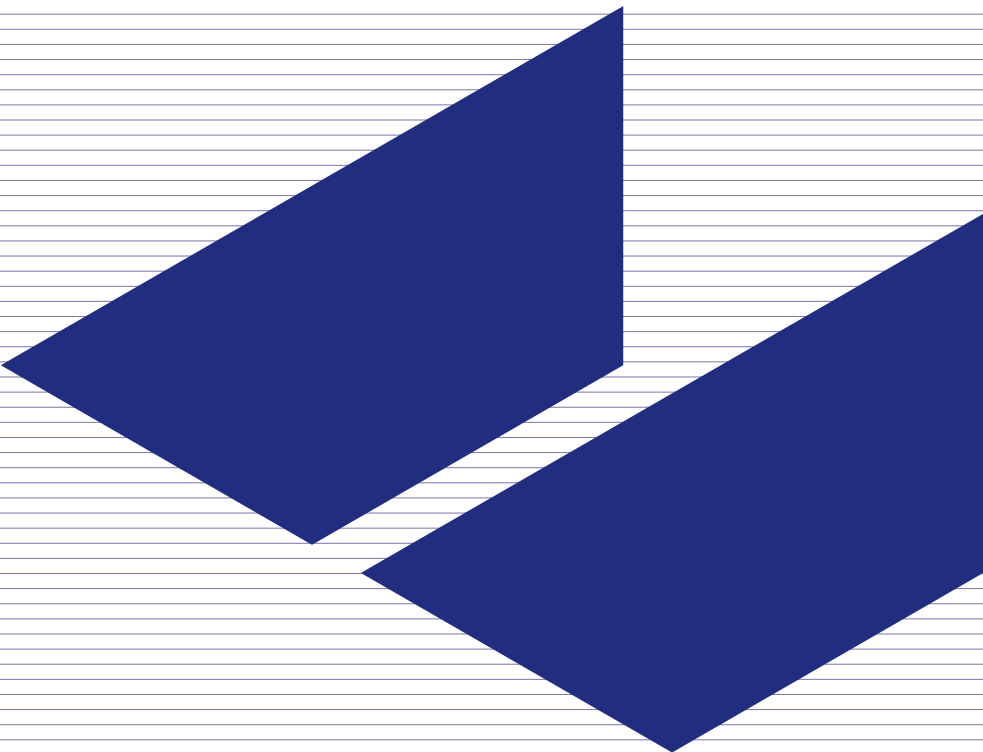


THE FUKUI BANK REPORT
2024.3
Financial Statements

REPORT
2024.3





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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

The Fukui Bank uses a committee-based governance structure, characteristics of which 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 efforts toward sustainability, we identify priority (material) issues in line with the F Project Fundamental Policy on Sustainability, which we formulated in September 2021. Also, as a step toward addressing the various issues facing people in the region, we have set ourselves medium- to long-term targets, established a promotion system within the Group, and are working to develop products and services that can support our customers, based on our analysis of opportunities and risks related to sustainability topics.

Consolidated Financial Highlights

The Fukui Bank, Ltd. and its consolidated subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2024	2023	2022	2024
For the Year:				
Total income	¥ 55,505	¥ 54,941	¥ 50,514	\$ 366,589
Total expenses	50,024	54,349	47,416	330,392
Income before income taxes	5,480	591	3,097	36,197
Net income attributable to owners of parent	3,717	1,803	4,440	24,553
Net income per share of common stock	160.96	77.14	188.96	1.06
At Year-end:				
Deposits	¥ 3,411,241	¥ 3,370,055	¥ 3,319,738	\$ 22,529,830
Loans and bills discounted	2,340,316	2,214,487	2,138,111	15,456,815
Trading account securities	—	370	399	—
Securities	824,467	570,478	748,305	5,445,266
Total assets	4,164,371	4,001,760	4,191,354	27,503,938
Total net assets	141,507	128,710	140,620	934,599

Notes:

The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥151.41 per U.S. \$1.00 on March 31, 2024.

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

The BOJ has finally ended its negative interest rate policy and the Japanese economy is gradually exiting a prolonged period of deflation. In Fukui Prefecture, where the Bank is based, the transportation network has been improved by the extension of the Hokuriku Shinkansen within the prefecture, and there is an opportunity to revitalize the regional economy. On the other hand, as well as structural problems such as the decline in the population and the number of offices in the region, the future remains highly uncertain due to developments in economic activity, prices, and monetary policy at home and abroad, and the issues facing the region and our customers are becoming more diverse and complex.

In such an environment, to make a model that brings about a value loop for the region a reality, we realize that we must work more closely with the region and our customers than ever before and endeavor to discover and resolve their issues. Based on this understanding, we have decided to integrate our management with that of Fukuho Bank, which previously operated under a spirit of friendly competition as part of our one-group-two-brands framework. By integrating our management, we can fuse the strengths of both banks, and evolve as a business that solves regional issues. Our goal, therefore, will be to transform and evolve from our traditional business model centered on the financial services business.

In fiscal 2024, the final year of part one of our medium-term management plan, we will tackle the next lot of policies without letting up on the pace. To help our customers with

business growth and asset formation, based on our approach of supporting the entire region, we will fulfill our role and responsibility as the biggest financial group in Fukui Prefecture and meet our customers' expectations by offering wide-ranging support for all customers in the region. For corporate customers—regardless of business type, history, situation, or scale—we will apply the consulting expertise and Group functions we have built up so far, and by getting customers to share with us their aspirations and real management issues, we will offer them close support that provides higher added-value. For individual customers, meanwhile, we will provide high-quality consulting services related to asset management and succession in the pursuit of the customers' best interests, while taking full advantage of the strengths of both parties through a comprehensive business partnership with Nomura Securities Co., Ltd. for financial instrument brokering.

To ensure it remains dynamic, any region will need to become more sustainable. To achieve this change for Fukui Prefecture, our base, and other regions besides, we will strive to help resolve the structural issues that they face. Specifically, this will involve collaborating with prefectural and municipal governments and other relevant institutions, while actively working to address issues such as trying to increase the non-resident population and advance decarbonization, with us acting as the driving force in the private sector.

As mentioned above, we will continue to unite the full strength of the Group 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 11 consolidated subsidiaries in the current fiscal year developed as follows.

Total income increased by ¥564 million from the previous fiscal year to ¥55,505 million. This was mainly due to an increase in interest on loans and discounts and in income from service transactions, as the entire Group continued to focus on business support and financing support for customers. Total expenses decreased by ¥4,325 million from the previous fiscal year to ¥50,024 million. This was mainly due to a decrease in losses on sales of government bonds, although property expenses increased due to advance investment aimed at providing advanced consulting services.

As a result, we recorded income before income taxes of ¥5,480 million, an increase of ¥4,889 million from the previous fiscal year. Net income attributable to owners of parent increased by ¥1,914 million from the previous fiscal year to ¥3,717 million.

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, ¥30,377 million was provided by operating activities, ¥241,327 million was used in investing activities, and ¥1,001 million was used in financing activities. As a result, cash and cash equivalents at the end of the year were ¥894,866 million, which was a decrease of ¥211,952 million compared with the previous year.

Net cash provided by operating activities

Net cash provided by operating activities was ¥30,377 million. The main factor behind this was income provided by increases in deposits and borrowed money more than offsetting expenses related to an increase in lending.

Net cash used in investing activities

Net cash used in investing activities was ¥241,327 million. This was mainly due to expenses used to purchase securities exceeding income from sales and redemptions of securities.

Net cash used in financing activities

Net cash used in financing activities was ¥1,001 million, mainly for the payment of dividends.

