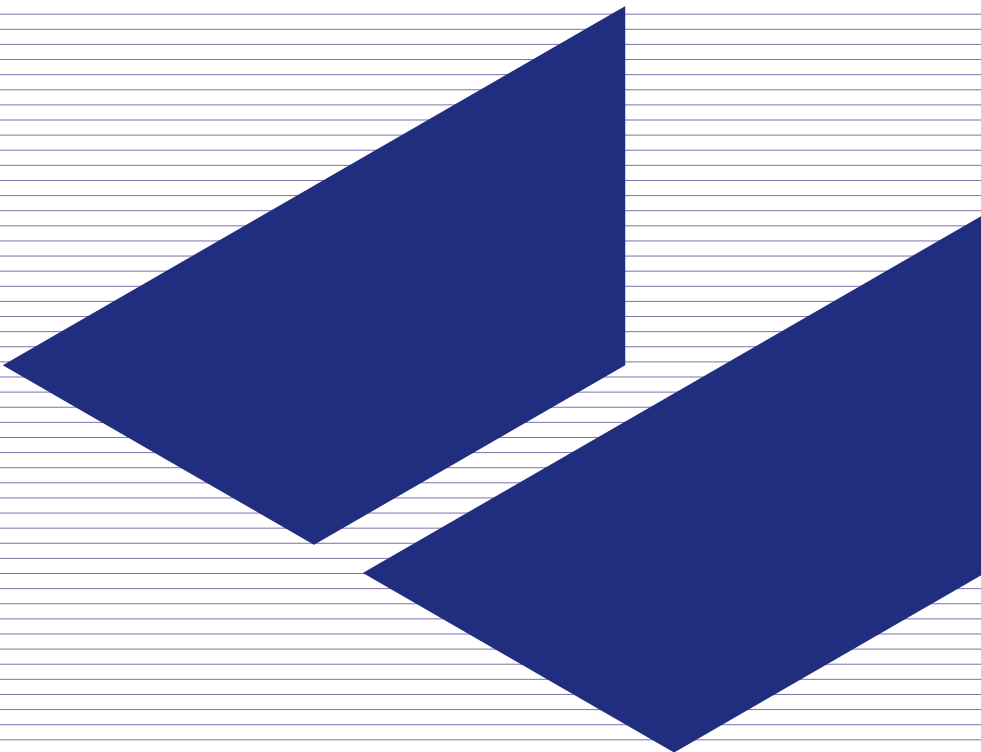


THE FUKUI BANK REPORT
2022.3
Financial Statements

REPORT
2022.3





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Profile

Innovative Action

Our Mission as a Regional Bank

Since its establishment in 1899, the Fukui Bank, Ltd. (“the 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 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.

Moreover, in October 2021, with the aim of sustainable development for the region, we took the first step toward a new challenge and formed the F Project, a united financial group, with THE FUKUHO BANK, LTD. (“the Fukuho Bank”) which is also based here in Fukui Prefecture. Recently, we outlined a vision for where we want the F Project to be in ten years’ time—The F Project Vision for 2032—which states that we will be there for our employees and customers and their diverse challenges through model that brings about a value loop for the region. There are always threats and opportunities present in our business environment so to overcome the former, and seize the latter, we must make full use of the strengths we have built up thus far, and be there for the varied challenges to come. We will also help to create a future where value generated within the region can be funneled back into the region in a value loop.

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
	2022	2021	2020	2022
For the Year:				
Total income	¥ 50,514	¥ 42,038	¥ 40,872	\$ 412,731
Total expenses	47,416	37,775	37,705	387,425
Income before income taxes	3,097	4,262	3,166	25,306
Net income attributable to owners of parent	4,440	2,553	2,140	36,280
Net income per share of common stock	188.96	107.48	89.83	1.54
At Year-end:				
Deposits	¥ 3,319,738	¥ 2,774,895	¥ 2,488,546	\$ 27,124,263
Loans and bills discounted	2,138,111	1,790,164	1,719,190	17,469,660
Trading account securities	399	482	591	3,261
Securities	748,305	725,306	660,304	6,114,109
Total assets	4,191,354	3,513,315	2,951,019	34,245,886
Total net assets	140,620	136,607	123,759	1,148,953

Notes:

The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥122.39 per US\$1.00 on March 31, 2022.

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.

Financial & Economic Environments

The Japanese economy continues to experience ups and downs with the effects of COVID-19 and uncertainty over where the global economy is headed. In the first half of the current fiscal year, strong production activities led to something of an economic recovery, but delays in procuring components such as semiconductors and reduced consumption due to the pandemic meant that there was also negative growth. In the latter half of the year, fewer cases of COVID-19 led to a recovery in consumption but dramatic price rises for materials and the war in Ukraine meant that the future outlook was unclear, resulting in a slowdown in some corporate activities. In the future, the ongoing Ukrainian conflict and trends in international financial capital markets will continue to require close attention.

As for the regional economy of Fukui Prefecture, the situation remained difficult for accommodation, transport, and dining services, but production activities started to recover. Public investment, particularly focused on work related to the extension of the Hokuriku Shinkansen to Tsuruga, is predicted to continue, with expectations high that this will support the prefecture's economic base. That said, the global economy, which is increasingly uncertain, and changes in the Japanese economy will affect the economy in the prefecture and as such will need to be watched carefully.

Consolidated Performance Review

The consolidated results of the Bank and its eight consolidated subsidiaries in the current fiscal year developed as follows.

Consolidated ordinary revenue increased by ¥3,907 million from the previous fiscal year to ¥45,790 million mainly due to an increase in interest on loans and discounts.

Ordinary expenses increased by ¥8,897 million from the previous fiscal year to ¥46,545 million mainly due to an increase in losses on sales of government bonds.

As a result, we recorded an ordinary loss of ¥754 million, a change of ¥4,989 million from the previous fiscal year. We were, however, able to record a gain on negative goodwill of ¥4,658 million as extraordinary profit. This meant that net income attributable to owners of parent increased by ¥1,886 million from the previous fiscal year to ¥4,440 million.

Deposits belonging to individuals and corporations at the end of the current consolidated fiscal year increased by ¥544,843 million from the previous fiscal year to ¥3,319,738 million.

As a result of responding to various needs in line with our corporate philosophy, consumer loans and loans to small and medium-sized enterprises (SMEs) improved, and the balance at the end of the current consolidated fiscal year increased by ¥347,947 million from the previous fiscal year to ¥2,138,111 million.

Securities at the end of the current consolidated fiscal year increased by ¥22,999 million from the previous fiscal year to ¥748,305 million as a result of efforts to manage securities while closely monitoring market trends.

Cash Flows

Consolidated net cash flows rose by ¥186,537 million provided by operating activities and by ¥111,200 million from investing activities, while ¥1,764 million was used in financing activities. As a result, cash and cash equivalents at the end of the year were ¥1,199,210 million, which increased by ¥295,963 million compared with the previous year.

Net cash provided by operating activities

Net cash provided by operating activities was ¥186,537 million. Main factors behind the increase were income from an increase in deposits and borrowed money that exceeded expenditure, reflecting factors such as less call money. Net cash provided by operating activities was ¥297,307 million lower than in the previous fiscal year.

Net cash provided by investing activities

Net cash provided by investing activities was ¥111,200 million. This was due to sales and redemptions of securities exceeding purchases of securities, as well as an increase in cash from making the Fukuho Bank a consolidated subsidiary. Net cash from investing activities was ¥164,967 million higher than in the previous fiscal year.

Net cash used in financing activities

Net cash used in financing activities was ¥1,764 million, reflecting the payment of dividends and purchase of treasury shares. Net cash used in financing activities was ¥788 million higher than in the previous fiscal year.

Issues to Be Addressed

The Bank and other regional financial institutions have been facing increasingly uncertain prospects arising in the main from the shrinking population in our regional base, the advancement of demographic aging and decreasing birthrates, a worsening of the earnings environment due to the continuing long-term policy by the government of negative interest rates, and banking market entries by other industries. In addition, the impact of COVID-19, which has continued to grow, and the war in Ukraine mean that the future of the global economy is very unclear. As such, harsh conditions are predicted to continue in the near term.

However, Fukui Prefecture will benefit from an improved traffic network from the extension of the Hokuriku Shinkansen into the prefecture and the opening of parts of the Chubu-Jukan Expressway within the prefecture, which are expected to aid in the region's development. Clearly, this will also bring threats and opportunities for the Bank.

To respond to changes in this kind of challenging environment, we outlined the F Project Vision for 2032, a vision for where we want the F Project to be in ten years' time. The goal of the vision is a sustainable regional model where value is circulated within the region—a value loop—and to work toward that goal, we formulated a ten-year long-term management plan and a three-year medium-term management plan part one. By swiftly implementing these plans, we will help contribute to the sustainable development of the region.

Consolidated Financial Statements

The Fukui Bank, Ltd. and its consolidated subsidiaries

Consolidated Balance Sheets

March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥ 1,200,220	903,663	\$ 9,806,526
Monetary claims bought	941	906	7,696
Trading account securities (Note 23)	399	482	3,261
Money held in trust (Note 25)	6,802	6,502	55,580
Securities (Notes 3, 4, 5, 7, 12, 23 and 24)	748,305	725,306	6,114,109
Loans and bills discounted (Notes 5, 6, 7, 8 and 23)	2,138,111	1,790,164	17,469,660
Foreign exchange (Note 5 and 6)	9,757	7,533	79,725
Other assets (Notes 5, 7 and 27)	63,309	53,215	517,277
Tangible fixed assets (Notes 9, 10, 11, 31 and 32)	31,462	30,294	257,067
Intangible fixed assets	1,222	264	9,990
Deferred tax assets (Note 29)	1,466	935	11,984
Customers' liabilities for acceptances and guarantees (Note 5)	8,747	8,567	71,474
Allowance for doubtful receivables (Note 23)	(19,394)	(14,521)	(158,463)
Total assets	¥ 4,191,354	¥ 3,513,315	\$ 34,245,886
Liabilities:			
Deposits (Notes 7 and 23)	¥ 3,319,738	¥ 2,774,895	\$ 27,124,263
Payables under repurchase agreements (Notes 7)	27,507	71,947	224,752
Payables under securities lending transactions (Notes 7 and 23)	9,525	8,673	77,830
Borrowed money (Notes 7 and 23)	647,870	475,895	5,293,493
Foreign exchange	88	99	726
Other liabilities (Note 27 and 31)	27,542	24,604	225,042
Provision for bonuses	443	229	3,624
Provision for directors' bonuses	10	8	86
Liability for retirement benefits (Note 28)	6,039	5,373	49,346
Provision for retirement benefits for executive officers	110	—	900
Provision for share-based compensation for executive officers	192	166	1,572
Provision for reimbursement of deposits	236	228	1,936
Provision for contingent losses	204	183	1,674
Provision for losses on earthquake-proofing measures	—	312	—
Provision for point loyalty programs	67	66	548
Provision for loss on guarantees	—	70	—
Deferred tax liabilities (Note 29)	—	2,957	—
Deferred tax liabilities for land revaluation (Note 9)	2,407	2,426	19,667
Acceptances and guarantees (Note 12)	8,747	8,567	71,474
Total liabilities	¥ 4,050,733	¥ 3,376,707	\$ 33,096,933
Net assets (Note 19):			
Capital stock	¥ 17,965	¥ 17,965	\$ 146,788
Capital surplus	5,972	5,972	48,796
Retained earnings	92,386	89,132	754,852
Treasury shares	(1,156)	(617)	(9,446)
Total shareholders' equity	115,167	112,452	940,990
Valuation difference on available-for-sale securities (Note 26)	12,446	18,709	101,697
Deferred gains (losses) on hedges	(4)	(27)	(33)
Revaluation reserve for land (Note 9)	5,465	5,471	44,660
Remeasurements of defined benefit plans	(78)	1	(644)
Total accumulated other comprehensive income	17,829	24,155	145,680
Non-controlling interests	7,622	—	62,283
Total net assets	140,620	136,607	1,148,953
Total liabilities and net assets	¥ 4,191,354	¥ 3,513,315	\$ 34,245,886

