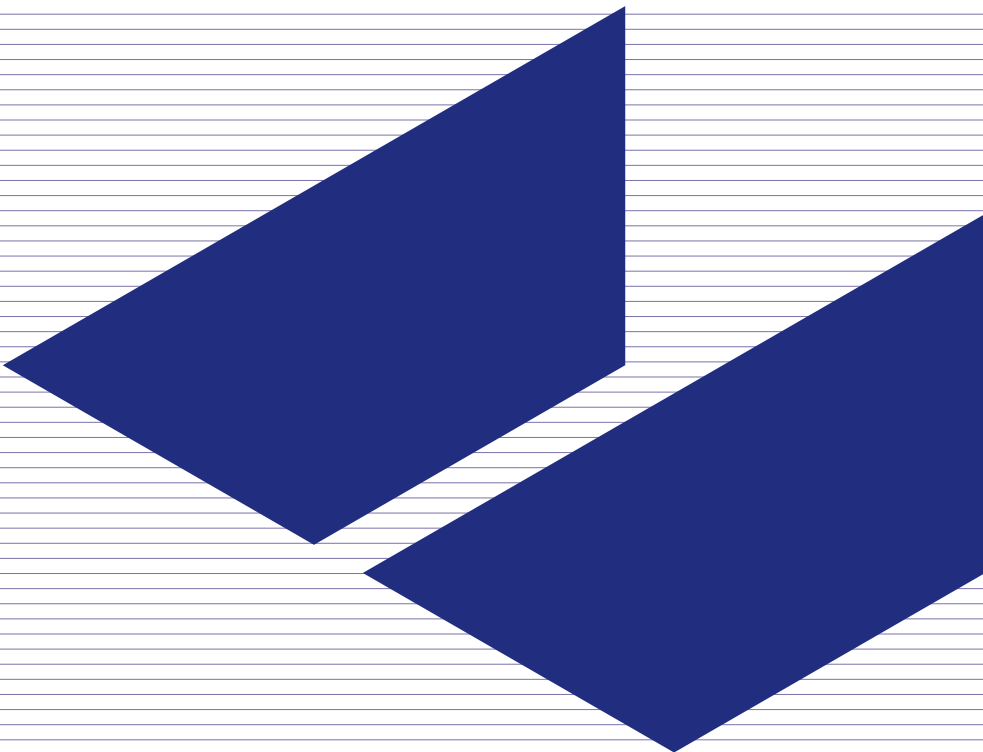


THE FUKUI BANK REPORT
2023.3
Financial Statements

REPORT
2023.3



Contents

Profile	1
Consolidated Financial Statements	4
Corporate Information.....	64

Profile

Innovative Action

Our Mission as a Regional Bank

Since its establishment in 1899, we at the Fukui Bank, Ltd. (“the Bank”) have worked to develop society and people’s lives in Fukui Prefecture, believing that our mission is to “support regional industry.”

In 2015, we established our corporate philosophy of striving to cultivate and promote regional industry and achieving prosperous living conditions for our region’s population. In 2021, with the aim of sustainable development for our region, we formed the F Project, a united financial group, with THE FUKUHO BANK, LTD. (“the Fukuho Bank”) which is also based here in Fukui Prefecture. We have outlined our long-term vision for where we want 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 a model that brings about a value loop for our 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.

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.

Sustainability Initiatives

In order to promote initiatives for sustainability including responses to climate change across the entire group, we have established the F Project Basic Policy for Sustainability. Under the leadership of the Sustainability Committee, which consists of all executive officers, we are working to identify priority issues (“materiality”), formulate financial services and consulting services that contribute to the realization of a sustainable regional communities, and establish business models that take into account the SDGs and ESG perspectives.

Consolidated Financial Highlights

The Fukui Bank, Ltd. and its consolidated subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	2023
For the Year:				
Total income	¥ 54,941	¥ 50,514	¥ 42,038	\$ 411,458
Total expenses	54,349	47,416	37,775	407,024
Income before income taxes	591	3,097	4,262	4,434
Net income attributable to owners of parent	1,803	4,440	2,553	13,506
Net income per share of common stock	77.14	188.96	107.48	0.58
At Year-end:				
Deposits	¥ 3,370,055	¥ 3,319,738	¥ 2,774,895	\$ 25,238,190
Loans and bills discounted	2,214,487	2,138,111	1,790,164	16,584,197
Trading account securities	370	399	482	2,771
Securities	570,478	748,305	725,306	4,272,289
Total assets	4,001,760	4,191,354	3,513,315	29,969,001
Total net assets	128,710	140,620	136,607	963,906

Notes:

The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥133.53 per U.S. \$1.00 on March 31, 2023.

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.

The Management Environment and Issues to Be Addressed

With trends such as a shrinking population in our regional base and the direction of the economy, the cost of living, and financial measures both in Japan and abroad, the future of the Bank's management environment is increasingly uncertain. On the other hand, economic activity is returning to levels seen before the spread of COVID-19, and in Fukui Prefecture the local economy is expected to be boosted by the development of transportation networks such as the extension of the Hokuriku Shinkansen to Tsuruga.

In fiscal 2023, taking into account the changes in the business environment, we will accelerate our efforts in various initiatives as the second year of part one of our medium-term management plan. In particular, by further strengthening customer support, we will contribute to making Fukui a more sustainable, livelier place.

To strengthen this customer support, we will promote work task reforms through digital technologies, review our sales channels, strategically shift more personnel over from the usability domain to the consulting domain, and carry out the following initiatives.

In order to support the business growth of our corporate customers, we will expand and strengthen our consulting staff and deepen cooperation with our customers. By taking advantage of the strengths of the Fukui Bank Group, we will promptly respond to the management issues of as many customers as possible.

To assist individual customers with asset formation, we have started offering financial instrument brokering through a comprehensive business partnership with Nomura Securities Co., Ltd. By making full use of our respective strengths—our strong customer base in Fukui Prefecture and Nomura Securities' wealth of expertise in financial instrument dealings and its extensive product lineup—we will provide high-quality consulting services to customers in the region.

The extension of the Hokuriku Shinkansen to Tsuruga offers us big opportunities that only comes along once in a century. To seize it, and to revitalize the region, we have been continuing to offer companion support to companies in the region and to take part in redevelopment projects around Fukui Station. Further to this, we have been selling items via a regional tourism company, The Fukui Hito Mono Design Co., Ltd., and will work to develop a full-fledged tourism business.

As sustainability initiatives, we are committed to expanding the range of support measures we offer and establishing support systems based on analysis that takes into account the characteristics of the regional economy in Fukui Prefecture, which is our foundation. This will enable us to provide services tailored to the needs of our customers in response to societal demands such as decarbonization.

As mentioned above, we will continue to unite the full strength of the Group and collaborate with prefectural and municipal governments and other relevant institutions to realize the F Project Vision 2032 and take on a central role in revitalizing the region.

Consolidated Performance Review

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

Total income increased by ¥4,427 million from the previous fiscal year to ¥54,941 million. This was due mainly to an increase in interest on loans and discounts and in income from service transactions, etc., as a result of total income being recorded on a full-year basis with the making of the Fukuho Bank into a consolidated subsidiary on October 1, 2021. Total expenses increased by ¥6,933 million from the previous fiscal year to ¥54,349 million. This was due mainly to an increase in sales expenses resulting from total expenses being recorded on a full-year basis with the making of the Fukuho Bank into a consolidated subsidiary, as well as an increase in losses on sales of government bonds.

As a result, we recorded income before income taxes of ¥591 million, a decrease of ¥2,506 million from the previous fiscal year. Net income attributable to owners of parent decreased by ¥2,636 million from the previous fiscal year to ¥1,803 million, as a consequence of the recording of a gain on negative goodwill of ¥4,658 million that came with making the Fukuho Bank a consolidated subsidiary.