Consolidated Financial Statements

The Fukui Bank, Ltd. and its consolidated subsidiaries

Consolidated Balance Sheets

March 31	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Cash and due from banks	¥ 896,184	1,108,538	\$ 5,918,924
Trading account securities (Note 21).....	—	370	—
Money held in trust (Note 23).....	7,300	6,802	48,220
Securities (Notes 3, 4, 5, 7, 12, 21 and 22).....	824,467	570,478	5,445,266
Loans and bills discounted (Notes 5, 6, 7, 8 and 21).....	2,340,316	2,214,487	15,456,815
Foreign exchange (Note 5 and 6).....	7,406	8,858	48,919
Other assets (Notes 5, 7 and 25).....	64,248	62,682	424,334
Tangible fixed assets (Notes 9, 10, 11, 28 and 29)	31,170	31,167	205,866
Intangible fixed assets	1,186	1,199	7,839
Deferred tax assets (Note 27)	2,036	6,338	13,452
Customers' liabilities for acceptances and guarantees (Note 5).....	8,666	9,254	57,241
Allowance for doubtful receivables (Note 21)	(18,614)	(18,417)	(122,938)
Total assets	¥ 4,164,371	¥ 4,001,760	\$ 27,503,938
Liabilities:			
Deposits (Notes 7 and 21)	¥ 3,411,241	¥ 3,370,055	\$ 22,529,830
Payables under repurchase agreements (Notes 7)	1,530	—	10,106
Payables under securities lending transactions (Notes 7 and 21)	—	6,526	—
Borrowed money (Notes 7 and 21)	572,888	448,318	3,783,692
Foreign exchange	95	109	633
Other liabilities (Note 25 and 28)	19,289	29,111	127,396
Provision for bonuses.....	426	436	2,816
Provision for directors' bonuses	19	5	127
Liability for retirement benefits (Note 26).....	5,568	5,868	36,780
Provision for retirement benefits for executive officers	27	39	183
Provision for share-based compensation for executive officers	210	198	1,388
Provision for reimbursement of deposits	170	218	1,126
Provision for contingent losses	252	227	1,671
Provision for point loyalty programs.....	76	68	507
Provision for demolition costs for fixed assets	16	23	110
Provision for losses on share transfers	—	61	—
Deferred tax liabilities (Note 27)	—	137	—
Deferred tax liabilities for land revaluation (Note 9).....	2,382	2,388	15,733
Acceptances and guarantees (Note 12).....	8,666	9,254	57,241
Total liabilities	¥ 4,022,863	¥ 3,873,050	\$ 26,569,339
Net assets (Note 18):			
Capital stock	¥ 17,965	¥ 17,965	\$ 118,654
Capital surplus.....	6,298	6,299	41,601
Retained earnings.....	95,603	93,051	631,419
Treasury shares	(1,581)	(1,793)	(10,444)
Total shareholders' equity	118,286	115,522	781,230
Valuation difference on available-for-sale securities (Note 24).....	12,040	2,257	79,525
Revaluation reserve for land (Note 9)	5,408	5,423	35,724
Remeasurements of defined benefit plans.....	1	(83)	7
Total accumulated other comprehensive income	17,450	7,597	115,256
Non-controlling interests	5,770	5,590	38,113
Total net assets	141,507	128,710	934,599
Total liabilities and net assets	¥ 4,164,371	¥ 4,001,760	\$ 27,503,938

Consolidated Statements of Operations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Income (Note 16):			
Interest on loans and discounts.....	¥ 22,954	¥ 20,898	\$ 151,607
Interest and dividends on securities	6,323	7,984	41,765
Other interest income.....	1,141	1,371	7,536
Fees and commissions.....	10,384	9,079	68,587
Other operating income.....	9,742	9,139	64,348
Other income (Note 13).....	4,958	6,468	32,746
Total income	55,505	54,941	366,589
Expenses:			
Interest on deposits.....	675	461	4,458
Interest on borrowings.....	111	384	736
Other interest expenses.....	7	275	47
Fees and commissions payments	3,481	3,346	22,991
Other operating expenses	13,448	18,778	88,819
General and administrative expenses (Note 14)	29,943	27,660	197,766
Other expenses (Note 15).....	2,358	3,443	15,575
Total expenses.....	50,024	54,349	330,392
Income before income taxes	5,480	591	36,197
Income taxes—current (Note 27)	1,445	392	9,544
Income taxes—deferred (Note 27)	70	(372)	468
Net income	3,964	571	26,185
Net income attributable to non-controlling interests	247	(1,231)	1,632
Net income attributable to owners of parent	¥ 3,717	¥ 1,803	\$ 24,553
Net income per share of common stock (Note 33)			
	¥ 160.96	¥ 77.14	\$ 1.06

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net income	¥ 3,964	¥ 571	\$ 26,185
Other comprehensive income (loss) (Note 17)	9,801	(10,052)	64,737
Valuation difference on available-for-sale securities	9,734	(10,042)	64,292
Deferred gains (losses) on hedges	—	4	—
Adjustments for retirement benefits	67	(13)	445
Comprehensive income (loss)	13,766	(9,480)	90,922
Comprehensive income (loss) attributable to owners of parent.....	13,585	(8,386)	89,728
Comprehensive income (loss) attributable to non-controlling interests	180	(1,093)	1,194

Consolidated Statements of Changes in Net Assets

Previous 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, 2023 to March 31, 2024)

(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	6,299	93,051	(1,793)	115,522	2,257	—	5,423	(83)	7,597	5,590	128,710
Changes of items during the period												
Dividends from surplus			(1,180)		(1,180)							(1,180)
Reversal of revaluation reserve for land			14		14							14
Net income attributable to owners of parent			3,717		3,717							3,717
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares		(0)		212	212							212
Change in non-controlling interests due to increase in consolidated subsidiaries												—
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)							0
Net changes of items other than shareholders' equity						9,783	—	(14)	84	9,853	180	10,034
Total changes of items during the period	—	(0)	2,551	211	2,763	9,783	—	(14)	84	9,853	180	12,797
Balance at the end of the period	17,965	6,298	95,603	(1,581)	118,286	12,040	—	5,408	1	17,450	5,770	141,507

Current fiscal year (From April 1, 2023 to March 31, 2024)

(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	118,654	41,602	614,566	(11,843)	762,979	14,908	—	35,821	(551)	50,178	36,920	850,077
Changes of items during the period												
Dividends from surplus			(7,797)		(7,797)							(7,797)
Reversal of revaluation reserve for land			97		97							97
Net income attributable to owners of parent			24,553		24,553							24,553
Purchase of treasury shares				(5)	(5)							(5)
Disposal of treasury shares		(0)		1,404	1,404							1,404
Change in non-controlling interests due to increase in consolidated subsidiaries												—
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)							(1)
Net changes of items other than shareholders' equity						64,617	—	(97)	558	65,078	1,193	66,271
Total changes of items during the period	—	(1)	16,853	1,399	18,251	64,617	—	(97)	558	65,078	1,193	84,522
Balance at the end of the period	118,654	41,601	631,419	(10,444)	781,230	79,525	—	35,724	7	115,256	38,113	934,599