Consolidated Statements of Operations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income:			
Interest on loans and discounts.....	¥ 18,022	¥ 16,031	\$ 147,254
Interest and dividends on securities	7,687	8,230	62,809
Other interest income.....	1,316	736	10,756
Fees and commissions.....	8,212	7,666	67,098
Other operating income.....	8,730	7,735	71,333
Other income (Note 13).....	6,545	1,636	53,481
Total income	50,514	42,038	412,731
Expenses:			
Interest on deposits.....	187	249	1,535
Interest on borrowings.....	(174)	(82)	(1,426)
Other interest expenses.....	69	80	568
Fees and commissions payments	2,802	2,501	22,900
Other operating expenses	12,033	8,962	98,321
General and administrative expenses (Note 14)	25,791	23,194	210,732
Other expenses (Note 15).....	6,706	2,869	54,795
Total expenses.....	47,416	37,775	387,425
Income before income taxes	3,097	4,262	25,306
Income taxes—current (Note 29)	672	1,705	5,495
Income taxes—deferred (Note 29)	(875)	3	(7,155)
Net income	3,300	2,553	26,966
Net income attributable to non-controlling interests	(1,140)	—	(9,314)
Net income attributable to owners of parent	¥ 4,440	¥ 2,553	\$ 36,280
Net income per share of common stock (Note 36)	¥ 188.96	¥ 107.48	\$ 1.54

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net income	¥ 3,300	¥ 2,553	\$ 26,966
Other comprehensive income (loss) (Note 18)	(6,472)	11,270	(52,883)
Valuation difference on available-for-sale securities	(6,426)	11,296	(52,506)
Deferred gains (losses) on hedges	23	(25)	191
Adjustments for retirement benefits	(69)	(0)	(568)
Comprehensive income (loss)	(3,171)	13,824	(25,917)
Comprehensive income (loss) attributable to owners of parent.....	(1,879)	13,824	(15,356)
Comprehensive income (loss) attributable to non-controlling interests	(1,292)	—	(10,561)

Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Re-valuation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive 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 non-controlling interests due to increase in consolidated subsidiaries												—
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, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Re-valuation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the start of the period	17,965	5,972	89,132	(617)	112,452	18,709	(27)	5,471	1	24,155	—	136,607
Changes of items during the period												
Dividends from surplus			(1,191)		(1,191)							(1,191)
Reversal of revaluation reserve for land			5		5							5
Net income attributable to owners of parent			4,440		4,440							4,440
Purchase of treasury shares				(654)	(654)							(654)
Disposal of treasury shares				115	115							115
Change in non-controlling interests due to increase in consolidated subsidiaries											8,915	8,915
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)							(0)
Net changes of items other than shareholders' equity						(6,262)	23	(5)	(80)	(6,325)	(1,292)	(7,618)
Total changes of items during the period	—	(0)	3,254	(538)	2,715	(6,262)	23	(5)	(80)	(6,325)	7,622	4,012
Balance at the end of the period	17,965	5,972	92,386	(1,156)	115,167	12,446	(4)	5,465	(78)	17,829	7,622	140,620

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Re-valuation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the start of the period	146,788	48,797	728,263	(5,044)	918,804	152,867	(224)	44,708	13	197,364	—	1,116,168
Changes of items during the period												
Dividends from surplus			(9,738)		(9,738)							(9,738)
Reversal of revaluation reserve for land			47		47							47
Net income attributable to owners of parent			36,280		36,280							36,280
Purchase of treasury shares				(5,344)	(5,344)							(5,344)
Disposal of treasury shares				942	942							942
Change in non-controlling interests due to increase in consolidated subsidiaries											72,846	72,846
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)							(1)
Net changes of items other than shareholders' equity						(51,170)	191	(48)	(657)	(51,684)	(10,563)	(62,247)
Total changes of items during the period	—	(1)	26,589	(4,402)	22,186	(51,170)	191	(48)	(657)	(51,684)	62,283	32,785
Balance at the end of the period	146,788	48,796	754,852	(9,446)	940,990	101,697	(33)	44,660	(644)	145,680	62,283	1,148,953

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from operating activities			
Income before income taxes	¥ 3,097	¥ 4,262	\$ 25,306
Depreciation	1,538	1,159	12,568
Impairment loss	799	90	6,530
Gain on negative goodwill.....	(4,658)	—	(38,063)
Increase (decrease) in allowance for doubtful receivables	2,066	813	16,881
Increase (decrease) in provision for bonuses	(4)	1	(38)
Increase (decrease) in provision for directors' bonuses	2	0	18
Increase (decrease) in provision for retirement benefits for executive officers ...	5	—	44
Increase (decrease) in liability for retirement benefits	35	(31)	293
Increase (decrease) in provision for share-based compensation for executive officers ...	25	22	207
Increase (decrease) in provision for reimbursement of deposits	(40)	(43)	(329)
Increase (decrease) in provision for contingent losses	(15)	(28)	(126)
Increase (decrease) in provision for losses on earthquake-proofing measures...	(312)	(139)	(2,556)
Increase (decrease) in provision for point card certificates.....	0	12	5
Increase (decrease) in provision for losses on guarantees	(70)	70	(572)
Gain on fund management	(27,026)	(24,998)	(220,819)
Financing expenses.....	82	247	677
Loss (Gain) related to securities.....	3,843	1,171	31,406
Loss (Gain) on money held in trust.....	(46)	(55)	(379)
Foreign exchange losses (gains).....	(7,857)	(6,565)	(64,197)
Loss (Gain) on disposal of non-current assets.....	37	21	310
Net decrease (increase) in loans and bills discounted.....	(22,700)	(70,974)	(185,480)
Net increase (decrease) in deposits	105,223	286,349	859,737
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ..	149,975	258,711	1,225,387
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)...	254	(34)	2,078
Net decrease (increase) in call loans.....	(35)	45	(293)
Net increase (decrease) in call money.....	(44,439)	6,979	(363,099)
Net increase (decrease) in payables under securities lending transactions ..	851	583	6,959
Net decrease (increase) in trading account securities.....	83	108	680
Net decrease (increase) in foreign exchanges - assets	(2,037)	1,004	(16,647)
Net increase (decrease) in foreign exchanges - liabilities	(10)	(96)	(84)
Net decrease (increase) in lease receivables and investment assets	(968)	451	(7,915)
Proceeds from fund management	27,630	25,504	225,756
Payments for finance	(83)	(434)	(679)
Other	2,767	1,535	22,609
Subtotal	188,012	485,744	1,536,175
Income taxes paid	(1,474)	(1,898)	(12,048)
Net cash provided by operating activities.....	186,537	483,845	1,524,127
Cash flows from investing activities:			
Purchase of securities	(156,411)	(231,825)	(1,277,972)
Proceeds from sale of securities.....	133,501	73,069	1,090,789
Proceeds from redemption of securities	63,783	109,527	521,152
Increase in money held in trust	(300)	—	(2,451)
Purchase of tangible fixed assets	(621)	(4,561)	(5,076)
Purchase of intangible fixed assets.....	(220)	(17)	(1,802)
Proceeds from sales of tangible fixed assets.....	197	44	1,612
Proceeds from sales of intangible fixed assets	1	—	8
Payments for asset retirement obligations	(14)	(5)	(114)
Proceeds from purchase of shares of subsidiaries affecting scope of consolidation ...	71,283	—	582,425
Net cash provided by (used in) investing activities.....	111,200	(53,767)	908,571
Cash flows from financing activities:			
Cash dividends paid	(1,191)	(1,203)	(9,738)
Purchase of treasury shares	(654)	(1)	(5,344)
Sale of treasury shares	115	228	942
Repayments on lease liabilities	(33)	—	(276)
Payments for purchase of shares of subsidiaries not affecting scope of consolidation ...	(0)	—	(2)
Net cash used in financing activities	(1,764)	(976)	(14,418)
Effect of exchange rate changes on cash and cash equivalents	(9)	(9)	(78)
Net increase (decrease) in cash and cash equivalents	295,963	429,092	2,418,202
Cash and cash equivalents at beginning of year	903,247	474,154	7,380,072
Cash and cash equivalents at end of year (Note 20).....	¥ 1,199,210	¥ 903,247	\$ 9,798,274

Notes to the Consolidated Financial Statements

Years ended March 31, 2022 and 2021

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, 2022, which was ¥122.39 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, 2022 include the accounts of the Bank and its eight 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: Eight 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.
THE FUKUHO BANK, LTD.
Fukui Career Management Co., Ltd.
THE FUKUHO CARD CO., LTD.

Due to the Bank’s acquisition of shares in THE FUKUHO BANK, LTD. (“the Fukuho Bank”) and its subsidiary THE FUKUHO CARD CO., LTD., the scope of consolidation has been extended to include these two companies from the current fiscal year. It has also been extended to include the newly established Fukui Career Management 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 revenue, 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: Eight 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 mainly according to the moving-average method) indicated according to market price. However, shares, etc., without market prices 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 5–11 years.