Moreover, as the Fukui Bank Group's comprehensive financial services business is in a single business segment, segment performance data is not provided.

Cash Flows

In terms of consolidated net cash flows, ¥258,764 million was used in operating activities, ¥168,906 million was provided by investing activities, and ¥2,533 million was used in financing activities. As a result, cash and cash equivalents at the end of the year were ¥1,106,819 million, which was a decrease of ¥92,391 million compared with the previous year.

Net cash used in operating activities

Net cash used in operating activities was ¥258,764 million. The main factors behind this were an increase in expenses and a decrease in borrowed money. Net cash used in operating activities was ¥445,302 million higher than in the previous fiscal year, as borrowed money moved from a net increase to a net decrease, and increases in deposits slowed.

Net cash provided by investing activities

Net cash provided by investing activities was ¥168,906 million. This was due to income from sales and redemptions of securities exceeding expenses used to purchase securities. Net cash from investing activities was ¥57,706 million higher than in the previous fiscal year. Despite the high figure in the previous fiscal year due to an increase in cash from making the Fukuho Bank a consolidated subsidiary in the previous year, this increase was achieved due to increased income from sales and redemptions of securities, and decreased expenses used to purchase securities.

Net cash used in financing activities

Net cash used in financing activities was ¥2,533 million, reflecting the payment of dividends, purchase of treasury shares, and additional purchase of shares in our subsidiaries. Net cash used in financing activities was ¥769 million higher than in the previous fiscal year, due mainly to increased expenses to purchase additional shares in our subsidiaries.

Consolidated Financial Statements

The Fukui Bank, Ltd. and its consolidated subsidiaries

Consolidated Balance Sheets

March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Cash and due from banks	¥ 1,108,538	1,200,220	\$ 8,301,791
Monetary claims bought	—	941	—
Trading account securities (Note 23)	370	399	2,771
Money held in trust (Note 25)	6,802	6,802	50,943
Securities (Notes 3, 4, 5, 7, 12, 23 and 24)	570,478	748,305	4,272,289
Loans and bills discounted (Notes 5, 6, 7, 8 and 23)	2,214,487	2,138,111	16,584,197
Foreign exchange (Note 5 and 6)	8,858	9,757	66,343
Other assets (Notes 5, 7 and 27)	62,682	63,309	469,426
Tangible fixed assets (Notes 9, 10, 11, 30 and 31)	31,167	31,462	233,415
Intangible fixed assets	1,199	1,222	8,980
Deferred tax assets (Note 29)	6,338	1,466	47,468
Customers' liabilities for acceptances and guarantees (Note 5)	9,254	8,747	69,304
Allowance for doubtful receivables (Note 23)	(18,417)	(19,394)	(137,926)
Total assets	¥ 4,001,760	¥ 4,191,354	\$ 29,969,001
Liabilities:			
Deposits (Notes 7 and 23)	¥ 3,370,055	¥ 3,319,738	\$ 25,238,190
Payables under repurchase agreements (Notes 7)	—	27,507	—
Payables under securities lending transactions (Notes 7 and 23)	6,526	9,525	48,879
Borrowed money (Notes 7 and 23)	448,318	647,870	3,357,435
Foreign exchange	109	88	823
Other liabilities (Note 27 and 30)	29,111	27,542	218,016
Provision for bonuses	436	443	3,268
Provision for directors' bonuses	5	10	38
Liability for retirement benefits (Note 28)	5,868	6,039	43,947
Provision for retirement benefits for executive officers	39	110	294
Provision for share-based compensation for executive officers	198	192	1,486
Provision for reimbursement of deposits	218	236	1,634
Provision for contingent losses	227	204	1,707
Provision for point loyalty programs	68	67	515
Provision for demolition costs for fixed assets	23	—	175
Provision for losses on share transfers	61	—	464
Deferred tax liabilities (Note 29)	137	—	1,032
Deferred tax liabilities for land revaluation (Note 9)	2,388	2,407	17,888
Acceptances and guarantees (Note 12)	9,254	8,747	69,304
Total liabilities	¥ 3,873,050	¥ 4,050,733	\$ 29,005,095
Net assets (Note 19):			
Capital stock	¥ 17,965	¥ 17,965	\$ 134,543
Capital surplus	6,299	5,972	47,173
Retained earnings	93,051	92,386	696,858
Treasury shares	(1,793)	(1,156)	(13,429)
Total shareholders' equity	115,522	115,167	865,145
Valuation difference on available-for-sale securities (Note 26)	2,257	12,446	16,904
Deferred gains (losses) on hedges	—	(4)	—
Revaluation reserve for land (Note 9)	5,423	5,465	40,617
Remeasurements of defined benefit plans	(83)	(78)	(624)
Total accumulated other comprehensive income	7,597	17,829	56,897
Non-controlling interests	5,590	7,622	41,864
Total net assets	128,710	140,620	963,906
Total liabilities and net assets	¥ 4,001,760	¥ 4,191,354	\$ 29,969,001

Consolidated Statements of Operations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Income:			
Interest on loans and discounts.....	¥ 20,898	¥ 18,022	\$ 156,509
Interest and dividends on securities	7,984	7,687	59,795
Other interest income.....	1,371	1,316	10,269
Fees and commissions.....	9,079	8,212	67,996
Other operating income.....	9,139	8,730	68,445
Other income (Note 13).....	6,468	6,545	48,444
Total income	54,941	50,514	411,458
Expenses:			
Interest on deposits.....	461	187	3,457
Interest on borrowings.....	384	(174)	2,880
Other interest expenses.....	275	69	2,061
Fees and commissions payments	3,346	2,802	25,062
Other operating expenses	18,778	12,033	140,628
General and administrative expenses (Note 14)	27,660	25,791	207,150
Other expenses (Note 15).....	3,443	6,706	25,786
Total expenses.....	54,349	47,416	407,024
Income before income taxes	591	3,097	4,434
Income taxes—current (Note 29)	392	672	2,943
Income taxes—deferred (Note 29)	(372)	(875)	(2,790)
Net income	571	3,300	4,281
Net income attributable to non-controlling interests	(1,231)	(1,140)	(9,225)
Net income attributable to owners of parent	¥ 1,803	¥ 4,440	\$ 13,506
Net income per share of common stock (Note 35)	¥ 77.14	¥ 188.96	\$ 0.58

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income	¥ 571	¥ 3,300	\$ 4,281
Other comprehensive income (loss) (Note 18)	(10,052)	(6,472)	(75,281)
Valuation difference on available-for-sale securities	(10,042)	(6,426)	(75,207)
Deferred gains (losses) on hedges	4	23	30
Adjustments for retirement benefits	(13)	(69)	(104)
Comprehensive income (loss)	(9,480)	(3,171)	(71,000)
Comprehensive income (loss) attributable to owners of parent.....	(8,386)	(1,879)	(62,807)
Comprehensive income (loss) attributable to non-controlling interests	(1,093)	(1,292)	(8,193)

Consolidated Statements of Changes in Net Assets

Previous 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, 2022 to March 31, 2023)

(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	92,386	(1,156)	115,167	12,446	(4)	5,465	(78)	17,829	7,622	140,620
Changes of items during the period												
Dividends from surplus			(1,180)		(1,180)							(1,180)
Reversal of revaluation reserve for land			42		42							42
Net income attributable to owners of parent			1,803		1,803							1,803
Purchase of treasury shares				(683)	(683)							(683)
Disposal of treasury shares		(0)		46	46							46
Change in non-controlling interests due to increase in consolidated subsidiaries											50	50
Change in ownership interest of parent due to transactions with non-controlling interests		326			326							326
Net changes of items other than shareholders' equity						(10,189)	4	(42)	(4)	(10,232)	(2,082)	(12,315)
Total changes of items during the period	—	326	665	(636)	354	(10,189)	4	(42)	(4)	(10,232)	(2,032)	(11,910)
Balance at the end of the period	17,965	6,299	93,051	(1,793)	115,522	2,257	—	5,423	(83)	7,597	5,590	128,710