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash flows from operating activities			
Income before income taxes	¥ 5,480	¥ 591	\$ 36,197
Depreciation	1,563	1,456	10,327
Impairment loss	125	138	826
Increase (decrease) in allowance for doubtful receivables	196	(976)	1,299
Increase (decrease) in provision for bonuses	(9)	(7)	(66)
Increase (decrease) in provision for directors' bonuses	14	(5)	93
Increase (decrease) in provision for retirement benefits for executive officers ...	(11)	(70)	(76)
Increase (decrease) in liability for retirement benefits	(299)	(171)	(1,978)
Increase (decrease) in provision for share-based compensation for executive officers ...	11	6	78
Increase (decrease) in provision for reimbursement of deposits	(47)	(18)	(315)
Increase (decrease) in provision for contingent losses	25	22	165
Increase (decrease) in provision for point loyalty programs	8	1	53
Increase (decrease) in provision for demolition costs for fixed assets	(6)	23	(44)
Increase (decrease) in provision for losses on share transfers	(61)	61	(409)
Gain on fund management	(30,419)	(30,254)	(200,908)
Financing expenses	793	1,121	5,241
Loss (Gain) related to securities	(52)	5,041	(345)
Loss (Gain) on money held in trust	(52)	(48)	(350)
Foreign exchange losses (gains)	(2,736)	(4,896)	(18,071)
Loss (Gain) on disposal of non-current assets	9	34	66
Net decrease (increase) in loans and bills discounted	(125,828)	(76,376)	(831,045)
Net increase (decrease) in deposits	41,185	50,317	272,016
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ..	124,570	(199,552)	822,736
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)...	401	(709)	2,650
Net increase (decrease) in call money	1,530	(27,507)	10,106
Net increase (decrease) in payables under securities lending transactions ..	(6,526)	(2,998)	(43,107)
Net decrease (increase) in trading account securities	370	28	2,444
Net decrease (increase) in foreign exchanges - assets	1,451	898	9,590
Net increase (decrease) in foreign exchanges - liabilities	(13)	21	(92)
Net decrease (increase) in lease receivables and investment assets	(2,318)	(675)	(15,310)
Proceeds from fund management	29,740	30,738	196,426
Payments for finance	(889)	(991)	(5,877)
Other	(7,746)	(3,364)	(51,163)
Subtotal	30,457	(258,120)	201,157
Income taxes paid	(80)	(643)	(529)
Net cash provided by (used in) operating activities	30,377	(258,764)	200,628
Cash flows from investing activities			
Purchase of securities	(438,320)	(132,603)	(2,894,924)
Proceeds from sale of securities	136,866	223,256	903,947
Proceeds from redemption of securities	62,375	79,471	411,965
Increase in money held in trust	(500)	—	(3,302)
Purchase of tangible fixed assets	(1,824)	(1,226)	(12,048)
Purchase of intangible fixed assets	(276)	(257)	(1,827)
Proceeds from sales of tangible fixed assets	388	226	2,568
Proceeds from sales of intangible fixed assets	1	—	10
Payments for asset retirement obligations	(39)	(10)	(259)
Proceeds from purchase of shares of subsidiaries affecting scope of consolidation ...	—	50	—
Net cash provided by investing activities	(241,327)	168,906	(1,593,870)
Cash flows from financing activities			
Cash dividends paid	(1,180)	(1,180)	(7,797)
Cash dividends paid to non-controlling interests	—	(93)	—
Purchase of treasury shares	(0)	(683)	(5)
Sale of treasury shares	212	46	1,404
Repayments on lease liabilities	(32)	(54)	(217)
Payments for purchase of shares of subsidiaries not affecting scope of consolidation ...	(0)	(568)	(2)
Net cash used in financing activities	(1,001)	(2,533)	(6,617)
Net increase (decrease) in cash and cash equivalents	(211,952)	(92,391)	(1,399,859)
Cash and cash equivalents at beginning of year	1,106,819	1,199,210	7,310,079
Cash and cash equivalents at end of year (Note 19)	¥ 894,866	¥ 1,106,819	\$ 5,910,220

Notes to the Consolidated Financial Statements

Years ended March 31, 2024 and 2023

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, 2024, which was ¥151.41 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, 2024 include the accounts of the Bank and its 11 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: 11 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.
The Fukui Capital Partners Co., Ltd.

With the new establishment of The Fukui Capital Partners Co., Ltd., the company has been added to the scope of consolidation for the current consolidated fiscal year.

(ii) Unconsolidated subsidiaries: 3 companies

Fukui Regional Revitalization Investment Limited Partnership
Fukui Future Business Support Investment Limited Partnership
Fukui Capital Partners No. 1 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: 3 companies

Fukui Regional Revitalization Investment Limited Partnership
Fukui Future Business Support Investment Limited Partnership
Fukui Capital Partners No. 1 Investment Limited Partnership

- (iv) Affiliates not accounted for by the equity method
 - None
 - (v) Names of companies, etc., not recognized as affiliates despite the Bank holding voting rights of between 20 and 50 percent.
 - Hopnic Labs Inc.
 - The unconsolidated subsidiary involved in the investment business, etc., holds shares in Hopnic Labs Inc. as a business transaction for the purpose of fostering investment and making capital gains, not for the purpose of making it a subsidiary. Therefore, it is not recognized as an affiliate.
- (3) The Balance sheet date of consolidated subsidiaries
- The balance sheet dates of the consolidated subsidiaries are as follows:
- March 31: 11 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. Held-to-maturity debt securities are in general stated using the amortized cost (straight-line) method, calculated via the moving-average method. Other 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 ¥8,699 million (U.S. \$57,460 thousand) and ¥8,713 million for the fiscal year ended March 31, 2024 and 2023, 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) Scope of cash and cash equivalents in the consolidated statement of cash flows

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

(xix) 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
	2024	2023	2024
Allowance for doubtful receivables	¥ 18,614	¥ 18,417	\$ 122,938

The amount of the allowance for doubtful receivables recorded at the Bank and its consolidated subsidiaries involved in banking operations was ¥16,999 million (U.S. \$112,277 thousand) and ¥17,049 million for the fiscal years ended March 31, 2024 and 2023, 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, and the financial support provided by other financial institutions, 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.

We have recognized an allowance for doubtful receivables for amounts lent to potentially bankrupt borrowers, or similar, whose unsecured amount of borrowing exceeds a certain amount, and for whom we have particular concerns about repayment capacity, which is calculated according to a cash flow estimation method.

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 who are expected to be significantly affected by a rapid deterioration in the economic environment, the Bank and its consolidated subsidiaries involved in banking operations calculate a provision for expected losses equivalent 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.

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 ¥498 million (U.S. \$3,290 thousand) and 289 thousand shares, respectively.

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

¥505 million (U.S. \$3,338 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 adopt to the provisions of "Practical Solution on Transactions of Delivering the Bank's Own Stock to Employees etc., through Trusts" (ASBJ PITF No. 30 of March 26, 2015).

(i) Transaction outline

The Plan consists of a stock compensation scheme under which a trust established with cash paid by the Bank (the "Trust") acquires shares of the Bank. Shares corresponding to the points awarded to executive officers by the Bank will be transferred to executive officers through the Trust. 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 ¥283 million (U.S. \$1,875 thousand) and 155 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	
	2024	2023	2024	
Investments in capital	¥ 549	¥ 338	\$ 3,632	

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

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
	¥ 828	¥ 1,799	\$ 5,469	

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	
	2024	2023	2024	
Bankruptcy reorganization loans and corresponding amounts	¥ 5,854	¥ 5,600	\$ 38,669	
Bankruptcy risk loans	30,047	27,533	198,454	
Delinquent loans past due three months or more	38	78	252	
Restructured loans	2,490	2,824	16,450	
Total	¥ 38,431	¥ 36,037	\$ 253,825	

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
	2024	2023	2024
	¥ 8,047	¥ 8,918	\$ 53,150

7. Assets pledged

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets pledged as collateral			
Securities	¥ 351,865	¥ 199,470	\$ 2,323,925
Loans and bills discounted	360,917	406,730	2,383,710
Other assets	31	31	210
Total	712,814	606,232	4,707,845
Corresponding liabilities to assets pledged as collateral			
Deposits	20,051	21,156	132,431
Payables under repurchase agreements	1,530	—	10,106
Payables under securities lending transactions	—	6,526	—
Borrowed money	572,100	447,270	3,778,482

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
	2024	2023	2024
Securities	¥ —	¥ 20	\$ —
Other assets	25,296	25,308	167,074

Other assets include security deposits in the amount stated below.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Security deposits	¥ 264	¥ 285	\$ 1,748
Cash collateral for financial instruments etc.	1,437	3,467	9,496

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
	2024	2023	2024
Unutilized loan commitment lines	¥ 626,660	¥ 603,139	\$ 4,138,833
Loans for which the term of the agreement is one year or less	590,229	578,499	3,898,222

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	
2024	2023	2024	
¥ 8,025	¥ 8,084	\$ 53,005	

10. Accumulated depreciation on tangible fixed assets

Millions of yen		Thousands of U.S. dollars	
2024	2023	2024	
¥ 23,769	¥ 24,645	\$ 156,990	

11. Fixed assets reduction entry

Millions of yen		Thousands of U.S. dollars	
2024	2023	2024	
¥ 3,362	¥ 3,408	\$ 22,207	

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	
2024	2023	2024	
¥ 6,718	¥ 5,235	\$ 44,371	

Notes to the Consolidated Statements of Operations

13. Other income

Other income includes the following.