C. Lease assets

Lease assets included within tangible fixed assets and intangible 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 and consolidated subsidiaries in the banking industry record 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 potentially bankrupt borrowers with certain outstanding balances or restructured loans or other borrowers who will require management in the future, 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 ¥8,695 million (U.S. \$71,051 thousand) and ¥9,750 million for the fiscal year ended March 31, 2022 and 2021, respectively.

For other 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 retirement benefits for executive officers

Provision for retirement benefits for executive officers is provided for payment of retirement benefits to executive officers at certain consolidated subsidiaries, an allowance is provided based on the amount recognized for the consolidated fiscal year for the amount to be supplied to executive officers as retirement benefits.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) 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.

(xv) 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. Moreover, for certain consolidated subsidiaries, the straight-line method is used. 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. (For certain consolidated subsidiaries, this is processed as expenses for the full amount in the fiscal year in which it occurred)

Actuarial differences: Actuarial differences are expensed using the straight-line method, over 5 or 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(xvi) Foreign currency translation

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

(xvii) Accounting standards for recognition of significant revenues and expenses

Revenue from contracts with customers mainly takes the form of deposits and lending operations and foreign exchange operations. The Bank recognizes revenue to the amount expected to be received in exchange for the promised goods or services at the point that control of such goods or services are transferred to customers.

The accounting standard for income related to financial lease transactions is calculated using a method that accounts for sales and sales prices at the time at which the leasing fee is received.

(xviii) 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) (hereafter, the “Report No. 25”).

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

(ix) 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.

(xx) Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc., that specifically apply to events or transactions that are accounted for

Gains resulting from the cancellation or redemption of investment trusts (excluding exchange-traded funds) are recorded as “Interest and dividends on securities.” Losses, meanwhile, are recorded as “Other operating expenses.”

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	
	2022	2021	2022	
Allowance for doubtful receivables	¥ 19,394	¥ 14,521	\$	158,463

The amount of the allowance for doubtful receivables recorded at the Bank and consolidated subsidiaries in the banking industry was ¥17,931 million (\$146,512 thousand) and ¥13,107 million for the fiscal years ended March 31, 2022 and 2021, respectively.

The following calculation method for the allowance for doubtful receivables has been set forth with respect mainly to the Bank and consolidated subsidiaries in the banking industry.

(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 “(4) Significant accounting policies.”

For calculating the allowance for doubtful receivables, the borrowers are classified into categories based on 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.

In the self-assessment, the borrower categories of loans are determined by assessing borrowers’ repayment ability based on various 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, taking into consideration industry specific factors.

Notably, if business restructuring is initiated by implementing financial support in line with a reasonable and feasible business improvement plan or similar, 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 or similar.

Furthermore, from the current fiscal year, in addition to the continuing spread of the COVID-19 pandemic, it is expected that a rapid worsening of the economic environment and other factors will increase credit risk. For loans to those borrowers who

require caution (excluding borrowers who require management) and are deemed to require support, the Bank assumes that the effects of a worsening of the economic environment will be significant, and as such calculates a provision for expected losses equal to that borrowed by borrowers who require management.

(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.

Changes in accounting policies due to application of new or revised accounting standards

Accounting Standard for Revenue Recognition

The Bank and its subsidiaries adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020) from the beginning of the current consolidated fiscal year, and accordingly adopted the accounting policy to recognize revenue at amounts expected to be received in exchange for the promised goods or services at the point that the control of the goods or services is transferred to customers.

However, in accordance with the transitional treatment in Paragraph 89-3 of Report No. 29, notes related to revenue recognition are not provided for the previous consolidated fiscal year.

Accounting Standard for Fair Value Measurement

The Bank and its subsidiaries adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current consolidated fiscal year and applied the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement in the future. Moreover, these changes are expected to have no effect on the consolidated financial statements.

In addition, the fair value of financial instruments by level is disclosed in the notes for “Financial Instruments.” However, following the transitional treatment in Paragraph 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

Changes in accounting policies due to justifiable reasons other than application of new or revised accounting standards

Changes to accounting categories for income and expenses related to investment trusts

In the past, the Bank recorded gains or losses resulting from the cancellation of investment trusts as “Interest and dividends on securities.” From the current fiscal year, however, the Bank began to account for each individual trust separately, recording gains as “Interest and dividends on securities” and losses as “Other operating expenses.”

The Bank has determined that this change, which took advantage of the opportunity to make the consolidated group’s accounting policies uniform as it made the Fukuho Bank a consolidated subsidiary, will make its disclosure of its investment trust operations more accurate.

Compared to the method used prior to this change, under this method “Interest and dividends on securities” and “Total income” increased by ¥2,334 million (\$19,076 thousand) and “Other operating expenses” and “Total expenses” decreased by ¥2,334 million (\$19,076 thousand). However, there has been no effect on net income. Moreover, as there were no transactions in the previous fiscal year that resulted in a cancellation loss resulting from the cancellation of an investment trust, there was no effect on the consolidated statement of operations.

Unapplied accounting standards and others

“Revised Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The standard and guidance above set out how to calculate fair value and provided notes for investment trusts and how to provide notes on the fair value of investments in associations, etc., when the net amount recorded is equivalent to equity on the balance sheet.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2023.

(3) Effects of the application of the standards, etc.

The effects of the application of the standard and guidance are currently being assessed.

Changes in presentation method

Changes to accounting categories for dividend income from creditor group insurance and related expenses.

In the past, the Bank recorded dividends received from credit group insurance, such as those dealing in mortgages, as “Other income.” Making the Fukuho Bank a consolidated subsidiary presented an opportunity to make the consolidated group’s disclosure methods uniform. The result of a review of these methods was to take the amount of dividends received from insurance payments and record them as expenses. As the Bank has determined that it will be more accurate from the perspective of disclosing insurance payments, these amounts will be recorded as “Fees and commissions payments” from the current fiscal year.

As a result, categories and amounts given in the previous fiscal year’s consolidated statement of operations—“Other income” of ¥2,135 million and “Fees and commissions payments” of ¥2,999 million have been reclassified as “Other income” of ¥1,636 million and “Fees and commissions payments” of 2,501 million.

Changes to accounting estimates

In addition to the continuing COVID-19 pandemic, it is expected that a rapid worsening of the economic environment and other factors will increase credit risk. To respond to this, for liabilities to those borrowers who require caution (excluding borrowers who require management) and are deemed to require support, the Bank has a provision for expected losses equal to that borrowed by borrowers who require management.

As a result of these changes to estimates, “Allowance for doubtful receivables” at the end of the current fiscal year increased by ¥1,240 million (\$10,138 thousand), and “Total expenses” increased by the same amount, while “Income before income taxes” decreased by that amount.

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. This Trust ended in June 2021.

(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) but as the Trust has ended, there are no treasury shares.

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

As the Trust has ended, there is no record for borrowed money.

(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 ¥358 million (U.S. \$2,930 thousand) and 196 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	
	2022	2021	2022	
Investments in capital	¥ 380	¥ 276	\$ 3,109	

4. Securities lent under unsecured loan agreements (i.e. bond-lending transactions) included as securities

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
	¥ 990	¥ 1,816	\$ 8,095	

5. Claims based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions

The claims consist of bonds (this is limited to those for which redemption of the principal and payment of interest are guaranteed in whole or in part, and the issuance of bonds is based on private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans, foreign exchange, accrued interest, and customers' liabilities for acceptances and guarantees, which are included in "Securities" in the consolidated balance sheets, and securities (limited to those under loan for use or lease contracts), which are included in the notes to the balance sheets.

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Bankruptcy reorganization loans and corresponding amounts	¥ 5,254	¥ 4,623	\$ 42,931	
Bankruptcy risk loans	29,463	20,681	240,734	
Delinquent loans past due three months or more	216	19	1,768	
Restructured loans	2,570	1,181	21,002	
Total	¥ 37,504	¥ 26,505	\$ 306,435	

Bankruptcy reorganization loans and corresponding loans are loans to borrowers who have fallen into bankruptcy and filed a petition to commence bankruptcy proceedings, reorganization proceedings, or rehabilitation proceedings, or corresponding loans.

Bankruptcy risk loans are those to borrowers who have not yet become bankrupt, but whose economic situation or business performance has worsened, where the likelihood of not being able to recover the original amount or interest is high, and which are not bankruptcy reorganization loans or corresponding loans.

Delinquent loans past due three months or more are those where the original amount and interest has not been paid for three months or more from the day following the contracted repayment date. These cases are not bankruptcy reorganization loans and corresponding loans, and nor are they bankruptcy risk loans.

Restructured loans are lent with the goal of helping borrowers to support or reorganize their businesses. This type of lending might include a lowering or elimination of interest, a postponement for the repayment of interest or the original amount, an abandonment of the loan, or other measure deemed beneficial to the borrower. These cases are not bankruptcy reorganization loans and corresponding loans, and nor are they bankruptcy risk loans or delinquent loans past due three months or more.

Amounts for the loans detailed above are the amounts before the allowance for doubtful receivable is deducted.

Changes to the presentation method

In line with the implementation on March 31, 2022, of the Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, the Bank presents the "Risk management loans" and other categories in line with disclosed loans and other categories based on the Act on Emergency Measures for the Revitalization of the Financial Functions.

6. Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Specific Committee Practical Guidance No. 24, March 17, 2022. 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
	2022	2021	2022
	¥ 8,015	¥ 4,539	\$ 65,488

7. Assets pledged

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets pledged as collateral			
Securities	¥ 392,103	¥ 353,344	\$ 3,203,724
Loans and bills discounted	451,547	355,489	3,689,418
Other assets	31	31	260
Total	843,683	708,865	6,893,402
Corresponding liabilities to assets pledged as collateral			
Deposits	23,342	21,128	190,724
Payables under repurchase agreements	27,507	71,947	224,752
Payables under securities lending transactions	9,525	8,673	77,830
Borrowed money	647,395	475,728	5,289,612

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
	2022	2021	2022
Other assets	¥ 25,299	¥ 25,311	\$ 206,714

Other assets include security deposits in the amount stated below.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Security deposits	¥ 291	¥ 201	\$ 2,382
Cash collateral for financial instruments etc.	3,385	1,628	27,657

8. 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
	2022	2021	2022
Unutilized loan commitment lines	¥ 598,761	¥ 523,811	\$ 4,892,239
Loans for which the term of the agreement is one year or less	576,113	510,811	4,707,198

The balance of loan commitment lines 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.