Current fiscal year (From April 1, 2022 to March 31, 2023)

(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	134,543	44,725	691,877	(8,658)	862,487	93,212	(30)	40,934	(590)	133,526	57,087	1,053,100
Changes of items during the period												
Dividends from surplus			(8,842)		(8,842)							(8,842)
Reversal of revaluation reserve for land			317		317							317
Net income attributable to owners of parent			13,506		13,506							13,506
Purchase of treasury shares				(5,115)	(5,115)							(5,115)
Disposal of treasury shares		(0)		344	344							344
Change in non-controlling interests due to increase in consolidated subsidiaries											375	375
Change in ownership interest of parent due to transactions with non-controlling interests		2,448			2,448							2,448
Net changes of items other than shareholders' equity						(76,308)	30	(317)	(34)	(76,629)	(15,598)	(92,227)
Total changes of items during the period	—	2,448	4,981	(4,771)	2,658	(76,308)	30	(317)	(34)	(76,629)	(15,223)	(89,194)
Balance at the end of the period	134,543	47,173	696,858	(13,429)	865,145	16,904	—	40,617	(624)	56,897	41,864	963,906

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash flows from operating activities			
Income before income taxes	¥ 591	¥ 3,097	\$ 4,434
Depreciation	1,456	1,538	10,907
Impairment loss	138	799	1,034
Gain on negative goodwill	—	(4,658)	—
Increase (decrease) in allowance for doubtful receivables	(976)	2,066	(7,316)
Increase (decrease) in provision for bonuses	(7)	(4)	(54)
Increase (decrease) in provision for directors' bonuses	(5)	2	(42)
Increase (decrease) in provision for retirement benefits for executive officers ...	(70)	5	(531)
Increase (decrease) in liability for retirement benefits	(171)	35	(1,282)
Increase (decrease) in provision for share-based compensation for executive officers ...	6	25	45
Increase (decrease) in provision for reimbursement of deposits	(18)	(40)	(140)
Increase (decrease) in provision for contingent losses	22	(15)	172
Increase (decrease) in provision for losses on earthquake-proofing measures...	—	(312)	—
Increase (decrease) in provision for point loyalty programs	1	0	13
Increase (decrease) in provision for demolition costs for fixed assets	23	—	175
Increase (decrease) in provision for losses on share transfers	61	—	464
Increase (decrease) in provision for losses on guarantees	—	(70)	—
Gain on fund management	(30,254)	(27,026)	(226,574)
Financing expenses	1,121	82	8,399
Loss (Gain) related to securities	5,041	3,843	37,759
Loss (Gain) on money held in trust	(48)	(46)	(363)
Foreign exchange losses (gains)	(4,896)	(7,857)	(36,672)
Loss (Gain) on disposal of non-current assets	34	37	260
Net decrease (increase) in loans and bills discounted	(76,376)	(22,700)	(571,977)
Net increase (decrease) in deposits	50,317	105,223	376,822
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ..	(199,552)	149,975	(1,494,438)
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)...	(709)	254	(5,311)
Net decrease (increase) in call loans	—	(35)	—
Net increase (decrease) in call money	(27,507)	(44,439)	(206,002)
Net increase (decrease) in payables under securities lending transactions ..	(2,998)	851	(22,457)
Net decrease (increase) in trading account securities	28	83	217
Net decrease (increase) in foreign exchanges - assets	898	(2,037)	6,730
Net increase (decrease) in foreign exchanges - liabilities	21	(10)	157
Net decrease (increase) in lease receivables and investment assets	(675)	(968)	(5,058)
Proceeds from fund management	30,738	27,630	230,199
Payments for finance	(991)	(83)	(7,423)
Other	(3,364)	2,767	(25,200)
Subtotal	(258,120)	188,012	(1,933,053)
Income taxes paid	(643)	(1,474)	(4,821)
Net cash provided by (used in) operating activities	(258,764)	186,537	(1,937,874)
Cash flows from investing activities			
Purchase of securities	(132,603)	(156,411)	(993,064)
Proceeds from sale of securities	223,256	133,501	1,671,957
Proceeds from redemption of securities	79,471	63,783	595,160
Increase in money held in trust	—	(300)	—
Purchase of tangible fixed assets	(1,226)	(621)	(9,182)
Purchase of intangible fixed assets	(257)	(220)	(1,928)
Proceeds from sales of tangible fixed assets	226	197	1,693
Proceeds from sales of intangible fixed assets	—	1	—
Payments for asset retirement obligations	(10)	(14)	(76)
Proceeds from purchase of shares of subsidiaries affecting scope of consolidation ...	50	71,283	374
Net cash provided by investing activities	168,906	111,200	1,264,934
Cash flows from financing activities			
Cash dividends paid	(1,180)	(1,191)	(8,842)
Cash dividends paid to non-controlling interests	(93)	—	(697)
Purchase of treasury shares	(683)	(654)	(5,115)
Sale of treasury shares	46	115	345
Repayments on lease liabilities	(54)	(33)	(408)
Payments for purchase of shares of subsidiaries not affecting scope of consolidation ...	(568)	(0)	(4,260)
Net cash used in financing activities	(2,533)	(1,764)	(18,977)
Effect of exchange rate changes on cash and cash equivalents	—	(9)	—
Net increase (decrease) in cash and cash equivalents	(92,391)	295,963	(691,917)
Cash and cash equivalents at beginning of year	1,199,210	903,247	8,980,834
Cash and cash equivalents at end of year (Note 20)	¥ 1,106,819	¥ 1,199,210	\$ 8,288,917

Notes to the Consolidated Financial Statements

Years ended March 31, 2023 and 2022

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, 2023, which was ¥133.53 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, 2023 include the accounts of the Bank and its ten 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: Ten 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.
The Fukui Hito Mono Design Co., Ltd.
Digital for Fukui Co., Ltd.

With the new establishment of The Fukui Hito Mono Design Co., Ltd. and Digital for Fukui Co., Ltd., these companies have been added to the scope of consolidation for the current consolidated fiscal year.

(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: One company

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: 10 companies

(4) Significant accounting policies

(i) Trading account securities

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

(ii) Securities

A. Available-for-sale securities are in general stated at fair value (cost of sale calculated according to the moving-average method) indicated according to market price. 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 and its consolidated subsidiaries involved in banking operations 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 its 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 its consolidated subsidiaries involved in banking operations 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 by sales-related departments, based on the criteria for self-assessment of asset quality. The results are verified by examination management departments and monitored by the auditing department, which is independent of the relevant department.

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 ¥8,713 million (U.S. \$65,258 thousand) and ¥8,695 million for the fiscal year ended March 31, 2023 and 2022, 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 to cover payments to credit guarantee corporations under a responsibility-sharing system with the corporations, in the amount deemed necessary based on estimated possible future payments.

(xii) Provision for point loyalty programs

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

(xiii) Provision for demolition costs for fixed assets

Provision for demolition costs for fixed assets is provided to anticipate future expenses related to the demolition of buildings in certain consolidated subsidiaries.

(xiv) Provision for losses on share transfers

Provision for losses on share transfer is recorded in certain consolidated subsidiaries to account for anticipated amounts of losses arising from the transfer of shares in the future.

(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.

(xix) 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
	2023	2022	2023
Allowance for doubtful receivables	¥ 18,417	¥ 19,394	\$ 137,926

The amount of the allowance for doubtful receivables recorded at the Bank and its consolidated subsidiaries involved in banking operations was ¥17,049 million (U.S. \$127,685 thousand) and ¥17,931 million for the fiscal years ended March 31, 2023 and 2022, respectively.

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

(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.