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
Gains on sales of shares	¥ 4,253	¥ 5,764	\$ 28,090

14. General and administrative expenses

General and administrative expenses include the following.

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
Salaries and allowances	¥ 12,094	¥ 11,841	\$ 79,882

15. Other expenses

Other expenses include the following.

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
Losses on devaluation of shares	¥ 3	¥ 265	\$ 20
Losses on sales of shares	124	549	821
Provision for losses on share transfers	—	61	—

16. 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 30 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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ 14,874	¥ (17,403)	\$ 98,238
Reclassification adjustments	(1,082)	2,985	(7,151)
Amount before tax effect	13,791	(14,417)	91,087
Tax effect	(4,057)	4,375	(26,795)
Total	9,734	(10,042)	64,292
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	—	5	—
Reclassification adjustments	—	—	—
Amount before tax effect	—	5	—
Tax effect	—	(1)	—
Total	—	4	—
Remeasurement of defined benefit plans			
Gains (losses) arising during the year	72	(50)	480
Reclassification adjustments	24	30	161
Amount before tax effect	96	(20)	641
Tax effect	(29)	6	(196)
Total	67	(13)	445
Total other comprehensive income	9,801	(10,052)	64,737

Notes to the Consolidated Statements of Changes in Net Assets

18. 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, 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)			
May 13, 2022 Board of Directors	Common shares	590	25	March 31, 2022	June 3, 2022
November 11, 2022 Board of Directors	Common shares	590	25	September 30, 2022	December 2, 2022

Note: Total dividend amounts include dividends paid to shares of the board benefit trust of ¥4 million and ¥4 million pursuant to the resolutions of the Board of Directors on May 13, 2022 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)				
May 12, 2023 Board of Directors	Common shares	590	Retained earnings	25	March 31, 2023	June 2, 2023

Note: Total dividend amounts include ¥9 million paid to shares of the employee stock ownership trust and ¥4 million paid to shares of the board benefit trust.

Current fiscal year (From April 1, 2023 to March 31, 2024)

(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	1,100	0	122	978	(Notes 1, 2, 3)
Total	1,100	0	122	978	

Notes:

- The number of treasury shares includes shares of the Bank held by the employee stock ownership trust (389 thousand shares at the beginning of the fiscal year and 289 thousand shares at the end of the fiscal year) and shares held by the board benefit trust (177 thousand shares at the beginning of the fiscal year and 155 thousand shares at the end of the fiscal year).
- The number of treasury shares increased due to the purchase of 0 thousand fractional share units.
- The number of treasury shares decreased due to a transfer of 99 thousand shares of the Bank held by the employee stock ownership trust to the Employee Stock Holdings, the award of 22 thousand shares associated with the retirement of two executive officers 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 12, 2023 Board of Directors	Common shares	590	3,899	25	March 31, 2023	June 2, 2023
November 10, 2023 Board of Directors	Common shares	590	3,899	25	September 30, 2023	December 4, 2023

Notes:

1. Total dividend amounts pursuant to the resolutions of the Board of Directors on May 12, 2023, include dividend amounts of ¥9 million (U.S. \$64 thousand) paid to shares of the employee stock ownership trust and ¥4 million (U.S. \$29 thousand) paid to shares of the board benefit trust.
2. Total dividend amounts pursuant to the resolutions of the Board of Directors on November 10, 2023, include dividend amounts of ¥8 million (U.S. \$56 thousand) paid to shares of the employee stock ownership trust and dividend amounts of ¥3 million (U.S. \$26 thousand) paid to shares of the board benefit trust.

(ii) Dividends with a record date during the fiscal year ended March 31, 2024, but whose effective date is after March 31, 2024, are as follows:

(Resolution)	Type of share	Aggregate amount of dividends		Dividend resources	Dividends per share (Yen)	Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
May 10, 2024 Board of Directors	Common shares	590	3,898	Retained earnings	25	March 31, 2024	May 31, 2024

Note: Total dividend amounts include ¥7 million (U.S. \$48 thousand) paid to shares of the employee stock ownership trust and ¥3 million (U.S. \$26 thousand) paid to shares of the board benefit trust.

Notes to the Consolidated Statement of Cash Flows

19. 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, 2024 and 2023.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and due from banks	¥ 896,184	¥ 1,108,538	\$ 5,918,924
Time deposits in other banks	—	—	—
Other deposits	(1,317)	(1,719)	(8,704)
Cash and cash equivalents	894,866	1,106,819	5,910,220

20. 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.

21. 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.

(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 ¥41,744 million (U.S. \$275,707 thousand)—¥33,852 million at the previous fiscal year-end—and loans and deposit accounts totaled ¥18,960 million (U.S. \$125,223 thousand)—¥26,420 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, 2024 and 2023, 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, 2023)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	370	370	—
(2) Securities			
Held-to-maturity debt securities	—	—	—
Available-for-sale securities ^{*3}	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.

*3: Securities includes investment trusts, for which reference prices pursuant to Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) are regarded as fair values, of ¥444 million.

Current fiscal year (March 31, 2024)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	—	—	—
(2) Securities			
Held-to-maturity debt securities	201,241	201,000	(241)
Available-for-sale securities	609,147	609,147	—
(3) Loans and bills discounted	2,340,316		
Allowance for doubtful receivables* ¹	(18,287)		
	2,322,028	2,305,963	(16,065)
Total assets	3,132,418	3,116,110	(16,307)
(1) Deposits	3,411,241	3,410,765	(476)
(2) Borrowed money	572,888	572,888	—
Total liabilities	3,984,130	3,983,654	(476)
Derivative transactions* ²			
Not qualifying for hedge accounting	(176)	(176)	—
Qualifying for hedge accounting	—	—	—
Total derivative transactions	(176)	(176)	—

*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, and net payables are presented with parentheses: ()

Current fiscal year (March 31, 2024)

(Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Trading account securities			
Securities for trading purposes	—	—	—
(2) Securities			
Held-to-maturity debt securities	1,329,120	1,327,523	(1,597)
Available-for-sale securities	4,023,165	4,023,165	—
(3) Loans and bills discounted	15,456,815		
Allowance for doubtful receivables* ¹	(120,782)		
	15,336,033	15,229,926	(106,107)
Total assets	20,688,318	20,580,614	(107,704)
(1) Deposits	22,529,830	22,526,685	(3,145)
(2) Borrowed money	3,783,692	3,783,692	—
Total liabilities	26,313,522	26,310,377	(3,145)
Derivative transactions* ²			
Not qualifying for hedge accounting	(1,163)	(1,163)	—
Qualifying for hedge accounting	—	—	—
Total derivative transactions	(1,163)	(1,163)	—

*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, and net payables are presented with parentheses: ()

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

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Unlisted stocks ^{*1, *2}	¥ 2,013	¥ 2,318	\$ 13,301	
Investments in partnerships ^{*3}	12,064	11,277	79,680	

*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 ¥3 million (U.S. \$20 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, 2024 and 2023

Previous 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
Held-to-maturity debt securities	—	—	—	—	—	—
Government bonds	—	—	—	—	—	—
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, 2024)

(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	870,129	—	—	—	—	—
Securities	53,118	230,613	166,636	40,478	161,802	70,081
Held-to-maturity debt securities	—	100,000	52,500	—	50,000	—
Government bonds	—	100,000	52,500	—	50,000	—
Available-for-sale securities with maturities	53,118	130,613	114,136	40,478	111,802	70,081
Government bonds	—	31,000	—	—	17,500	—
Local government bonds	5,104	2,705	27,005	4,114	30,960	7,833
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	35,370	45,554	43,441	6,867	527	61,255
Others	12,644	51,354	43,689	29,496	62,814	992
Loans and bills discounted*	681,738	454,045	285,619	184,477	179,405	465,484
Total	1,604,987	684,658	452,255	224,955	341,207	535,565

* 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 ¥35,104 million and those without maturity, amounting to ¥54,440 million.