9. 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	
2022	2021	2022	
¥ 8,092	¥ 8,205	\$ 66,117	

10. Accumulated depreciation on tangible fixed assets

Millions of yen		Thousands of U.S. dollars	
2022	2021	2022	
¥ 24,461	¥ 21,394	\$ 199,866	

11. Fixed assets reduction entry

Millions of yen		Thousands of U.S. dollars	
2022	2021	2022	
¥ 3,495	¥ 3,359	\$ 28,564	

12. Acceptances and guarantees

The amounts of guarantee obligations on corporate bonds under “Securities” that were placed through private securities offerings are as follows.

Millions of yen		Thousands of U.S. dollars	
2022	2021	2022	
¥ 3,247	¥ 1,565	\$ 26,531	

Notes to the Consolidated Statements of Operations

13. Other income

Other income includes the following.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Gains on sales of shares	¥ 1,235	¥ 898	\$ 10,093

14. General and administrative expenses

General and administrative expenses include the following.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Salaries and allowances	¥ 10,728	¥ 9,773	\$ 87,661

15. Other expenses

Other expenses include the following.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Losses on devaluation of shares	¥ 1,097	¥ 257	\$ 8,970
Losses on sales of shares	¥ 496	¥ 371	\$ 4,054

16. Impairment loss on fixed assets

2022					2021			
Area	Principal use	Category	Impairment loss amount		Area	Principal use	Category	Impairment loss amount
			(Millions of yen)	(Thousands of U.S. dollars)				(Millions of yen)
	Branches, etc. (36 locations)	Land and buildings	624	5,105		Branches (7 locations)	Land and buildings	6
Fukui Prefecture	Shared assets (1 location)	Land and buildings	102	835	Fukui Prefecture	Idle assets (7 locations)	Land and buildings	84
	Idle assets (5 locations)	Land	3	28				
Other Prefecture	Branches (4 locations)	Land and buildings	68	562				
	Idle assets (1 location)	Buildings	0	0				
	Total		799	6,530	Total			90
	(Land		230	1,882)	(Land			22)
	(Buildings		568	4,648)	(Buildings			67)

The book values of the assets listed above have been written down to the recoverable values, and the write-down amounts have been recognized as impairment loss in other expenses since the recovery of the invested amounts is not expected due to the decision to replace certain branches, decreased cash flows caused by the continuing decline in operating income, and lower land prices.

The Bank defines grouping units into the categories used in management accounting, which are based on business premise units for business offices (in cases where multiple business premises jointly conduct business in a region, the region forms the unit), and into individual units for idle assets. The head office, the operation center, and dormitories and company housing, etc., which form assets that contribute to the future cash flow generation of multiple asset groups, are treated as corporate assets.

Each consolidated subsidiary is grouped by business premise unit or company unit.

Notably, the recoverable values of the subject asset groups are measured on the basis of net disposal prices, which are mainly calculated according to methods consistent with real estate appraisal standards.

17. Income from contracts with customers

For ordinary revenue from sales, income from contracts with customers is not listed separately from other income. The amount of income from contracts with customers is detailed in Note 33 of the Notes to Consolidated Financial Statements related to revenue recognition: "Breakdown of revenue from contracts with customers."

Notes to the Consolidated Statements of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ (12,056)	¥ 17,245	\$ (98,511)
Reclassification adjustments	2,760	(1,156)	22,554
Amount before tax effect	(9,296)	16,088	(75,957)
Tax effect	2,870	(4,791)	23,451
Total	(6,426)	11,296	(52,506)
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	33	(37)	275
Reclassification adjustments	—	—	—
Amount before tax effect	33	(37)	275
Tax effect	(10)	11	(84)
Total	23	(25)	191
Remeasurement of defined benefit plans			
Gains (losses) arising during the year	(104)	(0)	(854)
Reclassification adjustments	4	(0)	38
Amount before tax effect	(99)	(0)	(816)
Tax effect	30	0	248
Total	(69)	(0)	(568)
Total other comprehensive income	(6,472)	11,270	(52,883)

Notes to the Consolidated Statements of Changes in Net Assets

19. 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, 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:

- 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).
- The number of treasury shares increased due to the purchase of 0 thousand fractional share units.
- 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.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(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	329	450	51	728	(Notes 1, 2, 3)
Total	329	450	51	728	

Notes:

- The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (46 thousand shares at the beginning of the fiscal year and no shares at the end of the fiscal year) and shares held by the board benefit trust (200 shares at the beginning of the fiscal year and 196 thousand shares at the end of the fiscal year).
- The number of treasury shares increased due to the purchase of 450 thousand treasury shares and by 0 thousand fractional share units.
- The number of treasury shares decreased, due to the disposal of 46 thousand treasury shares with the end of the Trust and an award of 4 thousand shares associated with the retirement of one director from the board benefit trust.

(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 14, 2021 Board of Directors	Common shares	601	4,915	25	March 31, 2021	June 4, 2021
November 12, 2021 Board of Directors	Common shares	590	4,823	25	September 30, 2021	December 2, 2021

Note: Total dividend amounts pursuant to the resolutions of the Board of Directors of May 14, 2021, include dividend amounts of ¥1 million (\$9 thousand) to the employee stock ownership trust and ¥5 million (\$41 thousand) to the board benefit trust. Those of the Board of Directors of November 12, 2021, include dividend amounts of ¥4 million (\$40 thousand) to the board benefit trust.

(ii) Dividends with a record date during the fiscal year ended March 31, 2022, but whose effective date is after March 31, 2022, 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 13, 2022 Board of Directors	Common shares	590	4,823	Retained earnings	25	March 31, 2022	June 3, 2022

Note: Total dividend amounts include ¥4 million (\$40 thousand) in dividends paid to shares of the board benefit trust.

Notes to the Consolidated Statement of Cash Flows

20. 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, 2022 and 2021.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥ 1,200,220	¥ 903,663	\$ 9,806,526
Time deposits in other banks	(213)	(186)	(1,747)
Other deposits	(796)	(229)	(6,505)
Cash and cash equivalents	1,199,210	903,247	9,798,274

21. Breakdown of assets and liabilities for companies made into new consolidated subsidiaries through the acquisition of shares

The following provides a breakdown of the assets and liabilities gained at the commencement of consolidation with making the Fukuho Bank a new consolidated subsidiary through the acquisition of shares. It also describes the relationship between the acquisition cost of the Fukuho Bank’s shares and the net expenditure used to acquire them.

	Millions of yen		Thousands of U.S. dollars
	2022	2022	2022
Assets	¥ 485,595		\$ 3,967,610
Cash and due from banks		77,131	630,208
Securities		73,400	599,727
Loans and bills discounted		325,246	2,657,457
Liabilities		(467,021)	(3,815,848)
Deposits		(439,619)	(3,591,959)
Non-controlling interests		(8,915)	(72,846)
Gain on negative goodwill		(4,658)	(38,063)
Acquisition cost of shares		5,000	40,853
Cash and cash equivalents belonging to the new consolidated subsidiary		(76,283)	(623,278)
Proceeds from purchase of shares of subsidiaries affecting scope of consolidation		(71,283)	(582,425)

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

Predominantly vehicles, equipment, and fixtures

b. Intangible fixed assets

Software

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

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

(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.

Certain consolidated subsidiaries of the Group operate banking and leasing businesses.

(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. Borrowed money is 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).

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 ¥35,446 million (\$289,622 thousand)—¥33,658 million at the previous fiscal year-end—and loans and deposit accounts totaled ¥20,208 million (\$165,118 thousand)—¥22,431 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 and checks its validity.

However, VaR measures the market risk under a certain probability statistically calculated based on historical market fluctuations, and 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

The measurement of fair value of financial instruments is based on certain assumptions and may vary when different assumptions are employed.

(2) Fair values of financial instruments

The carrying amounts on the consolidated balance sheets and fair values of financial instruments as of March 31, 2022 and 2021, as well as the differences between these values are presented below. Shares and investments in partnerships without market prices are not included in the following table (See Note 1). Also, as cash and due from banks and payables under repurchase agreements are repaid in a short time frame, their fair values are essentially equivalent to their book values, so these are also omitted. Notes for instruments deemed immaterial are also excluded.

Previous fiscal year (March 31, 2021)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	482	482	—
(2) Securities			
Available-for-sale securities	721,831	721,831	—
(3) Loans and bills discounted	1,790,164		
Allowance for doubtful receivables*1	(14,251)		
	1,775,912	1,827,350	51,437
Total assets	2,498,226	2,549,664	51,437
(1) Deposits	2,774,895	2,774,949	54
(2) Borrowed money	475,895	475,895	—
Total liabilities	3,250,790	3,250,845	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 parentheses: ()

Current fiscal year (March 31, 2022)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	399	399	—
(2) Securities			
Available-for-sale securities	738,142	738,142	—
(3) Loans and bills discounted	2,138,111		
Allowance for doubtful receivables*1	(19,104)		
	2,119,006	2,167,844	48,837
Total assets	2,857,548	2,906,385	48,837
(1) Deposits	3,319,738	3,319,778	39
(2) Borrowed money	647,870	647,870	—
Total liabilities	3,967,609	3,967,648	39
Derivative transactions*2			
Not qualifying for hedge accounting	(917)	(917)	—
Qualifying for hedge accounting	(925)	(925)	—
Total derivative transactions	(1,843)	(1,843)	—

*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 parentheses: ()

(Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	3,261	3,261	—
(2) Securities			
Available-for-sale securities	6,031,068	6,031,068	—
(3) Loans and bills discounted	17,469,660		
Allowance for doubtful receivables*1	(156,099)		
	17,313,561	17,712,595	399,034
Total assets	23,347,890	23,746,924	399,034
(1) Deposits	27,124,263	27,124,586	323
(2) Borrowed money	5,293,493	5,293,493	—
Total liabilities	32,417,756	32,418,079	323
Derivative transactions*2			
Not qualifying for hedge accounting	(7,501)	(7,501)	—
Qualifying for hedge accounting	(7,563)	(7,563)	—
Total derivative transactions	(15,064)	(15,064)	—

*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 parentheses: ()

Note 1: The amounts for shares and investments in partnerships without market prices on the consolidated balance sheets are as stated below. The fair value of financial instruments is not included in “Available-for-sale securities.”

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Unlisted stocks ^{*1, *2}	¥ 2,307	¥ 1,439	\$ 18,856	
Investments in partnerships ^{*3}	7,855	2,035	64,185	

*1: Unlisted stocks are excluded from fair value disclosure in line with Paragraph 5 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

*2: During the previous fiscal year, no impairment loss was recognized against unlisted stocks. During the current fiscal year, an impairment loss of ¥0 million was recognized against unlisted stocks.