As of the end of the current fiscal year, to provide for losses resulting from the impacts of COVID-19, in the case of potentially bankrupt borrowers, or similar, whose unsecured amount of borrowing exceeds a certain amount and for whom we have particular concerns about repayment capacity, we have put in place an allowance for doubtful receivables according to a cash

flow estimation method. However, considering the government and local authorities' policies in response to the ongoing COVID-19 pandemic and the infection situation in Fukui Prefecture, which is the main operating base of the Group, we believe that the future impact on credit risk will be limited.

If the economic environment suddenly worsens, such as due to the continuing rising cost of living resulting from drastic rises in energy and other prices as well as the weakness of the Japanese yen, credit risks could rise. For loans to those borrowers who require caution (excluding borrowers who require management) and are deemed to require support, the Bank and its consolidated subsidiaries involved in banking operations assume that the effects of a worsening of the economic environment will be significant, and as such calculate 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 changes such as those in the economic environment detailed above 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

Implementation Guidance on Accounting Standard for Fair Value Measurement

The Bank and its subsidiaries applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year, and prospectively apply the new accounting policies under ASBJ Guidance No. 31 in accordance with the transitional provision set out in paragraph 27-2 of ASBJ Guidance No. 31. This has no effect on the consolidated financial statements.

Within the notes of "Financial Instruments," where disclosure is made by level of fair values of financial instruments, information on investment trusts relevant to the previous consolidated fiscal year is not provided in accordance with paragraph 27-3 of the ASBJ Guidance No. 31.

Additional information

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

(1) Trust-type Employee Share Ownership Incentive Plan

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

The Incentive Plan for all employees participating in the "Fukui Bank Employee Stock Holdings" (the "Employee Stock Holdings"). For the implementation of the Incentive Plan, the Bank has established the "Fukui Bank Stock Holding Partnership Exclusive Trust Account" (the "Trust") at the trust bank. The accounting treatment of the trust agreement conforms to the provisions of "Practical Solution on Transactions of Delivering the Bank's Own Stock to Employees etc., through Trusts" (ASBJ PITF No. 30 of March 26, 2015).

(i) Overview of the transaction process

The "Trust" buys a considerable number of the Bank shares that are expected to be acquired by the Employee Stock Holdings during approximately five years. Subsequently, the Trust is to continuously transfer the Bank shares to the Employee Stock Holdings, and if any gains on sales of shares remain in the Trust account at the Trust's termination, such residual assets are to be distributed to those who meet the requirements of eligible beneficiaries. The Bank is required to guarantee the Trust's debts to acquire the Bank shares. When a decline in the Bank's share price increases losses on sales of shares in the Trust account, and there are any outstanding debts remaining in the Trust account at the Trust's termination, the Bank will repay remaining debts in accordance with the guarantee contract.

(ii) Shares held by the Trust

Shares held by the Trust are recorded as treasury stock in the net assets at their stated book value of the Trust account (excluding incidental cost amounts). The book value and the number of shares of treasury stock are ¥670 million (U.S. \$5,018 thousand) and 389 thousand shares, respectively.

- (iii) Book value of borrowings stated in accordance with the gross method
¥672 million (U.S. \$5,038 thousand)

(2) Board benefit trust

The Bank has introduced a performance-linked stock compensation plan using a trust (the “Plan”) as a means of compensating executive officers. The accounting treatment of the trust agreement adopted 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 ¥324 million (U.S. \$2,431 thousand) and 177 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	
	2023	2022	2023	
Investments in capital	¥ 338	¥ 380	\$ 2,533	

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

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
	¥ 1,799	¥ 990	\$ 13,476	

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	
	2023	2022	2023	
Bankruptcy reorganization loans and corresponding amounts	¥ 5,600	¥ 5,254	\$ 41,939	
Bankruptcy risk loans	27,533	29,463	206,200	
Delinquent loans past due three months or more	78	216	588	
Restructured loans	2,824	2,570	21,154	
Total	¥ 36,037	¥ 37,504	\$ 269,881	

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.

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
		2023	2022	2023
	¥	8,918	¥ 8,015	\$ 66,793

7. Assets pledged

		Millions of yen		Thousands of U.S. dollars
		2023	2022	2023
Assets pledged as collateral				
Securities	¥	199,470	¥ 392,103	\$ 1,493,828
Loans and bills discounted		406,730	451,547	3,045,985
Other assets		31	31	238
Total		606,232	843,683	4,540,051
Corresponding liabilities to assets pledged as collateral				
Deposits		21,156	23,342	158,440
Payables under repurchase agreements		—	27,507	—
Payables under securities lending transactions		6,526	9,525	48,879
Borrowed money		447,270	647,395	3,349,589

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
		2023	2022	2023
Securities	¥	20	¥ —	\$ 150
Other assets		25,308	25,299	189,537

Other assets include security deposits in the amount stated below.

		Millions of yen		Thousands of U.S. dollars
		2023	2022	2023
Security deposits	¥	285	¥ 291	\$ 2,137
Cash collateral for financial instruments etc.		3,467	3,385	25,964

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
		2023	2022	2023
Unutilized loan commitment lines	¥	603,139	¥ 598,761	\$ 4,516,887
Loans for which the term of the agreement is one year or less		578,499	576,113	4,332,357

The balance of loan commitment lines will not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries because most of these agreements expire without being exercised. Most of these agreements contain clauses allowing the Bank and its 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	
2023	2022	2023	
¥ 8,084	¥ 8,092	\$ 60,545	

10. Accumulated depreciation on tangible fixed assets

Millions of yen		Thousands of U.S. dollars	
2023	2022	2023	
¥ 24,645	¥ 24,461	\$ 184,572	

11. Fixed assets reduction entry

Millions of yen		Thousands of U.S. dollars	
2023	2022	2023	
¥ 3,408	¥ 3,495	\$ 25,529	

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	
2023	2022	2023	
¥ 5,235	¥ 3,247	\$ 39,208	

Notes to the Consolidated Statements of Operations

13. Other income

Other income includes the following.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Gains on sales of shares	¥ 5,764	¥ 1,235	\$ 43,167

14. General and administrative expenses

General and administrative expenses include the following.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Salaries and allowances	¥ 11,841	¥ 10,728	\$ 88,684

15. Other expenses

Other expenses include the following.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Losses on devaluation of shares	¥ 265	¥ 1,097	\$ 1,988
Losses on sales of shares	549	496	4,115
Provision for losses on share transfers	61	—	464

16. Impairment loss on fixed assets

2023					2022			
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. (20 locations)	Land and buildings	34	260		Branches, etc. (36 locations)	Land and buildings	624
Fukui Prefecture	Shared assets (2 locations)	Land	16	123	Fukui Prefecture	Shared assets (1 location)	Land and buildings	102
	Idle assets (11 locations)	Land, buildings, and others	43	323		Idle assets (5 locations)	Land	3
Other Prefecture	Branches (1 location)	Buildings	2	19	Other Prefecture	Branches (4 locations)	Land and buildings	68
	Idle assets (2 locations)	Land and buildings	41	309		Idle assets (1 location)	Buildings	0
	Total		138	1,034	Total			799
	(Land		100	753	(Land			230)
	(Buildings		35	268	(Buildings			568)
	(Others		1	13				

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 32 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
	2023	2022	2023
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ (17,403)	¥ (12,056)	\$ (130,332)
Reclassification adjustments	2,985	2,760	22,357
Amount before tax effect	(14,417)	(9,296)	(107,975)
Tax effect	4,375	2,870	32,768
Total	(10,042)	(6,426)	(75,207)
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	5	33	44
Reclassification adjustments	—	—	—
Amount before tax effect	5	33	44
Tax effect	(1)	(10)	(14)
Total	4	23	30
Remeasurement of defined benefit plans			
Gains (losses) arising during the year	(50)	(104)	(380)
Reclassification adjustments	30	4	230
Amount before tax effect	(20)	(99)	(150)
Tax effect	6	30	46
Total	(13)	(69)	(104)
Total other comprehensive income	(10,052)	(6,472)	(75,281)

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, 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:

1. 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 thousand shares at the beginning of the fiscal year and 196 thousand shares at the end of the fiscal year).
2. The number of treasury shares increased due to the purchase of 450 thousand treasury shares and by 0 thousand fractional share units.
3. The number of treasury shares decreased, due to the disposal of 46 thousand treasury shares with the end of the employee stock ownership 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)			
May 14, 2021 Board of Directors	Common shares	601	25	March 31, 2021	June 4, 2021
November 12, 2021 Board of Directors	Common shares	590	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 to the employee stock ownership trust and ¥5 million to the board benefit trust. Those of the Board of Directors of November 12, 2021, include dividend amounts of ¥4 million 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)				
May 12, 2022 Board of Directors	Common shares	590	Retained earnings	25	March 31, 2022	June 3, 2022

Note: Total dividend amounts include ¥4 million paid to shares of the board benefit trust.