Current fiscal year (March 31, 2024)

(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	5,746,846	—	—	—	—	—
Securities	350,827	1,523,106	1,100,564	267,341	1,068,635	462,859
Held-to-maturity debt securities	—	660,458	346,741	—	330,229	—
Government bonds	—	660,458	346,741	—	330,229	—
Available-for-sale securities with maturities	350,827	862,648	753,823	267,341	738,406	462,859
Government bonds	—	204,742	—	—	115,580	—
Local government bonds	33,710	17,867	178,359	27,175	204,479	51,737
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	233,608	300,865	286,916	45,357	3,483	404,566
Others	83,509	339,174	288,548	194,809	414,864	6,556
Loans and bills discounted*	4,502,601	2,998,781	1,886,397	1,218,398	1,184,897	3,074,329
Total	10,600,274	4,521,887	2,986,961	1,485,739	2,253,532	3,537,188

* 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. \$231,854 thousand and those without maturity, amounting to U.S. \$359,559 thousand.

Note 3: Repayment schedule of interest-bearing liabilities after March 31, 2024 and 2023

Previous 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, 2024)

(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*	3,308,782	87,452	12,122	1,029	1,854	—
(2) Borrowed money	184,134	140,027	248,726	—	—	—
Total	3,492,917	227,480	260,848	1,029	1,854	—

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

Current fiscal year (March 31, 2024)

(Thousands of U.S. dollars)

	Within one year	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years
(1) Deposits*	21,853,133	577,586	80,063	6,802	12,246	—
(2) Borrowed money	1,216,133	924,825	1,642,734	—	—	—
Total	23,069,266	1,502,411	1,722,797	6,802	12,246	—

* 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, 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.

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	—

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.

Current fiscal year (March 31, 2024)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Government and local government bonds	—	—	—	—
Corporate bonds	—	—	—	—
Stocks	—	—	—	—
Others	—	—	—	—
Available-for-sale securities				
Government and local government bonds	48,195	76,837	—	125,032
Corporate bonds	—	182,784	6,840	189,625
Stocks	49,084	—	—	49,084
Others	39,871	204,931	600	245,404
Total assets	137,151	464,554	7,441	609,147
Derivative transactions				
Currency-related transactions	—	(176)	—	(176)
Total derivative transactions	—	(176)	—	(176)

*1 None of the securities were investment trusts to which Paragraphs 24-3 and 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) apply.

Current fiscal year (March 31, 2024)

(Thousands of U.S. dollars)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Government and local government bonds	—	—	—	—
Corporate bonds	—	—	—	—
Stocks	—	—	—	—
Others	—	—	—	—
Available-for-sale securities				
Government and local government bonds	318,310	507,480	—	825,790
Corporate bonds	—	1,207,218	45,181	1,252,399
Stocks	324,184	—	—	324,184
Others	263,334	1,353,490	3,968	1,620,792
Total assets	905,828	3,068,188	49,149	4,023,165
Derivative transactions				
Currency-related transactions	—	(1,163)	—	(1,163)
Total derivative transactions	—	(1,163)	—	(1,163)

*1 None of the securities were investment trusts to which Paragraphs 24-3 and 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) apply.

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)					
444	7	(11)	(440)	—	—	—	—

(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)					
2,938	49	(79)	(2,908)	—	—	—	—

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, and net payables are presented with parentheses: ()

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

Previous fiscal year (March 31, 2023)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Government and local government bonds	—	—	—	—
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, 2024)

(Millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Government and local government bonds	201,000	—	—	201,000
Loans and bills discounted	—	—	2,305,963	2,305,963
Total assets	201,000	—	2,305,963	2,506,963
Deposits	—	3,410,765	—	3,410,765
Borrowed money	—	572,888	—	572,888
Total liabilities	—	3,983,654	—	3,983,654

Current fiscal year (March 31, 2024)

(Thousands of U.S. dollars)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Government and local government bonds	1,327,523	—	—	1,327,523
Loans and bills discounted	—	—	15,229,926	15,229,926
Total assets	1,327,523	—	15,229,926	16,557,449
Deposits	—	22,526,685	—	22,526,685
Borrowed money	—	3,783,692	—	3,783,692
Total liabilities	—	26,310,377	—	26,310,377

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, 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%

Current fiscal year (March 31, 2024)

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	0.0–7.9%	0.5%

(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, 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, 2024)

(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	5,347	—	(18)	1,512	—	—	6,804	—
Others	602	—	(1)	—	—	—	600	—

*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, 2024)

(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	35,315	—	(125)	9,991	—	—	45,181	—
Others	3,977	—	(9)	—	—	—	3,968	—

*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.

22. 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	
	2024	2023	2024	
Valuation difference reflected on the statements of operations	¥	—	¥	(8)
			\$	—

(2) Held-to-maturity debt securities

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Securities for which fair value exceeds the carrying amounts on the consolidated balance sheets	Government bonds	24,870	24,889	18
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	24,870	24,889	18
Securities for which fair value does not exceed the carrying amounts on the consolidated balance sheets	Government bonds	176,371	176,110	(260)
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	176,371	176,110	(260)
Total		201,241	201,000	(241)

(Thousands of U.S. dollars)

	Type	Carrying amount	Fair value	Difference
Securities for which fair value exceeds the carrying amounts on the consolidated balance sheets	Government bonds	164,258	164,383	125
	Local government bonds	-	—	—
	Short-term corporate bonds	-	—	—
	Corporate bonds	-	—	—
	Others	-	—	—
	Subtotal	164,258	164,383	125
Securities for which fair value does not exceed the carrying amounts on the consolidated balance sheets	Government bonds	1,164,862	1,163,140	(1,722)
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	1,164,862	1,163,140	(1,722)
Total		1,329,120	1,327,523	(1,597)

(3) Available-for-sale securities

Previous 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, 2024)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	47,062	22,551	24,511
	Bonds	38,256	38,062	193
	Government bonds	—	—	—
	Local government bonds	18,749	18,713	36
	Short-term corporate bonds	—	—	—
	Corporate bonds	19,506	19,349	157
	Others	117,529	111,975	5,553
	Foreign securities	20,595	20,159	435
	Subtotal	202,848	172,589	30,258
Securities for which carrying amount does not exceed acquisition cost	Stocks	2,021	2,160	(138)
	Bonds	276,402	281,174	(4,771)
	Government bonds	48,195	48,566	(370)
	Local government bonds	58,087	58,931	(843)
	Short-term corporate bonds	—	—	—
	Corporate bonds	170,119	173,677	(3,558)
	Others	127,874	136,565	(8,691)
	Foreign securities	28,653	29,113	(460)
	Subtotal	406,299	419,900	(13,601)
Total		609,147	592,490	16,657

Current fiscal year (March 31, 2024)

(Thousands of U.S. dollars)

	Type	Carrying amount	Acquisition cost	Difference
Securities for which carrying amount exceeds acquisition cost	Stocks	310,830	148,941	161,889
	Bonds	252,665	251,386	1,279
	Government bonds	—	—	—
	Local government bonds	123,833	123,593	240
	Short-term corporate bonds	—	—	—
	Corporate bonds	128,832	127,793	1,039
	Others	776,233	739,554	36,679
	Foreign securities	136,026	133,147	2,879
	Subtotal	1,339,728	1,139,881	199,847
Securities for which carrying amount does not exceed acquisition cost	Stocks	13,353	14,269	(916)
	Bonds	1,825,524	1,857,040	(31,516)
	Government bonds	318,310	320,759	(2,449)
	Local government bonds	383,647	389,215	(5,568)
	Short-term corporate bonds	—	—	—
	Corporate bonds	1,123,567	1,147,066	(23,499)
	Others	844,560	901,960	(57,400)
	Foreign securities	189,243	192,283	(3,040)
	Subtotal	2,683,437	2,773,269	(89,832)
Total		4,023,165	3,913,150	110,015