*3: Investments in partnerships are excluded from fair value disclosure in line with Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

Note 2: Redemption schedule of monetary claims and securities with maturities after March 31, 2022 and 2021

Previous 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
Others	23,325	60,539	59,431	34,738	87,427	2,980
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, 2022)

(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	1,158,677	—	—	—	—	—
Securities	64,091	123,555	146,811	53,745	149,012	110,868
Available-for-sale securities with maturities	64,091	123,555	146,811	53,745	149,012	110,868
Government bonds	6,400	200	26,000	—	34,500	41,900
Local government bonds	8,723	6,573	3,151	22,551	50,627	10,555
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	24,912	53,943	40,141	8,673	17,721	55,427
Others	24,055	62,839	77,519	22,520	46,164	2,986
Loans and bills discounted*	622,553	423,349	261,726	153,971	172,548	429,822
Total	1,845,323	546,905	408,538	207,716	321,561	540,691

* 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 ¥33,901 million and those without maturity, amounting to ¥40,237 million.

Current fiscal year (March 31, 2022)

(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	9,467,095	—	—	—	—	—
Securities	523,670	1,009,525	1,199,542	439,131	1,217,520	905,862
Available-for-sale securities with maturities	523,670	1,009,525	1,199,542	439,131	1,217,520	905,862
Government bonds	52,292	1,634	212,436	—	281,886	342,348
Local government bonds	71,279	53,707	25,749	184,259	413,654	86,242
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	203,554	440,750	327,979	70,867	144,791	452,873
Others	196,545	513,434	633,378	184,005	377,189	24,399
Loans and bills discounted*	5,086,636	3,459,021	2,138,467	1,258,038	1,409,828	3,511,912
Total	15,077,401	4,468,546	3,338,009	1,697,169	2,627,348	4,417,774

* 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 \$276,997 thousand and those without maturity, amounting to \$328,762 thousand.

Note 3: Repayment schedule of interest-bearing liabilities after March 31, 2022 and 2021

Previous 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) Borrowed money	154,795	148,900	172,200	—	—	—
Total	2,841,528	226,066	180,950	1,012	1,234	—

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

Current fiscal year (March 31, 2022)

(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*	3,193,606	105,294	18,831	744	1,262	0
(2) Borrowed money	316,095	262,199	69,575	—	—	—
Total	3,509,702	367,494	88,406	744	1,262	0

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

Current fiscal year (March 31, 2022)

(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*	26,093,688	860,319	153,861	6,080	10,313	1
(2) Borrowed money	2,582,691	2,142,332	568,470	—	—	—
Total	28,676,379	3,002,651	722,331	6,080	10,313	1

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

(3) Breakdown for the fair value of financial instruments

The fair value of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair value, the fair value of financial instruments is presented by categorizing the measurements into the following three levels:

Level 1 fair value: fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair value measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Bank and its subsidiaries classify the fair value into the category to which the lowest priority is assigned.

(1) Financial instruments measured at fair value in the consolidated balance sheet

Current fiscal year (March 31, 2022)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Government and local government bonds	369	29	—	399
Corporate bonds	—	—	—	—
Stocks	—	—	—	—
Others	—	—	—	—
Available-for-sale securities				
Government and local government bonds	108,973	116,435	—	225,409
Corporate bonds	—	181,744	3,327	185,071
Stocks	38,070	—	—	38,070
Others	52,321	70,044	608	122,974
Total assets	199,734	368,254	3,935	571,924
Derivative transactions				
Currency-related transactions	—	(1,843)	—	(1,843)
Total derivative transactions	—	(1,843)	—	(1,843)

*1 Investment trusts, etc., to which transitional measures have been applied as defined in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the table above. On the consolidated balance sheet, these investment trusts, etc., totaled ¥166,616 million (\$1,361,361 thousand).

*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 parentheses: ().

(Thousands of U.S. dollars)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Government and local government bonds	3,020	240	—	3,260
Corporate bonds	—	—	—	—
Stocks	—	—	—	—
Others	—	—	—	—
Available-for-sale securities				
Government and local government bonds	890,382	951,349	—	1,841,731
Corporate bonds	—	1,484,961	27,184	1,512,145
Stocks	311,055	—	—	311,055
Others	427,497	572,310	4,969	1,004,776
Total assets	1,631,954	3,008,860	32,153	4,672,967
Derivative transactions				
Currency-related transactions	—	(15,064)	—	(15,064)
Total derivative transactions	—	(15,064)	—	(15,064)

*1 Investment trusts, etc., to which transitional measures have been applied as defined in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the table above. On the consolidated balance sheet, these investment trusts, etc., totaled ¥166,616 million (\$1,361,361 thousand).

*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 parentheses: ().

(2) Financial instruments not recorded at fair value on the consolidated balance sheet

Current fiscal year (March 31, 2022)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	—	—	2,167,844	2,167,844
Total assets	—	—	2,167,844	2,167,844
Deposits	—	3,319,778	—	3,319,778
Borrowed money	—	647,870	—	647,870
Total liabilities	—	3,967,648	—	3,967,648

(Thousands of U.S. dollars)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	—	—	17,712,595	17,712,595
Total assets	—	—	17,712,595	17,712,595
Deposits	—	27,124,586	—	27,124,586
Borrowed money	—	5,293,493	—	5,293,493
Total liabilities	—	32,418,079	—	32,418,079

Note 1: Explanation of evaluation methods used to calculate fair value and inputs related to the calculation of fair value

Assets

Securities

As market fair values for listed stocks in active markets can be used without adjustment, these are classified as Level 1 fair values.

The fair values of private placement bonds guaranteed by the Bank are calculated based on the value of expected future cash flows, after deductions for credit risk for the total amount of principal and interest by the issuer's internal rating and certain time period has been applied, discounted at the market interest rate. As credit risk is an input with unobservable significant effect (a "significant unobservable input"), these are classified as Level 3 fair values.

Securities not detailed above use fair values based on evaluation amounts provided by third parties. Of those, securities for which there are fair values for equivalent assets or liabilities in active markets and that are not adjusted are classified as Level 1. Those that use significant unobservable inputs are classified as Level 3, while others are classified as Level 2 fair values.

Loans and bills discounted

Loans and bills with fluctuating interest rates can be reflected by market interest rates in the short term, and provided the credit risk of the borrower does not change dramatically, fair values are essentially equivalent to their book values and so fair value is taken to be the relevant book value. The fair values of loans and bills with fixed interest rates are calculated based on the value of expected future cash flows, after deductions for credit risk for the total amount of principal and interest principally by the type of loan, issuer's internal rating and certain time period has been applied, discounted at the market interest rate.

Fair values for loans and bills with short contract periods (a year or less) are essentially equivalent to their book values and so fair value is taken to be the relevant book value. For loans to bankrupt, substantially bankrupt, and potentially bankrupt borrowers, fair value is an amount where the individual allowance for doubtful receivables is deducted from book value. As credit risk is a significant unobservable input, these are classified as Level 3 fair values.

Liabilities

Deposits

For demand deposits paid immediately after a demand on the consolidated balance sheet date, that amount is taken as the fair value. The fair values of time deposits are determined based on the present discounted value of future cash flows by certain time periods discounted by expected future cash flows. The discount rate generally uses the interest rate required for newly originated deposits. These are classified as Level 2 fair values.

Borrowed money

The fair values of borrowed money 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. Fair values for borrowed money with short contract periods (a year or less) are essentially equivalent to their book values and so fair value is taken to be the relevant book value. These are classified as Level 2 fair values.

Derivative transactions

The fair values of derivative transactions are calculated using present value evaluation method, the Black-Scholes model, or other evaluation method depending on the type of transaction or time until completion. Major inputs for these used in these evaluation methods include interest, exchange rates, and volatility. For those where unobservable inputs are not used, or where the influence of such is deemed insignificant, these are classified as Level 2 fair values. These include exchange contract transactions, currency option transactions, and currency swap transactions.

Note 2: Information on Level 3 fair values of financial instruments recorded at fair value on the consolidated balance sheet

(1) Quantitative information related to significant unobservable inputs

Current fiscal year (March 31, 2022)

Category	Evaluation method	Significant unobservable inputs	Scope of inputs	Input-weighted average
Available-for-sale securities				
Corporate bonds (private placement bonds guaranteed by the Bank)	Present value evaluation method	Default probability	0.0–0.5%	0.1%

(2) Reconciliation between the balances at the start and end of the current fiscal year and gains/losses from valuation recognized as gains/losses during the period

Current fiscal year (March 31, 2022)

(Millions of yen)

	Balance at the start of the period	Gains/losses during the period and other comprehensive income		Net amounts for purchase, sales, issuance, and settlements	Transfer to Level 3	Transfer from Level 3	Balance at the end of the period	Gains/losses from valuation for financial assets and financial liabilities on the consolidated balance sheet where amounts of gains/losses have been recorded for the current fiscal year
		Recorded as gains/losses	Recorded as other comprehensive income*					
Securities								
Available-for-sale securities								
Corporate bonds	1,665	—	30	1,631	—	—	3,327	—
Others	5,939	—	(37)	(5,294)	—	—	608	—

*Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income

(Thousands of U.S. dollars)

	Balance at the start of the period	Gains/losses during the period and other comprehensive income		Net amounts for purchase, sales, issuance, and settlements	Transfer to Level 3	Transfer from Level 3	Balance at the end of the period	Gains/losses from valuation for financial assets and financial liabilities on the consolidated balance sheet where amounts of gains/losses have been recorded for the current fiscal year
		Recorded as gains/losses	Recorded as other comprehensive income*					
Securities								
Available-for-sale securities								
Corporate bonds	13,607	—	245	13,332	—	—	27,184	—
Others	48,533	—	(307)	(43,257)	—	—	4,969	—

*Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income

(3) Explanation of the fair value evaluation process

Within the Bank accounting departments set policies and procedures for calculating fair value, and the market departments calculate fair value in accordance with these policies and procedures. For the fair values so calculated, the accounting departments assess the evaluation method used, the validity of the inputs, and the appropriateness of the level into which the value has been categorized.

In calculating fair value, the most appropriate evaluation model, which can reflect the nature, special characteristics, and risks of each individual asset, are used. Even for instances when a market value provided by a third party is used, the evaluation method and the validity of the value are assessed through appropriate methods.

(4) Explanation of effect on fair value when significant unobservable inputs are changed

A significant unobservable input that is used to calculate fair value on private placement bonds guaranteed by the Bank is the default probability. A significant rise (or drop) in the default probability rate will cause a significant drop (or rise) in the fair value.

24. Securities

Securities in this section include “trading securities” in addition to “securities” in the consolidated balance sheets.