Current fiscal year (From April 1, 2022 to March 31, 2023)

(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	728	396	25	1,100	(Notes 1, 2, 3)
Total	728	396	25	1,100	

Notes:

- The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (no shares at the beginning of the fiscal year and 389 thousand shares at the end of the fiscal year) and shares held by the board benefit trust (196 thousand shares at the beginning of the fiscal year and 177 thousand shares at the end of the fiscal year).
- The number of treasury shares increased due to the acquisition of 396 thousand shares of the Bank due to the start of the employee stock ownership trust, and the purchase of 0 thousand fractional share units.
- The number of treasury shares decreased due to a transfer of 6 thousand shares of the Bank held by the employee stock ownership trust to the Employee Stock Holdings, an award of 18 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 13, 2022 Board of Directors	Common shares	590	4,421	25	March 31, 2022	June 3, 2022
November 11, 2022 Board of Directors	Common shares	590	4,421	25	September 30, 2022	December 2, 2022

Note: Total dividend amounts include dividends paid to shares of the board benefit trust of ¥4 million (U.S. \$37 thousand) and ¥4 million (U.S. \$33 thousand) pursuant to the resolutions of the Board of Directors on May 13 and November 11, 2022, respectively.

(ii) Dividends with a record date during the fiscal year ended March 31, 2023, but whose effective date is after March 31, 2023, 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 12, 2023 Board of Directors	Common shares	590	4,421	Retained earnings	25	March 31, 2023	June 2, 2023

Note: Total dividend amounts include ¥9 million (U.S. \$73 thousand) paid to shares of the employee stock ownership trust and ¥4 million (U.S. \$33 thousand) 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, 2023 and 2022.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and due from banks	¥ 1,108,538	¥ 1,200,220	\$ 8,301,791
Time deposits in other banks	—	(213)	—
Other deposits	(1,719)	(796)	(12,874)
Cash and cash equivalents	1,106,819	1,199,210	8,288,917

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	
	2022	
Assets	¥	485,595
Cash and due from banks		77,131
Securities		73,400
Loans and bills discounted		325,246
Liabilities		(467,021)
Deposits		(439,619)
Non-controlling interests		(8,915)
Gain on negative goodwill		(4,658)
Acquisition cost of shares		5,000
Cash and cash equivalents belonging to the new consolidated subsidiary		(76,283)
Proceeds from purchase of shares of subsidiaries affecting scope of consolidation		(71,283)

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.

(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 ¥33,852 million (U.S. \$253,522 thousand)—¥35,446 million at the previous fiscal year-end—and loans and deposit accounts totaled ¥26,420 million (U.S. \$197,860 thousand)—¥20,208 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, 2023 and 2022, 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 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, 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: ()

Current fiscal year (March 31, 2023)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	370	370	—
(2) Securities			
Available-for-sale securities	556,882	556,882	—
(3) Loans and bills discounted	2,214,487		
Allowance for doubtful receivables ^{*1}	(18,121)		
	2,196,366	2,208,165	11,798
Total assets	2,753,619	2,765,418	11,798
(1) Deposits	3,370,055	3,370,128	73
(2) Borrowed money	448,318	448,318	—
Total liabilities	3,818,373	3,818,447	73
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	53	53	—
Qualifying for hedge accounting	—	—	—
Total derivative transactions	53	53	—

*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.

Current fiscal year (March 31, 2023)

(Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	2,771	2,771	—
(2) Securities			
Available-for-sale securities	4,170,470	4,170,470	—
(3) Loans and bills discounted	16,584,197		
Allowance for doubtful receivables ^{*1}	(135,711)		
	16,448,486	16,536,847	88,361
Total assets	20,621,727	20,710,088	88,361
(1) Deposits	25,238,190	25,238,739	549
(2) Borrowed money	3,357,435	3,357,435	—
Total liabilities	28,595,625	28,596,174	549
Derivative transactions ^{*2}			
Not qualifying for hedge accounting	400	400	—
Qualifying for hedge accounting	—	—	—
Total derivative transactions	400	400	—

*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.

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
	2023	2022	2023
Unlisted stocks ^{*1, *2}	¥ 2,318	¥ 2,307	\$ 17,360
Investments in partnerships ^{*3}	11,277	7,855	84,459

*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, an impairment loss of ¥0 million was recognized against unlisted stocks. During the current fiscal year, an impairment loss of ¥0 million (U.S. \$5 thousand) was recognized against unlisted stocks.

*3: Investments in partnerships are excluded from fair value disclosure in line with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

Note 2: Redemption schedule of monetary claims and securities with maturities after March 31, 2023 and 2022

Previous 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, 2023)

(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	1,072,391	—	—	—	—	—
Securities	43,563	102,432	126,641	59,685	87,175	69,201
Available-for-sale securities with maturities	43,563	102,432	126,641	59,685	87,175	69,201
Government bonds	200	—	32,500	—	—	3,000
Local government bonds	1,432	6,501	3,551	41,951	36,127	9,194
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	19,954	56,778	37,871	6,030	3,033	53,999
Others	21,976	39,153	52,718	11,704	48,014	3,007
Loans and bills discounted*	653,834	434,061	268,890	163,650	167,585	448,922
Total	1,769,788	536,493	395,531	223,336	254,761	518,123

* 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 ¥32,366 million and those without maturity, amounting to ¥45,177 million.

Current fiscal year (March 31, 2023)

(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	8,031,088	—	—	—	—	—
Securities	326,245	767,112	948,410	446,984	652,854	518,244
Available-for-sale securities with maturities	326,245	767,112	948,410	446,984	652,854	518,244
Government bonds	1,498	—	243,391	—	—	22,467
Local government bonds	10,725	48,689	26,597	314,173	270,555	68,860
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	149,440	425,208	283,617	45,158	22,721	404,396
Others	164,582	293,215	394,805	87,653	359,578	22,521
Loans and bills discounted*	4,896,533	3,250,665	2,013,705	1,225,571	1,255,042	3,361,958
Total	13,253,866	4,017,777	2,962,115	1,672,555	1,907,896	3,880,202

* 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 U.S. \$242,392 thousand and those without maturity, amounting to U.S. \$338,330 thousand.

Note 3: Repayment schedule of interest-bearing liabilities after March 31, 2023 and 2022

Previous 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, 2023)

(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*	3,259,924	91,725	16,601	903	900	—
(2) Borrowed money	135,696	242,077	70,544	—	—	—
Total	3,395,621	333,802	87,145	903	900	—

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

Current fiscal year (March 31, 2023)

(Thousands of U.S. dollars)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
(1) Deposits*	24,413,427	686,929	124,327	6,764	6,743	—
(2) Borrowed money	1,016,227	1,812,906	528,302	—	—	—
Total	25,429,654	2,499,835	652,629	6,764	6,743	—

* 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

Previous 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.