(4) Held-to-maturity debt securities sold in the current fiscal year

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

None

Current fiscal year (From April 1, 2023 to March 31, 2024)

None

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

Previous 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, 2023 to March 31, 2024)

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	11,726	3,730	123
Bonds	84,603	—	3,901
Government bonds	27,528	—	2,164
Local government bonds	57,073	—	1,737
Short-term corporate bonds	—	—	—
Corporate bonds	0	—	0
Others	20,200	981	815
Foreign securities	722	—	70
Total	116,530	4,712	4,841

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of U.S. dollars)

Type	Amount sold	Total gain on sales	Total loss on sales
Stocks	77,450	24,638	818
Bonds	558,773	—	25,770
Government bonds	181,817	—	14,294
Local government bonds	376,949	—	11,476
Short-term corporate bonds	—	—	—
Corporate bonds	7	—	0
Others	133,415	6,483	5,387
Foreign securities	4,769	—	468
Total	769,638	31,121	31,975

(6) Securities that changed their holding purpose

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

None

Current fiscal year (From April 1, 2023 to March 31, 2024)

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 of ¥264 million (all related to “Stocks”) was recognized.

In the current fiscal year, there was no impairment loss.

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.

23. Money held in trust

(1) Money held in trust for trading purposes

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

(2) Money held in trust held to maturity

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

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

Previous 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, 2024)

(Millions of yen)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	7,300	7,300	—	—	—

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

Current fiscal year (March 31, 2024)

(Thousands of U.S. dollars)

	Carrying amount	Acquisition cost	Difference	Positive difference	Negative difference
Other money held in trust	48,220	48,220	—	—	—

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

24. 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
	2024	2023	2024
Valuation differences	¥ 16,657	¥ 2,865	\$ 110,015
Securities	16,657	2,865	110,015
Deferred tax liability	(4,616)	(559)	(30,490)
Valuation differences on available-for-sale securities (before adjustment for non-controlling interests)	12,040	2,306	79,525
Non-controlling interests	—	49	—
Valuation differences on available-for-sale securities	12,040	2,257	79,525

25. 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, 2023)

None

Current fiscal year (March 31, 2024)

None

(ii) Currency-related transactions

Previous 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	—	—	—	—
	Purchased	—	—	—	—
OTC	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, 2024)

(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	302	302	(4)	(4)
	Forward exchange contracts				
	Sold	16,348	73	(346)	(346)
	Purchased	6,851	—	175	175
	Currency options				
	Sold	36,550	24,112	(851)	235
	Purchased	36,550	24,112	851	(77)
	Others				
Sold	—	—	—	—	
	Purchased	—	—	—	—
Total				(176)	(17)

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, 2024)

(Thousands of U.S. dollars)

Category	Type	Notional amounts (total)	Notional amounts (over one year)	Fair value	Valuation difference
Listed	Currency futures				
	Sold	—	—	—	—
	Purchased	—	—	—	—
	Currency options				
	Sold	—	—	—	—
	Purchased	—	—	—	—
OTC	Currency swaps	2,000	2,000	(31)	(31)
	Forward exchange contracts				
	Sold	107,976	487	(2,290)	(2,290)
	Purchased	45,253	—	1,158	1,158
	Currency options				
	Sold	241,400	159,253	(5,624)	1,556
	Purchased	241,400	159,253	5,624	(509)
	Others				
Sold	—	—	—	—	
	Purchased	—	—	—	—
Total				(1,163)	(116)

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, 2023)

None

Current fiscal year (March 31, 2024)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

(v) Commodity-related transactions

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

(vi) Credit derivative transactions

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

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, 2023)

None

Current fiscal year (March 31, 2024)

None

(ii) Currency-related transactions

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

(iii) Stock-related transactions

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

(iv) Bond-related transactions

Previous fiscal year (March 31, 2023)

None

Current fiscal year (March 31, 2024)

None

26. 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	
	2024	2023	2024	
Retirement benefit obligations (opening balance)	¥ 7,065	¥ 7,270	\$ 46,663	
Service cost-benefits earned during the fiscal year	377	386	2,495	
Interest cost on projected benefit obligations	26	27	175	
Actuarial differences	96	23	638	
Retirement benefits paid	(630)	(643)	(4,166)	
Past service cost	—	—	—	
Other	—	—	—	
Retirement benefit obligations (closing balance)	¥ 6,935	¥ 7,065	\$ 45,805	

(ii) Reconciliation of pension assets

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Pension assets (opening balance)	¥ 1,197	¥ 1,231	\$ 7,906	
Expected return on plan assets	35	36	237	
Actuarial differences	169	(27)	1,118	
Retirement benefits paid	(95)	(103)	(633)	
Contribution from business owners	60	59	397	
Pension assets (closing balance)	¥ 1,366	¥ 1,197	\$ 9,025	

(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	
	2024	2023	2024	
Funded system retirement benefit obligations	¥ 6,935	¥ 7,065	\$ 45,805	
Pension assets	(1,366)	(1,197)	(9,025)	
	5,568	5,868	36,780	
Non-funded system retirement benefit obligations	—	—	—	
Net amounts of liabilities and assets recorded on the consolidated balance sheet	¥ 5,568	¥ 5,868	\$ 36,780	

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Net defined benefit liability	¥ 5,568	¥ 5,868	\$ 36,780	
Net defined benefit asset	—	—	—	
Net of liabilities and assets recorded in the consolidated balance sheet	¥ 5,568	¥ 5,868	\$ 36,780	

(iv) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Service cost-benefits earned during the fiscal year	¥ 377	¥ 386	\$ 2,495	
Interest cost on projected benefit obligations	26	27	175	
Expected return on plan assets	(35)	(36)	(237)	
Amortization of actuarial differences	2	8	14	
Amortization of past service cost	22	22	147	
Other	—	—	—	
Retirement benefit expenses for defined benefit obligations	¥ 392	¥ 407	\$ 2,594	

(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	
	2024	2023	2024	
Past service cost	¥ 22	¥ 22	\$ 148	
Actuarial differences	74	(42)	493	
Other	—	—	—	
Total	¥ 96	¥ (20)	\$ 641	

(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	
	2024	2023	2024	
Unrecognized past service cost	¥ 66	¥ 89	\$ 442	
Unrecognized actuarial differences	(68)	30	(453)	
Other	—	—	—	
Total	¥ (1)	¥ 119	\$ (11)	

(vii) Matters relating to pension assets

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

	2024	2023
Bonds	30.31%	28.40%
Stocks	44.19%	41.09%
Cash and deposits	—%	2.22%
Others	25.50%	28.29%
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.

	2024	2023
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 4.0%

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 ¥64 million in the previous fiscal year, and ¥63 million (U.S. \$417 thousand) in the current fiscal year.

27. Income Taxes

(1) Deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Deferred tax assets				
Allowance for doubtful receivables	¥ 7,800	¥ 7,773	\$ 51,516	
Liability for retirement benefits	1,719	1,715	11,353	
Devaluation of securities	508	639	3,360	
Impairment loss on land	1,070	1,123	7,072	
Depreciation	923	828	6,099	
Losses carried forward for tax purposes (Note 2)	1,467	2,112	9,692	
Others	1,436	1,456	9,485	
Subtotal	14,925	15,648	98,577	
Valuation allowance for net loss carried forward (Note 2)	(1,423)	(1,768)	(9,400)	
Valuation allowance for total deductible temporary differences, etc.	(6,433)	(6,543)	(42,492)	
Valuation allowance subtotal (Note 1)	(7,857)	(8,311)	(51,892)	
Total deferred tax assets	7,068	7,337	46,685	
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(4,616)	(559)	(30,490)	
Reserve for advanced depreciation of non-current assets	(159)	(164)	(1,051)	
Revised book values from fair value evaluation	(235)	(393)	(1,554)	
Others	(20)	(18)	(138)	
Total deferred tax liabilities	(5,031)	(1,136)	(33,233)	
Net deferred tax assets (liabilities)	¥ 2,036	¥ 6,200	\$ 13,452	

Note 1: Valuation allowances decreased by ¥454 million (U.S. \$3,002 thousand). This was mainly due to decreases 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, 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.