(1) Securities for trading purposes

	Millions of yen		Thousands of U.S. dollars			
	2022	2021	2022			
Valuation difference reflected on the statements of operations	¥	(9)	¥	(10)	\$	(75)

(2) Securities-held-to-maturity

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

(3) Available-for-sale securities

Previous 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, 2022)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	32,942	12,537	20,404
	Bonds	142,065	140,632	1,433
	Government bonds	48,484	47,455	1,028
	Local government bonds	30,596	30,464	132
	Short-term corporate bonds	—	—	—
	Corporate bonds	62,984	62,711	273
	Others	139,497	133,779	5,718
	Foreign securities	70,842	70,293	549
Subtotal	314,506	286,949	27,556	
Securities for which carrying amount does not exceed acquisition cost	Stocks	5,127	5,824	(696)
	Bonds	268,415	271,722	(3,307)
	Government bonds	60,489	61,999	(1,509)
	Local government bonds	70,905	71,775	(869)
	Short-term corporate bonds	—	—	—
	Corporate bonds	137,019	137,947	(927)
	Others	150,093	156,423	(6,330)
	Foreign securities	52,086	53,936	(1,850)
Subtotal	423,636	433,970	(10,334)	
Total		738,142	720,919	17,222

Current fiscal year (March 31, 2022)

(Thousands of U.S. dollars)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	269,158	102,437	166,721
	Bonds	1,160,764	1,149,052	11,712
	Government bonds	396,144	387,744	8,400
	Local government bonds	249,995	248,915	1,080
	Short-term corporate bonds	—	—	—
	Corporate bonds	514,625	512,393	2,232
	Others	1,139,782	1,093,060	46,722
	Foreign securities	578,824	574,338	4,486
Subtotal	2,569,704	2,344,549	225,155	
Securities for which carrying amount does not exceed acquisition cost	Stocks	41,897	47,587	(5,690)
	Bonds	2,193,113	2,220,137	(27,024)
	Government bonds	494,238	506,574	(12,336)
	Local government bonds	579,343	586,451	(7,108)
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,119,532	1,127,112	(7,580)
	Others	1,226,354	1,278,075	(51,721)
	Foreign securities	425,577	440,694	(15,117)
Subtotal	3,461,364	3,545,799	(84,435)	
Total		6,031,068	5,890,348	140,720

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

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

None

Current fiscal year (From April 1, 2021 to March 31, 2022)

None

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

Previous 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, 2021 to March 31, 2022)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	2,391	705	425
Bonds	3,508	—	23
Government bonds	3,082	—	21
Local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	425	—	1
Others	103,702	1,642	2,211
Foreign securities	80,881	498	1,957
Total	109,602	2,347	2,659

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	19,542	5,762	3,473
Bonds	28,664	—	189
Government bonds	25,184	—	176
Local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	3,480	—	13
Others	847,310	13,417	18,067
Foreign securities	660,853	4,074	15,991
Total	895,516	19,179	21,729

(6) Securities that changed their holding purpose

None

(7) Impairment of securities

Securities other than trading securities, (excluding shares and investments in partnerships without market prices) 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 ¥878 million (including ¥257 million related to “Stocks” and ¥621million to “Corporate bonds”).

In the current fiscal year, impairment loss was recognized in the amount of ¥1,546 million (\$12,634 thousand), of which ¥1,097 million (\$8,967 thousand) related to “Stocks,” ¥184 million (\$1,509 thousand) to “Corporate bonds,” and ¥264 million (\$2,158 thousand) to “Others.”

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, 2021)

None

Current fiscal year (March 31, 2022)

None

(2) Money held in trust held to maturity

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

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

Previous 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, 2022)

(Millions of yen)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	6,802	6,802	—	—	—

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

Current fiscal year (March 31, 2022)

(Thousands of U.S. dollars)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	55,580	55,580	—	—	—

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
	2022	2021	2022
Valuation differences	¥ 17,222	¥ 26,526	\$ 140,720
Securities	17,222	26,526	140,720
Deferred tax liability	(4,935)	(7,805)	(40,322)
Valuation differences on available-for-sale securities (before adjustment for non-controlling interests)	12,287	18,721	100,398
Non-controlling interests	158	(11)	1,299
Valuation differences on available-for-sale securities	12,446	18,709	101,697

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, 2021)

None

Current fiscal year (March 31, 2022)

None

(ii) Currency-related transactions

Previous 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	—	—	—	—
	Purchased	—	—	—	—
OTC	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)

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

Current fiscal year (March 31, 2022)

(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	35,954	22	(1,513)	(1,513)
	Purchased	18,209	—	595	595
	Currency options				
	Sold	16,401	10,188	(528)	384
	Purchased	16,401	10,188	528	(243)
	Others				
	Sold	—	—	—	—
	Purchased	—	—	—	—
Total				(917)	(776)

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

Current fiscal year (March 31, 2022)

(Thousands of U.S. dollars)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	—	—	—	—
	Purchased	—	—	—	—
	Currency options				
	Sold	—	—	—	—
	Purchased	—	—	—	—
OTC	Currency swaps				
	Forward exchange contracts				
	Sold	293,772	180	(12,363)	(12,363)
	Purchased	148,786	—	4,862	4,862
	Currency options				
	Sold	134,013	83,245	(4,317)	3,144
	Purchased	134,013	83,245	4,317	(1,989)
	Others				
	Sold	—	—	—	—
	Purchased	—	—	—	—
Total				(7,501)	(6,346)

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

(iii) Stock-related transactions

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

(v) Commodity-related transactions

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

(vi) Credit derivative transactions

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

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, 2021)

None

Current fiscal year (March 31, 2022)

None

(ii) Currency-related transactions

Previous 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

Note: Deferred hedge accounting stipulated in the Report No. 25 is applied, in principle.

Current fiscal year (March 31, 2022)

(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	12,239	—	(925)
Total					(925)

Note: Deferred hedge accounting stipulated in the Report No. 25 is applied, in principle.

Current fiscal year (March 31, 2022)

(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	—	(7,563)
Total					(7,563)

Note: Deferred hedge accounting stipulated in the Report No. 25 is applied, in principle.



(iii) Stock-related transactions

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

None

28. Retirement and pension plans

(1) Outline of the retirement benefit plans

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 use a defined benefit corporate pension contract system and a lump-sum benefit program, and are entered into 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	
	2022	2021	2022	
Retirement benefit obligations (opening balance)	¥ 5,373	¥ 5,405	\$ 43,907	
Service cost-benefits earned during the fiscal year	338	298	2,767	
Interest cost on projected benefit obligations	26	27	220	
Actuarial differences	(35)	0	(288)	
Retirement benefits paid	(444)	(358)	(3,634)	
Past service cost	111	—	912	
Increase resulting from new consolidations	1,899	—	15,521	
Other	—	—	—	
Retirement benefit obligations (closing balance)	¥ 7,270	¥ 5,373	\$ 59,405	

(ii) Reconciliation of pension assets

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Pension assets (opening balance)	¥ —	¥ —	\$ —	
Expected return on plan assets	18	—	150	
Actuarial differences	(28)	—	(230)	
Retirement benefits paid	(58)	—	(481)	
Contribution from business owners	30	—	247	
Increase resulting from new consolidations	1,269	—	10,374	
Pension assets (closing balance)	¥ 1,231	¥ —	\$ 10,060	

(iii) Reconciliation between closing balances of retirement benefit obligations and pension assets, and liabilities and assets for retirement benefits recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Funded system retirement benefit obligations	¥ 7,270	¥ 5,373	\$ 59,406	
Pension assets	(1,231)	—	(10,060)	
	6,039	5,373	49,346	
Non-funded system retirement benefit obligations	—	—	—	
Net amounts of liabilities and assets recorded on the consolidated balance sheet	¥ 6,039	¥ 5,373	\$ 49,346	

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Net defined benefit liability	¥ 6,039	¥ 5,373	\$ 49,346	
Net defined benefit asset	—	—	—	
Net of liabilities and assets recorded in the consolidated balance sheet	¥ 6,039	¥ 5,373	\$ 49,346	

(iv) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Service cost-benefits earned during the fiscal year	¥ 338	¥ 298	\$ 2,767	
Interest cost on projected benefit obligations	26	27	220	
Expected return on plan assets	(18)	—	(150)	
Amortization of actuarial differences	4	(0)	37	
Amortization of past service cost	—	—	—	
Other	—	—	—	
Retirement benefit expenses for defined benefit obligations	¥ 351	¥ 325	\$ 2,874	

(v) Adjustments for retirement benefits

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

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Past service cost	¥ (111)	¥ —	\$ (912)	
Actuarial differences	11	(0)	96	
Other	—	—	—	
Total	¥ (99)	¥ (0)	\$ (816)	

(vi) 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	
	2022	2021	2022	
Unrecognized past service cost	¥ 111	¥ —	\$ 912	
Unrecognized actuarial differences	1	(2)	13	
Other	—	—	—	
Total	¥ 113	¥ (2)	\$ 925	

(vii) Matters relating to pension assets

(1) The ratio of each major category from total pension assets is as follows.

	2022	2021
Bonds	28.73%	—
Stocks	40.43%	—
Cash and deposits	1.95%	—
Others	28.89%	—
Total	100%	—

(2) Method for setting the expected rate of return on assets

The expected long-term rate of return on pension assets is based on the current and projected allocation of pension assets and the expected long-term rate of return on the various assets comprising pension assets.

(viii) Actuarial assumptions

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

	2022	2021
Discount rate	Mainly 0.5%	0.5%
Expected rate of return on assets	3.0%	—
Expected rate of retirement benefits basis increase	Mainly 4.3%	4.5%

Note: Since the Bank and certain consolidated subsidiaries take expected rates for retirement benefit basis increases as a basis for calculating retirement benefits, these expected rates are used in place of expected rates for salary increases.

(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 (\$532 thousand) in the current fiscal year.