*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, 2023)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Government and local government bonds	333	36	—	370
Corporate bonds	—	—	—	—
Stocks	—	—	—	—
Others	—	—	—	—
Available-for-sale securities				
Government and local government bonds	35,900	97,151	—	133,051
Corporate bonds	—	170,599	5,347	175,946
Stocks	38,197	—	—	38,197
Others	33,769	174,870	602	209,241
Total assets	108,201	442,657	5,949	556,808
Derivative transactions				
Currency-related transactions	—	53	—	53
Total derivative transactions	—	53	—	53

*1 Securities does not include investment trust for which reference prices are used as fair values, in line with Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021). The amount recorded on the consolidated balance sheet for investment trusts where the usage defined in Paragraph 24-9 is applied totaled ¥444 million.

Current fiscal year (March 31, 2023)

(Thousands of U.S. dollars)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Government and local government bonds	2,499	272	—	2,771
Corporate bonds	—	—	—	—
Stocks	—	—	—	—
Others	—	—	—	—
Available-for-sale securities				
Government and local government bonds	268,858	727,560	—	996,418
Corporate bonds	—	1,277,610	40,045	1,317,655
Stocks	286,062	—	—	286,062
Others	252,895	1,309,598	4,510	1,567,003
Total assets	810,314	3,315,040	44,555	4,169,909
Derivative transactions				
Currency-related transactions	—	400	—	400
Total derivative transactions	—	400	—	400

*1 Securities does not include investment trust for which reference prices are used as fair values, in line with Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021). The amount recorded on the consolidated balance sheet for investment trusts where the usage defined in Paragraph 24-9 is applied totaled (U.S. \$3,332 thousand).

Reconciliation between the balance for investment trusts where the usage defined in Paragraph 24-9 has been applied at the start and end of the period

(Millions of yen)

Balance at the start of the period	Gains/losses during the period and other comprehensive income		Net amount from purchase, sale, and redemption	Amount where the reference price for investment trusts is deemed to represent fair value	Amount where the reference price for investment trusts is not deemed to represent fair value	Balance at the end of the period	Gains/losses from valuation for investment trusts held on the date of the consolidated balance sheet where amounts of gains/losses have been recorded for the current fiscal year
	Recorded as gains/losses (Note 1)	Recorded as other comprehensive income (Note 2)					
7,248	140	8	(6,952)	—	—	444	—

(Thousands of U.S. dollars)

Balance at the start of the period	Gains/losses during the period and other comprehensive income		Net amount from purchase, sale, and redemption	Amount where the reference price for investment trusts is deemed to represent fair value	Amount where the reference price for investment trusts is not deemed to represent fair value	Balance at the end of the period	Gains/losses from valuation for investment trusts held on the date of the consolidated balance sheet where amounts of gains/losses have been recorded for the current fiscal year
	Recorded as gains/losses (Note 1)	Recorded as other comprehensive income (Note 2)					
54,280	1,053	64	(52,065)	—	—	3,332	—

Note 1: Included in "Other operating income" in the consolidated statements of operation

Note 2: Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income

*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.

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

Previous 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

Current fiscal year (March 31, 2023)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	—	—	2,208,165	2,208,165
Total assets	—	—	2,208,165	2,208,165
Deposits	—	3,370,128	—	3,370,128
Borrowed money	—	448,318	—	448,318
Total liabilities	—	3,818,447	—	3,818,447

Current fiscal year (March 31, 2023)

(Thousands of U.S. dollars)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	—	—	16,536,847	16,536,847
Total assets	—	—	16,536,847	16,536,847
Deposits	—	25,238,739	—	25,238,739
Borrowed money	—	3,357,435	—	3,357,435
Total liabilities	—	28,596,174	—	28,596,174

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. For investment trusts for which there is no market fair value, reference prices are used as fair value provided that there are no significant restrictions that would warrant demands from market participants for an amount equivalent to the risk of cancellation or repurchase. These are classified as Level 2 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 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

Previous 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%

Current fiscal year (March 31, 2023)

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	0.0–0.4%	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

Previous 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 held on the date of 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

Current fiscal year (March 31, 2023)

(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 held on the date of the consolidated balance sheet where amounts of gains/losses have been recorded for the current fiscal year
		Recorded as gains/losses* ¹	Recorded as other comprehensive income* ²					
Securities								
Available-for-sale securities								
Corporate bonds	3,327	0	31	1,987	—	—	5,347	—
Others	608	—	(6)	—	—	—	602	—

*1 Included in "Other operating income" in the consolidated statements of operation

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

Current fiscal year (March 31, 2023)

(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 held on the date of the consolidated balance sheet where amounts of gains/losses have been recorded for the current fiscal year
		Recorded as gains/losses* ¹	Recorded as other comprehensive income* ²					
Securities								
Available-for-sale securities								
Corporate bonds	24,916	5	238	14,886	—	—	40,045	—
Others	4,555	—	(45)	—	—	—	4,510	—

*1 Included in "Other operating income" in the consolidated statements of operation

*2 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			
	2023	2022	2023			
Valuation difference reflected on the statements of operations	¥	(8)	¥	(9)	\$	(64)

(2) Securities-held-to-maturity

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

None

(3) Available-for-sale securities

Previous 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, 2023)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	35,086	18,630	16,455
	Bonds	99,481	99,101	379
	Government bonds	34,195	34,137	57
	Local government bonds	15,624	15,592	32
	Short-term corporate bonds	—	—	—
	Corporate bonds	49,661	49,372	289
	Others	52,264	50,373	1,891
	Foreign securities	21,461	21,266	194
	Subtotal	186,832	168,106	18,726
Securities for which carrying amount does not exceed acquisition cost	Stocks	3,111	3,397	(286)
	Bonds	209,516	213,208	(3,691)
	Government bonds	1,705	1,705	(0)
	Local government bonds	81,526	83,335	(1,808)
	Short-term corporate bonds	—	—	—
	Corporate bonds	126,285	128,167	(1,882)
	Others	157,422	169,304	(11,882)
	Foreign securities	41,668	42,402	(733)
	Subtotal	370,050	385,910	(15,860)
Total		556,882	554,016	2,865

Current fiscal year (March 31, 2023)

(Thousands of U.S. dollars)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	262,759	139,525	123,234
	Bonds	745,012	742,170	2,842
	Government bonds	256,087	255,655	432
	Local government bonds	117,013	116,770	243
	Short-term corporate bonds	—	—	—
	Corporate bonds	371,912	369,745	2,167
	Others	391,407	377,245	14,162
	Foreign securities	160,721	159,263	1,458
	Subtotal	1,399,178	1,258,940	140,238
Securities for which carrying amount does not exceed acquisition cost	Stocks	23,303	25,446	(2,143)
	Bonds	1,569,061	1,596,706	(27,645)
	Government bonds	12,771	12,774	(3)
	Local government bonds	610,547	624,094	(13,547)
	Short-term corporate bonds	—	—	—
	Corporate bonds	945,743	959,838	(14,095)
	Others	1,178,928	1,267,916	(88,988)
	Foreign securities	312,057	317,550	(5,493)
	Subtotal	2,771,292	2,890,068	(118,776)
Total		4,170,470	4,149,008	21,462

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

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

None

Current fiscal year (From April 1, 2022 to March 31, 2023)

None

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

Previous 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, 2022 to March 31, 2023)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	10,935	5,604	406
Bonds	96,196	224	5,813
Government bonds	72,485	223	4,889
Local government bonds	1,155	—	43
Short-term corporate bonds	—	—	—
Corporate bonds	22,555	0	880
Others	61,314	653	3,018
Foreign securities	39,910	38	2,680
Total	168,445	6,482	9,238

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	81,892	41,972	3,043
Bonds	720,408	1,678	43,534
Government bonds	542,840	1,676	36,618
Local government bonds	8,651	—	326
Short-term corporate bonds	—	—	—
Corporate bonds	168,917	2	6,590
Others	459,180	4,895	22,609
Foreign securities	298,890	285	20,072
Total	1,261,480	48,545	69,186

(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 ¥1,546 million, of which ¥1,097 million related to "Stocks," ¥184 million to "Corporate bonds," and ¥264 million to "Others."