Current fiscal year (March 31, 2024)

(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*	12	0	62	—	1	1,389	1,467
Valuation allowance	(12)	(0)	(20)	—	(1)	(1,388)	(1,423)
Deferred tax assets	—	—	42	—	—	1	44

*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*	81	6	416	—	13	9,176	9,692
Valuation allowance	(81)	(6)	(133)	—	(13)	(9,167)	(9,400)
Deferred tax assets	—	—	283	—	—	9	292

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

(2) Effective income tax rate

	2024	2023
Statutory effective tax rate	30.46%	30.46%
(Adjustments)		
Permanent differences such as entertainment expenses	0.96	10.58
Permanent differences such as dividend income	(2.37)	(22.69)
Change in the valuation allowance amount	(8.30)	(37.41)
Inhabitant tax on per capita basis	0.97	9.06
Difference between tax paid and unpaid corporation tax	0.01	(1.68)
Reversal of tax effect due to elimination in losses carried forward	4.02	—
Amount of tax credit due to increase in salary payments, etc.	(0.00)	(0.48)
Tax rate difference from parent	0.76	6.91
Consolidated elimination of dividend income	1.36	14.15
Consolidated adjustments related to fair value evaluation assets	(0.20)	(4.25)
Others	(0.01)	(1.21)
Effective tax rate after adoption of tax effect accounting	27.66%	3.44%

28. Asset retirement obligations

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2023 to March 31, 2024)

This note is not provided due to its low materiality.

29. Investment and rental property

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

This note is not provided due to its low materiality.

Current fiscal year (From April 1, 2023 to March 31, 2024)

This note is not provided due to its low materiality.

30. Revenue recognition

(1) Breakdown of revenue from contracts with customers

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Fees and commissions	¥ 9,122	¥ 7,595	\$ 60,253	
Deposits and lending operations	2,421	2,297	15,994	
Foreign exchange operations	2,178	2,174	14,385	
Securities-related operations	1,369	671	9,043	
Agency operations	193	228	1,281	
Insurance sales operations	391	490	2,587	
Other operations	2,568	1,733	16,963	
Ordinary revenue from contracts with customers	9,122	7,595	60,253	
Ordinary revenue other than that detailed above	46,301	47,301	305,799	
Ordinary revenue from external customers	¥ 55,423	¥ 54,897	\$ 366,052	

(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.

31. 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, 2022 to March 31, 2023)

(1) Information by service

(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.

(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, 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.

Current fiscal year (From April 1, 2023 to March 31, 2024)

(1) Information by services

(Millions of yen)

	Lending business	Securities trading business	Leasing business	Others	Total
Ordinary revenue from external customers	23,955	11,219	8,824	11,423	55,423

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	158,219	74,101	58,283	75,449	366,052

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, 2024 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, 2024 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, 2022 to March 31, 2023)

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

Current fiscal year (From April 1, 2023 to March 31, 2024)

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, 2022 to March 31, 2023)

None

Current fiscal year (From April 1, 2023 to March 31, 2024)

None

Information related to gain on negative goodwill by reportable segment

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

None

Current fiscal year (From April 1, 2023 to March 31, 2024)

None

32. 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, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

B. Transactions between the Group and unconsolidated subsidiaries or affiliates

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

Not applicable.

Current fiscal year (From April 1, 2023 to March 31, 2024)

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, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

D. Transactions between the Group and directors and/or executive officers, or major individual shareholders
Previous fiscal year (From April 1, 2022 to March 31, 2023)

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
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	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, 2023 to March 31, 2024)

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)	Sabae, Fukui	80	528	Real estate transactions	Direct shareholdings by the related party 0.00	Banking transactions

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	660	Loans	100	660

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

Identical to terms used with general transaction counterparties.

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

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

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

There were no material transactions.

Current fiscal year (From April 1, 2023 to March 31, 2024)

There were no material transactions.

(2) Notes concerning the parent company or important affiliates

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

None

Current fiscal year (From April 1, 2023 to March 31, 2024)

None

33. Per-share information

	Yen		U.S. dollars	
	2024	2023	2024	
Net assets per share of common stock	¥ 5,859.28	¥ 5,342.70	\$	38.70
Net income per share of common stock	160.96	77.14		1.06

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	
	2024	2023	2024	
Net assets as reported	¥ 141,507	¥ 128,710	\$	934,599
Less	5,770	5,590		38,113
Thereof, non-controlling interests	5,770	5,590		38,113
Net assets attributable to common shares at the end of the period	¥ 135,737	¥ 123,120	\$	896,486

(Thousands of shares)

	2024	2023
The number of shares of common stock outstanding	23,166	23,044

(2) Net income per share of common stock

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Net income per share of common stock				
Net income attributable to owners of parent	¥ 3,717	¥ 1,803	\$	24,553
Net income not attributable to common shareholders	—	—		—
Net income attributable to owners of parent related to common stock	¥ 3,717	¥ 1,803	\$	24,553

(Thousands of shares)

	2024	2023
Average number of shares of common stock outstanding	23,095	23,376

Note 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)

	2024		2023	
	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	289	155	389	177
Average number of treasury shares outstanding during the year, deducted when calculating net income per share	348	166	47	186

34. Subsequent events

Conclusion of a share exchange contract related to making the Fukuho Bank a wholly owned subsidiary via a simplified share exchange

On November 10, 2023, the Bank and THE FUKUHO BANK, LTD. (“the Fukuho Bank”) signed a basic agreement to the effect that both banks would carry out a gradual management merger by way of a share exchange (to make the Fukuho Bank a wholly owned subsidiary) and merger. Based on this agreement, it was decided at both banks’ respective boards of directors’ meetings held on May 10, 2024 to carry out the share exchange, and a share exchange contract was concluded between both banks to this end.

(1) Share exchange and information about the mergee

(i) Company name, head office, representative, capital, net assets, gross assets, and business outline

Company name	THE FUKUHO BANK, LTD.
Head office	6-9, Junka 1-chome, Fukui
Representative	President Toru Yuasa
Capital (as of March 31, 2024)	¥9,800 million (U.S. \$64,725 thousand)
Net assets (as of March 31, 2024)	Consolidated: ¥14,258 million (U.S. \$94,168 thousand) Non-consolidated: ¥14,116 million (U.S. \$93,235 thousand)
Gross assets (as of March 31, 2024)	Consolidated: ¥450,865 million (U.S. \$2,977,779 thousand) Non-consolidated: ¥450,743 million (U.S. \$2,976,974 thousand)
Business outline	Banking operations

(ii) Ordinary revenue, ordinary income (loss), and net income (loss) for each of the last three fiscal years

(Consolidated)

Accounting period	(Millions of yen)			(Thousands of U.S. dollars)
	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2024
Ordinary revenue	7,979	8,188	8,012	52,704
Ordinary income (loss)	1,076	(2,395)	(2,477)	7,109
Net income (loss) attributable to owners of parent	895	(2,640)	(3,402)	5,913

(Non-consolidated)

Accounting period	(Millions of yen)			(Thousands of U.S. dollars)
	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2024
Ordinary revenue	7,896	8,109	7,942	52,155
Ordinary income (loss)	1,092	(2,378)	(2,457)	7,217
Net income (loss)	911	(2,623)	(3,380)	6,023

(2) Objectives of the management merger

For the Fukui Bank Group to ensure that it can continue creating even greater value for the region and to achieve a future where the value created continues to circulate as Fukui Prefecture's biggest financial group, this management merger will allow it to evolve as a regional problem-solver, maximize its synergies, and reform its governance. The goal of these is to reform from a traditional business model centered on the financial services business and to evolve.