29. Income Taxes

(1) Deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Deferred tax assets				
Allowance for doubtful receivables	¥ 8,092	¥ 6,704	\$ 66,118	
Liability for retirement benefits	1,839	1,636	15,029	
Devaluation of securities	1,371	878	11,207	
Impairment loss on land	1,125	812	9,196	
Depreciation	877	783	7,170	
Losses carried forward for tax purposes (Note 2)	1,075	—	8,788	
Others	1,451	1,183	11,861	
Subtotal	15,833	11,999	129,369	
Valuation allowance for net loss carried forward (Note 2)	(1,075)	—	(8,788)	
Valuation allowance for total deductible temporary differences, etc.	(7,635)	(6,028)	(62,385)	
Valuation allowance subtotal (Note 1)	(8,710)	(6,028)	(71,173)	
Total deferred tax assets	7,122	5,971	58,196	
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(4,935)	(7,805)	(40,322)	
Reserve for advanced depreciation of non-current assets	(169)	(174)	(1,385)	
Revised book values from fair value evaluation	(524)	—	(4,288)	
Others	(26)	(13)	(217)	
Total deferred tax liabilities	(5,655)	(7,993)	(46,212)	
Net deferred tax assets (liabilities)	¥ 1,466	¥ (2,022)	\$ 11,984	

(Note 1) The valuation allowance amount increased by ¥2,682 million (\$21,919 thousand). This increase is mainly due to an increase in the Bank's valuation allowance for allowance for doubtful receivables from making the Fukuho Bank a consolidated subsidiary.

(Note 2) Net loss carried forward and amounts for each deferred tax asset by deferral period

Previous fiscal year (March 31, 2021)

None

Current fiscal year (March 31, 2022)

(Millions of yen)

	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Net loss carried forward*	16	307	12	0	62	675	1,075
Valuation allowance	(16)	(307)	(12)	(0)	(62)	(675)	(1,075)
Deferred tax assets	—	—	—	—	—	—	—

*Net loss carried forward is multiplied by the statutory effective tax rate.

(Thousands of U.S. dollars)

	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Net loss carried forward*	131	2,512	101	8	514	5,522	8,788
Valuation allowance	(131)	(2,512)	(101)	(8)	(514)	(5,522)	(8,788)
Deferred tax assets	—	—	—	—	—	—	—

*Net loss carried forward is multiplied by the statutory effective tax rate.

(2) Effective income tax rate

	2022	2021
Statutory effective tax rate	30.46%	30.46%
(Adjustments)		
Permanent differences such as entertainment expenses	1.45	0.78
Permanent differences such as dividend income	(1.64)	(2.61)
Gain on negative goodwill	(45.81)	—
Expenses related to the acquisition of shares in subsidiaries	0.65	—
Tax rate difference from parent	1.11	0.97
Consolidated adjustments related to fair value evaluation assets	(7.86)	—
Change in the valuation allowance amount	15.72	8.09
Inhabitant tax on per capita basis	1.56	0.95
Reversal of revaluation reserve for land	(1.83)	—
Others	(0.37)	1.44
Effective tax rate after adoption of tax effect accounting	<u>-6.56%</u>	<u>40.08%</u>

30. Business combination

Making the Fukuho Bank a subsidiary

The Bank and THE FUKUHO BANK, LTD. (“the Fukuho Bank”) (Collectively, the Bank and the Fukuho Bank are referred to as “the two Banks”), concluded a capital and business alliance agreement on May 14, 2021. Based on this agreement, on October 1 of the same year, the Bank took on a third-party allotment of common stock implemented by the Fukuho Bank. As a result, the Fukuho Bank became 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
THE FUKUHO BANK, LTD.	Banking

(ii) Reasons for the business combination

The business combination will help the two Banks secure appropriate capital so that they can continue to provide financial intermediation functions in their operating regions. 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 business combination, 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 higher quality services to customers than ever, which is the objective of the business combination.

- (iii) Date of the business combination
October 1, 2021
- (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%
- (vii) Reasons for the decision on the acquiring company
The Bank acquired shares for cash

- (2) Period of business performance of the acquired company included in the consolidated statement of operations for the current fiscal year
From October 1, 2021 to March 31, 2022

(3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash and due from banks	¥5,000 million	\$40,853 thousand
Total acquisition cost	—	¥5,000 million	\$40,853 thousand

- (4) Major expenses related to acquisition and amounts
Advisory expenses, etc.
¥66 million (\$542 thousand)
- (5) Amount of negative goodwill and reason for recognizing negative goodwill
- (i) Gain on negative goodwill
¥4,658 million (\$38,063 thousand)
- (ii) Reason for recognizing negative goodwill
Since the total acquisition cost was less than the fair value of the acquiree's net assets acquired at the business combination, the difference was recognized as a gain on negative goodwill.
- (6) Assets and liabilities received on the day of business combination and breakdown of those amounts
- (i) Assets
Total assets: ¥485,595 million (\$3,967,610 thousand)
Cash and due from banks: ¥77,131 million (\$630,208 thousand)
Securities: ¥73,400 million (\$599,727 thousand)
Loans and bills discounted: ¥325,246 million (\$2,657,457 thousand)
- (ii) Liabilities
Total liabilities: ¥467,021 million (\$3,815,848 thousand)
Deposit: ¥439,619 million (\$3,591,959 thousand)
- (7) Approximate impact of the business combination and methods used to calculate amounts on the consolidated financial statements for the fiscal year, as if the business combinations had been completed on the first day of the fiscal year
Ordinary revenue: ¥4,642 million (\$37,930 thousand)
Ordinary profit: ¥207 million (\$1,696 thousand)
Net income attributable to owners of parent: ¥114 million (\$937 thousand)

The amounts given above for the approximate impact were calculated based on the Fukuho Bank's mid-term consolidated statement of operations, which covers the period from April 1 to September 30, 2021.

The approximate amounts above have not been audited by KPMG AZSA LLC.

31. Asset retirement obligations

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2021 to March 31, 2022)

This note is not provided due to its low materiality.

32. Investment and rental property

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2021 to March 31, 2022)

This note is not provided due to its low materiality.

33. Revenue recognition

(1) Breakdown of revenue from contracts with customers

	Millions of yen		Thousands of U.S. dollars	
	2022		2022	
Fees and commissions	¥	6,824	\$	55,763
Deposits and lending operations		2,044		16,705
Foreign exchange operations		2,176		17,783
Securities-related operations		685		5,600
Agency operations		219		1,794
Insurance sales operations		312		2,557
Other operations		1,385		11,324
Ordinary revenue from contracts with customers		6,824		55,763
Ordinary revenue other than that detailed above		38,966		318,376
Ordinary revenue from external customers	¥	45,790	\$	374,139

(2) Information that founds the basis for understanding of revenue from contracts with customers

This information can be found in Accounting Policies: (xvii) Accounting standards for recognition of significant revenues and expenses. As such, it is omitted here.

(3) Information for the understanding of income amounts for the current fiscal year and future fiscal years

This information is omitted due to its low materiality.

34. Segment information

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.

In the past, the Group's activities were classified into three business segments: "Banking," "Leasing," and "Others." From the current fiscal year, however, these activities are reported in a single segment, "Comprehensive Financial Services."

After the acquisition of the Fukuho Bank on October 1, 2021, considering the Bank's desired future management structure for the Group, business segment definitions were reviewed. As a result, with the thinking that the Group's business belonged to one sole business segment, it was deemed appropriate to adopt the Comprehensive Financial Services segment as a comprehensive financial services provider.

Due to this change to a single business segment, segment information for the current and previous fiscal years is not provided.

Related information

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

(1) Information by service

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary revenue from external customers	17,091	10,095	7,088	7,607	41,883

Notes:

1. The figures represent "revenue" in substitution for net sales to be presented by companies in other industries.
2. As detailed in the note "Changes to the presentation method," figures are reclassified.

(2) Geographic information

(i) Ordinary revenue

More than 90% of the Group's revenue on the consolidated statement of operations for the fiscal years ended March 31, 2021 is attributable to revenue from external customers in Japan; accordingly, revenue 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 revenue of the Group.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(1) Information by services

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary revenue from external customers	19,187	10,381	7,353	8,868	45,790

Note: The figures represent "revenue" in substitution for net sales to be presented by companies in other industries.

(Thousands of U.S. dollars)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary revenue from external customers	156,772	84,823	60,081	72,463	374,139

Note: The figures represent "revenue" in substitution for net sales to be presented by companies in other industries.

(2) Geographic information

(i) Ordinary revenue

More than 90% of the Group's revenue on the consolidated statements of operations for the fiscal years ended March 31, 2022 is attributable to revenue from external customers in Japan; accordingly, revenue 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, 2022 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 revenue of the Group.

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

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

As the Group only has a single reportable segment—Comprehensive Financial Services—this is omitted.

Current fiscal year (From April 1, 2021 to March 31, 2022)

As the Group only has a single reportable segment—Comprehensive Financial Services—this is omitted.

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

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

None

Current fiscal year (From April 1, 2021 to March 31, 2022)

None

Information related to gain on negative goodwill by reportable segment

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

None

Current fiscal year (From April 1, 2021 to March 31, 2022)

As the Group only has a single reportable segment—Comprehensive Financial Services—this is omitted.

35. Related party transactions

(1) Transactions with related parties

(i) Transactions between the Group and related parties

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

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

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

B. Transactions between the Group and unconsolidated subsidiaries or affiliates

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

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

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, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

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

Previous 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	—	—

Transaction content	Transaction amount	Account	Balance at the end of the period (Millions of yen)
Lending of funds	—	Loans	120

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

Under the same conditions as general transaction counterparties.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Type	Name (company or individual)	Location	Capital stock or equity		Business line or occupation	Percentage of voting rights, etc., held (held by the related party)	Relationship with the related party
			(Millions of yen)	(Thousand of U.S. dollars)			
Immediate family member of corporate officer	Kazuyuki Yuasa	—	—	—	Real estate leasing operations	—	—
Company in which more than half of those with voting rights are immediate family members of corporate officers	Kaneichi Co., Ltd. (Note 1)	Sabae, Fukui	80	654	Real estate transactions	Direct shareholdings by the related party 0.00	Banking transactions
Immediate family member of corporate officer	Shinzo Nakanishi	—	—	—	Corporate officer	—	—

Transaction content	Transaction amount		Account	Balance at the end of the period	
	(Millions of yen)	(Thousand of U.S. dollars)		(Millions of yen)	(Thousand of U.S. dollars)
Lending of funds	—	—	Loans	109	895
Lending of funds	100	817	Loans	100	817
Debt guarantee (Note 2)	100	817	—	—	—

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

Identical to terms used with general transaction counterparties.

Note 1: 100% of voting rights in Kaneichi Co., Ltd. are held by an immediate family member of an executive officer of the Bank.

Note 2: Guarantee for debts owed to the Bank by Kaneichi Co., Ltd.

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

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

There were no material transactions.

Current fiscal year (From April 1, 2021 to March 31, 2022)

There were no material transactions.