In the current fiscal year, impairment loss was ¥264 million (U.S. \$1,984 thousand) all related to "Stocks."

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, 2022)

None

Current fiscal year (March 31, 2023)

None

(2) Money held in trust held to maturity

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

None

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

Previous 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, 2023)

(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, 2023)

(Thousands of U.S. dollars)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	50,943	50,943	—	—	—

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
	2023	2022	2023
Valuation differences	¥ 2,865	¥ 17,222	\$ 21,462
Securities	2,865	17,222	21,462
Deferred tax liability	(559)	(4,935)	(4,190)
Valuation differences on available-for-sale securities (before adjustment for non-controlling interests)	2,306	12,287	17,272
Non-controlling interests	49	158	368
Valuation differences on available-for-sale securities	2,257	12,446	16,904

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, 2022)

None

Current fiscal year (March 31, 2023)

None

(ii) Currency-related transactions

Previous 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, 2023)

(Millions of yen)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	—	—	—	—
	Purchased	—	—	—	—
	Currency options				
	Sold	—	—	—	—
OTC	Purchased	—	—	—	—
	Currency swaps				
	Forward exchange contracts				
	Sold	19,437	151	(42)	(42)
	Purchased	9,676	—	95	95
	Currency options				
	Sold	33,322	24,937	(1,467)	(332)
	Purchased	33,322	24,937	1,467	499
	Others				
	Sold	—	—	—	—
Purchased	—	—	—	—	
Total				53	220

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, 2023)

(Thousands of U.S. dollars)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	—	—	—	—
	Purchased	—	—	—	—
	Currency options				
	Sold	—	—	—	—
OTC	Purchased	—	—	—	—
	Currency swaps				
	Forward exchange contracts				
	Sold	145,568	1,136	(318)	(318)
	Purchased	72,466	—	718	718
	Currency options				
	Sold	249,552	186,755	(10,987)	(2,488)
	Purchased	249,552	186,755	10,987	3,738
	Others				
	Sold	—	—	—	—
Purchased	—	—	—	—	
Total				400	1,650

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, 2022)

None

Current fiscal year (March 31, 2023)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

None

(v) Commodity-related transactions

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

None

(vi) Credit derivative transactions

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

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, 2022)

None

Current fiscal year (March 31, 2023)

None

(ii) Currency-related transactions

Previous 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, 2023)

None

(iii) Stock-related transactions

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2022)

None

Current fiscal year (March 31, 2023)

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	
	2023	2022	2023	
Retirement benefit obligations (opening balance)	¥ 7,270	¥ 5,373	\$ 54,449	
Service cost-benefits earned during the fiscal year	386	338	2,897	
Interest cost on projected benefit obligations	27	26	205	
Actuarial differences	23	(35)	177	
Retirement benefits paid	(643)	(444)	(4,816)	
Past service cost	—	111	—	
Increase resulting from new consolidations	—	1,899	—	
Other	—	—	—	
Retirement benefit obligations (closing balance)	¥ 7,065	¥ 7,270	\$ 52,912	

(ii) Reconciliation of pension assets

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Pension assets (opening balance)	¥ 1,231	¥ —	\$ 9,220	
Expected return on plan assets	36	18	277	
Actuarial differences	(27)	(28)	(203)	
Retirement benefits paid	(103)	(58)	(776)	
Contribution from business owners	59	30	447	
Increase resulting from new consolidations	—	1,269	—	
Pension assets (closing balance)	¥ 1,197	¥ 1,231	\$ 8,965	

(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	
	2023	2022	2023	
Funded system retirement benefit obligations	¥ 7,065	¥ 7,270	\$ 52,912	
Pension assets	(1,197)	(1,231)	(8,965)	
	5,868	6,039	43,947	
Non-funded system retirement benefit obligations	—	—	—	
Net amounts of liabilities and assets recorded on the consolidated balance sheet	¥ 5,868	¥ 6,039	\$ 43,947	

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Net defined benefit liability	¥ 5,868	¥ 6,039	\$ 43,947	
Net defined benefit asset	—	—	—	
Net of liabilities and assets recorded in the consolidated balance sheet	¥ 5,868	¥ 6,039	\$ 43,947	

(iv) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Service cost-benefits earned during the fiscal year	¥ 386	¥ 338	\$ 2,897	
Interest cost on projected benefit obligations	27	26	205	
Expected return on plan assets	(36)	(18)	(277)	
Amortization of actuarial differences	8	4	63	
Amortization of past service cost	22	—	167	
Other	—	—	—	
Retirement benefit expenses for defined benefit obligations	¥ 407	¥ 351	\$ 3,055	

(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	
	2023	2022	2023	
Past service cost	¥ 22	¥ (111)	\$ 167	
Actuarial differences	(42)	11	(317)	
Other	—	—	—	
Total	¥ (20)	¥ (99)	\$ (150)	

(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	
	2023	2022	2023	
Unrecognized past service cost	¥ 89	¥ 111	\$ 668	
Unrecognized actuarial differences	30	1	229	
Other	—	—	—	
Total	¥ 119	¥ 113	\$ 897	

(vii) Matters relating to pension assets

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

	2023	2022
Bonds	28.40%	28.73%
Stocks	41.09%	40.43%
Cash and deposits	2.22%	1.95%
Others	28.29%	28.89%
Total	100%	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.

	2023	2022
Discount rate	Mainly 0.5%	Mainly 0.5%
Expected rate of return on assets	3.0%	3.0%
Expected rate of retirement benefits basis increase	Mainly 4.0%	Mainly 4.3%

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 ¥64 million (U.S. \$480 thousand) in the current fiscal year.

29. Income Taxes

(1) Deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Deferred tax assets				
Allowance for doubtful receivables	¥ 7,773	¥ 8,092	\$ 58,214	
Liability for retirement benefits	1,715	1,839	12,848	
Devaluation of securities	639	1,371	4,787	
Impairment loss on land	1,123	1,125	8,412	
Depreciation	828	877	6,205	
Losses carried forward for tax purposes (Note 2)	2,112	1,075	15,819	
Others	1,456	1,451	10,908	
Subtotal	15,648	15,833	117,193	
Valuation allowance for net loss carried forward (Note 2)	(1,768)	(1,075)	(13,242)	
Valuation allowance for total deductible temporary differences, etc.	(6,543)	(7,635)	(49,003)	
Valuation allowance subtotal (Note 1)	(8,311)	(8,710)	(62,245)	
Total deferred tax assets	7,337	7,122	54,948	
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(559)	(4,935)	(4,190)	
Reserve for advanced depreciation of non-current assets	(164)	(169)	(1,231)	
Revised book values from fair value evaluation	(393)	(524)	(2,949)	
Others	(18)	(26)	(142)	
Total deferred tax liabilities	(1,136)	(5,655)	(8,512)	
Net deferred tax assets (liabilities)	¥ 6,200	¥ 1,466	\$ 46,436	

(Note 1) Valuation allowances decreased by ¥399 million (U.S. \$2,990 thousand). This was mainly due to decreases in the valuation allowances for doubtful receivables and devaluation of securities more than offsetting an increase in the valuation allowance for net loss carried forward.

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

Previous 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.