(3) Management merger schedule

November 10, 2023	Conclusion of basic merger agreement
May 10, 2024	Conclusion of share exchange contract
June 19, 2024	Approval for share exchange at general meeting of shareholders (Fukuho Bank)
October 1, 2024 (planned)	Date share exchange goes into effect
October 2024 (planned)	Conclusion of merger contract
May 2026 (planned)	Date merger goes into effect

The schedule given above may be subject to change according to future discussions, etc., between both banks.

(4) Share exchange method and allocations

(i) Share exchange method

Through the share exchange, the Bank will become the wholly owning parent company, while the Fukuho Bank will become a wholly owned subsidiary. Under the procedures for a simplified share exchange outlined in Article 796, Paragraph 2 of the Companies Act, the Bank can carry out the share exchange without requiring approval at a general meeting of shareholders. The Fukuho Bank received approval at its general meeting of shareholders on June 19, 2024 and so can participate in the share exchange.

(ii) Details of the share exchange allocations (exchange rate)

	The Fukui Bank (wholly owning parent company resulting from the share exchange)	The Fukuho Bank (wholly owned subsidiary resulting from the share exchange)
Share exchange allocation rate	1	0.038
Number of shares granted during the share exchange	Number of the Fukui Bank common shares: 1,034,576 (planned)	

Note 1: Share allocation rate

For each common share in the Fukuho Bank, 0.038 common shares in the Bank will be granted, however no shares will be granted as part of the share exchange for the 37,118,334 common shares (as of March 31, 2024) in the Fukuho Bank held by the Bank.

Should any significant change occur affecting the conditions upon which the calculations are based, the rate can be changed after discussions and mutual agreement between both banks.

Note 2: Number of shares granted by the Bank during the share exchange (planned)

During the share exchange, the Bank will, for shareholders who own shares in the Fukuho Bank at the time immediately preceding the Bank's acquisition of all issued common shares in the Fukuho Bank (excluding those the Bank itself holds), as a monetary substitute, etc., for those common shares, issue common shares in the Bank at a rate of 0.038 common shares for each common share they held in the Fukuho Bank. In doing so, it plans to grant 1,034,576 common shares. The Bank intends to allocate all of these from its treasury shares and so on May 14, 2024, the Bank acquired a number of its own treasury shares.

In addition, the Fukuho Bank will, following a resolution at a meeting of the Board of Directors held until the day preceding the date the share exchange goes into effect, retire all treasury shares held by the Fukuho Bank at the time immediately preceding the Bank's acquisition of all issued common shares (including those treasury shares the Fukuho Bank acquires by purchasing shares associated with share buyback requests from shareholders opposed to the share exchange who exercise their rights). In the case where shareholders in the Fukuho Bank do exercise their right to request a share buyback, or similar, and so where the number of the Fukuho Bank treasury shares fluctuates until the time immediately preceding their acquisition by the Bank, the number of common shares granted by the Bank as part of the share exchange may likewise fluctuate.

Note 3: Shares comprising less than one full share unit

During the share exchange, there are expected to be some shareholders who newly find themselves holding a number of shares that does not comprise one full share unit (i.e., fewer than 100 shares). However, these shares that do not make up a full share unit cannot be sold on the Tokyo Stock Exchange or other financial instrument exchange markets.

Therefore, such shareholders can, from the date the share exchange takes effect onward, use either of the systems detailed below.

Purchase system for shares not comprising a full share unit (selling such shares):

Based on the provisions of Article 192, Paragraph 1 of the Companies Act, shareholders with shares comprising less than one full share unit, may demand that said shares be purchased.

Purchase system for shares not comprising a full share unit (purchasing additional shares to make up one full share unit):

Based on the provisions of Article 194, Paragraph 1 of the Companies Act and the Bank's Articles of Incorporation, the Bank will allow a number of shares to be bought to make up, with the number of shares not comprising a full share unit already owned, a full share unit (100 shares), except where the Bank does not possess sufficient treasury shares to fulfill the purchase demand.

Note 4: Fractional shares

Should the share exchange result in the Bank needing to grant fractional shares (i.e., an amount not totaling a full share), for shareholders in the Fukuho Bank who would receive fractional shares, the Bank will grant a monetary equivalent to the fractional shares, in line with the provisions of Article 234 of the Companies Act and other related laws and regulations.

(5) Dividends of surplus

Both banks agreed to the following: The Bank must not distribute surplus where the allocation takes place before the date the share exchange takes effect, with the exception of dividends of surplus with an upper limit of ¥25 per share for shareholders who had shares in the Bank on March 31, 2024. The Fukuho Bank, similarly, must not distribute surplus where the allocation takes place before the date the share exchange takes effect, with the exception of dividends of surplus with an upper limit of ¥3 per share for shareholders who had shares in the Fukuho Bank on March 31, 2024.

Purchase of treasury shares

At a meeting of the Board of Directors held on May 10, 2024, there was a resolution passed to acquire treasury shares, in line with the provisions of Article 156 of the Companies Act, with the wording change permitted by the act's Article 165, Paragraph 3.

(1) Reasons for the acquisition of treasury shares

The Bank announced its conclusion of a share exchange contract, by which it would make the Fukuho Bank a wholly owned subsidiary through a simplified share exchange, on May 10, 2024. As the announcement stated, the exchange will take effect on October 1, 2024, at which point the Bank will become the wholly owning parent company and the Fukuho Bank will become the wholly owned subsidiary, and that the Bank will allocate all of the common shares in the Bank that are being granted to shareholders in the Fukuho Bank.

(2) Details of acquisition

(i) Type of shares acquired

Common shares

(ii) Total number of acquired shares

600,000

(iii) Total value of acquired shares

¥1,210.8 million (U.S. \$7,997 thousand)

(iv) Date of acquisition

May 14, 2024

(v) Acquisition method

Market purchase (via the Tokyo Stock Exchange's off-auction own share repurchase trading system ToSTNeT-3)



Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, 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 ¥2,340,316million (56% of consolidated total assets) and allowance for doubtful	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

receivables of ¥18,614 million in the consolidated balance sheet. Of this, the total amount of allowance for doubtful receivables reported by the Bank, the consolidated parent company, and the Fukuho Bank, a consolidated subsidiary, was ¥16,999 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, and the financial support provided by other financial institutions, 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

Fukuho Bank, a consolidated subsidiary, was appropriate, included the following:

(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 Division 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 divisions, such as the orders received and sales volumes of the borrower, and the financial support provided by other financial institutions, taking into account the business environment surrounding the borrower.

of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
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Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Bank and its subsidiaries for the current year are 85 million yen and 0 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 30, 2024

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, 2024)

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

Corporate Data (as of March 31, 2024)

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:	1,258

Service Network (as of May 31, 2024)

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:	<table> <tr><td>Fukui</td><td>78</td></tr> <tr><td>Ishikawa</td><td>10</td></tr> <tr><td>Toyama</td><td>4</td></tr> <tr><td>Shiga</td><td>2</td></tr> <tr><td>Tokyo</td><td>1</td></tr> <tr><td>Aichi</td><td>1</td></tr> <tr><td>Kyoto</td><td>1</td></tr> <tr><td>Osaka</td><td>1</td></tr> <tr><td>Total</td><td>98</td></tr> </table>	Fukui	78	Ishikawa	10	Toyama	4	Shiga	2	Tokyo	1	Aichi	1	Kyoto	1	Osaka	1	Total	98
Fukui	78																		
Ishikawa	10																		
Toyama	4																		
Shiga	2																		
Tokyo	1																		
Aichi	1																		
Kyoto	1																		
Osaka	1																		
Total	98																		
Correspondent Banking Network:	26 countries 64 cities 120 banks																		

Consolidated Subsidiaries (as of June 30, 2024)

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 Capital Partners Co., Ltd.	

THE FUKUI BANK, LTD.

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