(2) Notes concerning the parent company or important affiliates

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

None

Current fiscal year (From April 1, 2021 to March 31, 2022)

None

36. Per-share information

	Yen		U.S. dollars	
	2022	2021	2022	
Net assets per share of common stock	¥ 5,679.84	¥ 5,736.08	\$	46.41
Net income per share of common stock	188.96	107.48		1.54

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	
	2022	2021	2022	
Net assets as reported	¥ 140,620	¥ 136,607	\$	1,148,953
Less	7,622	—		62,283
Thereof, non-controlling interests	7,622	—		62,283
Net assets attributable to common shares at the end of the period	¥ 132,997	¥ 136,607	\$	1,086,670

(Thousands of shares)

	2022	2021
The number of shares of common stock outstanding	23,415	23,815

(2) Net income per share of common stock

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Net income per share of common stock				
Net income attributable to owners of parent	¥ 4,440	¥ 2,553	\$	36,280
Net income not attributable to common shareholders	—	—		—
Net income attributable to owners of parent related to common stock	¥ 4,440	¥ 2,553	\$	36,280

(Thousands of shares)

	2022	2021
Average number of shares of common stock outstanding	23,498	23,758

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)

	2022		2021	
	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	—	196	46	200
Average number of treasury shares outstanding during the year, deducted when calculating net income per share	8	198	98	205

Subsequent events

Business partnership contracts

On July 8, 2022, the Bank and Nomura Securities Co., Ltd. ("Nomura Securities," a wholly owned subsidiary of Nomura Holdings, Inc.) signed a memorandum of understanding concerning a comprehensive business partnership for financial instrument brokering.

(1) Purpose of the partnership

By leveraging synergies between the Bank's strong customer base in Fukui Prefecture and Nomura Securities' wealth of expertise in financial instrument dealings and its extensive product lineup, we will support customers' richer lives and help ensure their assets are sound by assisting preparations for an era in which average life expectancy may top a century and by offering advice for how to pass on assets to the next generation.

(2) Details of the partnership

Through the company split (absorption-type split), customer accounts connected to certain tasks related to registered financial institutions, namely the Bank's over the counter sales of government bonds and investment trusts, will be transferred to Nomura Securities. Nomura Securities outsources financial instrument intermediary services to the Bank for customer accounts (a) already outsourced to the Bank based on the existing financial instrument intermediary service agreement between the Bank and Nomura Securities, (b) the Bank transferred to Nomura Securities, or (c) Nomura Securities holds at its Fukui Branch, with some exceptions. In addition, it will outsource primarily the following to the Bank: new customer acquisition within Fukui Prefecture and financial instrument intermediary services for accounts opened at Nomura Securities for these new customers. Furthermore, Nomura Securities will dispatch employees to the Bank to work alongside employees of the Bank on financial instrument intermediation. They will also support sales by sharing their specialist expertise and extensive knowledge.

Under this partnership, Nomura Securities will handle the management of customer accounts, while promotions, sales, after-sales, and other tasks will be the responsibility of the Bank. This cooperation will provide customers in Fukui Prefecture and elsewhere with a range of products, services, and consulting functions related to asset management.

(3) Summary of the partner

- (i) Company: Nomura Securities Co., Ltd.
- (ii) Address: Nihonbashi 1-13-1, Chuo-ku, Tokyo
- (iii) Name and title of the representative: Kentaro Okuda, President and Group CEO
- (iv) Business: Securities business
- (v) Capital: 10 billion yen
- (vi) Date of establishment: May 7, 2001

(4) Schedule

- (i) The final agreement is scheduled to be finalized by the end of 2022.
- (ii) The new operation resulting from this partnership is scheduled to commence by the end of 2023.

(5) Prospects

At present, the impact of this partnership on the Bank's performance is undetermined.



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, 2022 and 2021, 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, 2022 and 2021, 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.

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.

Appropriateness of the amount of the gain on negative goodwill related to the acquisition of shares in THE FUKUHO BANK, LTD. (“the Fukuho Bank”)

The key audit matter	How the matter was addressed in our audit
As described in Note. 30, “Business combination” to the consolidated financial statements, the Bank acquired 51.98% shares of the Fukuho Bank through a third-party allotment implemented by the Fukuho Bank on October 1, 2021, and as a result, the Fukuho Bank was included as a consolidated	The primary procedures we performed to assess the reasonableness of the amount of the gain on negative goodwill arising from the acquisition of shares in the Fukuho Bank included the following: (1) Internal control testing

<p>subsidiary of the Bank. Under this business combination, the Bank acquired assets of ¥485,595 million and liabilities of ¥467,021 million. Since the total acquisition cost of ¥5,000 million was less than the fair value of the acquiree's net assets acquired at the business combination, the difference of ¥4,658 million was recognized as a gain on negative goodwill.</p> <p>A gain on negative goodwill is recognized if an acquisition cost, which is allocated to identifiable assets acquired and liabilities assumed from an acquiree based on their fair values at the date of the business combination, is less than a net amount allocated to assets acquired and liabilities assumed.</p> <p>The Bank determined the acquisition cost by referring to the calculation results made by an external expert. However, assumptions used for the calculation involve a degree of uncertainty. In addition, in allocating the acquisition cost, identifiable assets and liabilities should be assessed at their fair values and fair value measurement of the assets in allocating the acquisition cost is subject to estimation uncertainty. These have a significant effect on the amount of the gain on negative goodwill.</p> <p>We, therefore, determined that our assessment of the appropriateness of the amount of the gain on negative goodwill related to the acquisition of shares in the Fukuho Bank was one of the most significant matters in our audit of the consolidated statements for the current consolidated fiscal year, and accordingly, a key audit matter.</p>	<p>We tested the design and operating effectiveness of certain of the Bank's internal controls relevant to the calculation process for the gain on negative goodwill arising from the acquisition of shares in the Fukuho Bank.</p> <p>(2) Assessment of the reasonableness of the amount of the gain on negative goodwill arising from the acquisition of shares in the Fukuho Bank</p> <p>In order to assess the gain on negative goodwill arising from the acquisition of shares in the Fukuho Bank, we;</p> <ul style="list-style-type: none"> ● inquired of management of the Bank and inspected the relevant minutes of the board of directors' meetings to understand the background of the acquisition of shares, determination process of the acquisition cost and the future business strategy; ● inspected the report on value of shares prepared by the external expert, to which the Bank referred in determining the acquisition cost, and evaluated the assumptions used and the valuation methodology applied for the calculation of the value of shares; ● for the balances of identifiable assets acquired and liabilities, requested the component auditor of the Fukuho Bank to provide the results of the audit performed on the interim consolidated financial statements and evaluated the appropriateness of the audit by inspecting the report materials obtained and making a communication with the component auditor; ● inspected the relevant documents including the interim consolidated financial statements of the Fukuho Bank, which were examined by the Bank, and recalculated the fair values of identifiable assets and liabilities at the date of the business combination of the Fukuho Bank; and ● evaluated competence, capabilities, and objectivity of the external expert the Bank used for fair value measurement of the assets and assessed the appropriateness of operations performed by the external expert by involving our own specialists.
Appropriateness of classification of borrowers in estimating the allowance for doubtful receivables for loans	
The key audit matter	How the matter was addressed in our audit
<p>The consolidated financial statements of the Group reported loans and bills discounted of ¥2,138,111 million (approximately 51% of</p>	<p>The primary procedures we performed to assess whether classification of borrowers in estimating the allowance for doubtful receivable for loans of the</p>

consolidated total assets) and allowance for doubtful receivables of ¥19,394 million in the consolidated balance sheet. Of this, the total amount of allowance for doubtful receivables reported by the Bank, the consolidated parent company, and the Fukuho Bank, a consolidated subsidiary, was ¥17,931 million.

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 and the Fukuho Bank classify 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, classification of a borrower into a category is determined by assessing the borrowers’ repayment ability based on various 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, 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, the assessment involves management’s subjective judgment and may have a significant impact on the allowance for doubtful receivables.

We, therefore, determined that our assessment of the appropriateness of

Bank, the consolidated parent company, was appropriate, included the following. In addition, we requested the component auditor of the Fukuho Bank, a consolidated subsidiary, to perform an audit, and then we evaluated the report of the component auditor as to whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Bank’s internal controls relevant to classification of borrowers 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 write-off and provisions policy 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; and
- controls over classification of borrowers based on the internal self-assessment criteria reflecting qualitative factors.

(2) Assessment of the appropriateness of the borrower category of loans

In order to assess whether borrowers were appropriately classified based on the self-assessment criteria, we selected borrowers to which business improvement plans were designed based on certain criteria. In addition, we:

- inspected the documents reviewed by the Bank, and inquired the rationale for the evaluation by the Bank thereon as to the reasonableness and feasibility 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 those actual results in the current year;
- examined, 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 borrower, the financial support provided by other financial institutions, and the impact of COVID-19, taking into account the business

classification of borrowers in estimating the allowance for doubtful receivables for loans was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

- environment surrounding the borrower, and reviewed the audit documentation relevant to the self-assessment prepared by the component auditor of the Fukuho Bank and evaluated its appropriateness.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 officers' 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, 2022 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.

Akimune, Katsuhiko

Designated Engagement Partner

Certified Public Accountant

Ishibashi, Yuichi

Designated Engagement Partner

Certified Public Accountant

Nomura, Minoru

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Hokuriku Office, Japan

August 31, 2022

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, 2022)

Chairperson and Representative Statutory Executive Officer:	Masahiro Hayashi	Directors:	Masatake Yoshida Kazuhiro Uchikami* Masaru Nanbo* Yuko Mitsuya*
Director, President and Representative Statutory Executive Officer:	Eiichi Hasegawa		*Outside Directors
Director and Managing Executive Officer:	Osamu Watanabe	Statutory Executive Officers:	Keisuke Yoshida Yoshito Sawada Yoshihito Kobayashi Shigeki Maeba Masatsugu Fujihara Kenichi Araki
Director and Managing Executive Officer:	Noriyuki Satake		
Director and Managing Executive Officer:	Shin Okada		

Corporate Data (as of March 31, 2022)

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:	1,312

Service Network (as of May 31, 2022)

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 78 Ishikawa 10 Toyama 4 Shiga 2 Tokyo 1 Aichi 1 Kyoto 1 Osaka 1 Total 98
Correspondent Banking Network:	33 countries 75 cities 135 banks

Consolidated Subsidiaries (as of June 30, 2022)

The Fukugin Lease Co., Ltd.	The Fukui Capital & Consulting Co., Ltd.
The Fukui Credit Guarantee Service Co., Ltd.	Fukui Career Management Co., Ltd.
Fukui Card Co., Ltd.	THE FUKUHO BANK, LTD.
The Fukui Net Co., Ltd.	THE FUKUHO CARD CO., LTD.

THE FUKUI BANK, LTD.

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