Current fiscal year (March 31, 2023)

(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*	307	12	0	62	—	1,728	2,112
Valuation allowance	(307)	(12)	(0)	(62)	—	(1,384)	(1,768)
Deferred tax assets	—	—	—	—	—	344	344

*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*	2,304	92	7	471	—	12,945	15,819
Valuation allowance	(2,304)	(92)	(7)	(471)	—	(10,368)	(13,242)
Deferred tax assets	—	—	—	—	—	2,577	2,577

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

(2) Effective income tax rate

	2023	2022
Statutory effective tax rate	30.46%	30.46%
(Adjustments)		
Permanent differences such as entertainment expenses	10.58	1.45
Permanent differences such as dividend income	(22.69)	(1.64)
Gain on negative goodwill	—	(45.81)
Expenses related to the acquisition of shares in subsidiaries	—	0.65
Tax rate difference from parent	6.91	1.11
Consolidated adjustments related to fair value evaluation assets	(4.25)	(7.86)
Consolidated elimination of dividend income	14.15	—
Change in the valuation allowance amount	(37.41)	15.72
Amount of tax credit due to increase in salary payments, etc.	(0.48)	—
Inhabitant tax on per capita basis	9.06	1.56
Reversal of revaluation reserve for land	—	(1.83)
Difference between tax paid and unpaid corporation tax	(1.68)	(0.22)
Others	(1.21)	(0.15)
Effective tax rate after adoption of tax effect accounting	3.44%	-6.56%

30. Asset retirement obligations

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2022 to March 31, 2023)

This note is not provided due to its low materiality.

31. Investment and rental property

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2022 to March 31, 2023)

This note is not provided due to its low materiality.

32. Revenue recognition

(1) Breakdown of revenue from contracts with customers

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Fees and commissions	¥ 7,595	¥ 6,824	\$ 56,883	
Deposits and lending operations	2,297	2,044	17,202	
Foreign exchange operations	2,174	2,176	16,288	
Securities-related operations	671	685	5,030	
Agency operations	228	219	1,710	
Insurance sales operations	490	312	3,671	
Other operations	1,733	1,385	12,982	
Ordinary revenue from contracts with customers	7,595	6,824	56,883	
Ordinary revenue other than that detailed above	47,301	38,966	354,238	
Ordinary revenue from external customers	¥ 54,897	¥ 45,790	\$ 411,121	

(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.

33. Segment information

Reportable segment information

As the Fukui Bank Group's comprehensive financial services business is in a single business segment, segment information is not provided.

Related information

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

(1) Information by service

(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.

(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, 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.

Current fiscal year (From April 1, 2022 to March 31, 2023)

(1) Information by services

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary revenue from external customers	22,160	14,729	8,047	9,959	54,897

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	165,961	110,307	60,264	74,589	411,121

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, 2023 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, 2023 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, 2021 to March 31, 2022)

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

Current fiscal year (From April 1, 2022 to March 31, 2023)

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, 2021 to March 31, 2022)

None

Current fiscal year (From April 1, 2022 to March 31, 2023)

None

Information related to gain on negative goodwill by reportable segment

Previous 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.

Current fiscal year (From April 1, 2022 to March 31, 2023)

None

34. Related party transactions

(1) Transactions with related parties

(i) Transactions between the Group and related parties

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

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

Not applicable.

Current fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

B. Transactions between the Group and unconsolidated subsidiaries or affiliates

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

Not applicable.

Current fiscal year (From April 1, 2022 to March 31, 2023)

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, 2021 to March 31, 2022)

Not applicable.

Current fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

D. Transactions between the Group and directors and/or executive officers, or major individual shareholders
Previous fiscal year (From April 1, 2021 to March 31, 2022)

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	—	—
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	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 (Millions of yen)	Account	Balance at the end of the period (Millions of yen)
Lending of funds	—	Loans	109
Lending of funds	100	Loans	100
Debt guarantee (Note 2)	100	—	—

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.

Current fiscal year (From April 1, 2022 to March 31, 2023)

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)			
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	599	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	100	749	Loans	100	749
Debt guarantee (Note 2)	100	749	—	—	—

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, 2021 to March 31, 2022)

There were no material transactions.

Current fiscal year (From April 1, 2022 to March 31, 2023)

There were no material transactions.

(2) Notes concerning the parent company or important affiliates

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

None

Current fiscal year (From April 1, 2022 to March 31, 2023)

None

35. Per-share information

	Yen		U.S. dollars	
	2023	2022	2023	
Net assets per share of common stock	¥ 5,342.70	¥ 5,679.84	\$	40.01
Net income per share of common stock	77.14	188.96		0.58

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	
	2023	2022	2023	
Net assets as reported	¥ 128,710	¥ 140,620	\$	963,906
Less	5,590	7,622		41,864
Thereof, non-controlling interests	5,590	7,622		41,864
Net assets attributable to common shares at the end of the period	¥ 123,120	¥ 132,997	\$	922,042

(Thousands of shares)

	2023	2022
The number of shares of common stock outstanding	23,044	23,415

(2) Net income per share of common stock

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Net income per share of common stock				
Net income attributable to owners of parent	¥ 1,803	¥ 4,440	\$	13,506
Net income not attributable to common shareholders	—	—		—
Net income attributable to owners of parent related to common stock	¥ 1,803	¥ 4,440	\$	13,506

(Thousands of shares)

	2023	2022
Average number of shares of common stock outstanding	23,376	23,498

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)

	2023		2022	
	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	389	177	—	196
Average number of treasury shares outstanding during the year, deducted when calculating net income per share	47	186	8	198

Subsequent events

None



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Fukui Bank, Ltd. (“the Bank”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, 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, 2023 and 2022, 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 classification of borrowers in estimating the allowance for doubtful receivables for loans

The key audit matter	How the matter was addressed in our audit
The consolidated financial statements of the Group reported loans and bills discounted of ¥2,214,487million (55% of consolidated total assets) and allowance for doubtful receivables of ¥18,417 million in the consolidated balance sheet. Of this, the total amount of allowance for doubtful receivables reported by the Bank, the consolidated parent	The primary procedures we performed to assess whether classification of borrowers in estimating the allowance for doubtful receivable for loans of the Bank, the consolidated parent company, and the Fukuho Bank, a consolidated subsidiary, was appropriate, included the following:

company, and the Fukuho Bank, a consolidated subsidiary, was ¥17,049 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 classification of borrowers in estimating the allowance for doubtful receivables for loans was the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

(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 ensure that the internal self-assessment criteria and the write-off and provisions policy were established 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 for which business improvement plans were designed based on certain criteria. In addition, we:

- inspected the documents reviewed by the examination management departments and inquired of the responsible personnel to assess the reasonableness and feasibility of the business improvement plan;
- for borrowers for which business improvement plans were designed in and before the previous fiscal year, evaluated the precision of their estimates based on the achievement of the business improvement plans by comparing the planned sales and profits of the business improvement plans in past years with actual results; and
- examined, comprehensively, the feasibility of the business improvement plan based on non-financial information obtained from the sales-related departments, 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 environment surrounding the borrower.

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, 2023 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, 2023

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, 2023)

Chairperson and Representative Statutory Executive Officer:	Masahiro Hayashi	Directors:	Masatake Yoshida Kazuhiro Uchikami* Masaru Nanbo* Hiromi Tagawa* Keiko Umeda* *Outside Directors
Director, President and Representative Statutory Executive Officer:	Eiichi Hasegawa		
Director and Managing Executive Officer:	Shin Okada	Statutory Executive Officers:	Yoshihito Kobayashi Kenichi Araki Yoshito Sawada Shigeki Maeba Masatsugu Fujihara Yukinori Taniguchi
Director and Managing Executive Officer:	Keisuke Yoshida		

Corporate Data (as of March 31, 2023)

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:	1,276

Service Network (as of May 31, 2023)

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:	29 countries 68 cities 12 banks

Consolidated Subsidiaries (as of June 30, 2023)

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

THE FUKUI BANK, LTD.

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