

Fukuoka Financial Group

- 1 Independent Auditors' Report
- 8 Consolidated Balance Sheet
- 9 Consolidated Statement of Income
- 10 Consolidated Statement of Comprehensive Income
- 11 Consolidated Statement of Changes in Net Assets
- 12 Consolidated Statement of Cash Flows
- 13 Notes to Consolidated Financial Statements

The Bank of Fukuoka

- 34 Non-Consolidated Balance Sheet (Unaudited)
- 35 Non-Consolidated Statement of Income (Unaudited)



Independent Auditor's Report

The Board of Directors
Fukuoka Financial Group, Inc.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Fukuoka Financial Group, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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, 2025, and its consolidated financial performance and its consolidated cash flows for the year 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

The determination of obligor classification and estimation of default rates used as the measurement basis of allowance for loan losses for loans and bills discounted	
Description of Key Audit Matter	Auditor's Response
<p>Fukuoka Financial Group, Inc. and its consolidated subsidiaries (collectively, the "Group") are mainly engaged in the banking business, and its lending business is the core of its business.</p> <p>The Group recorded Loans and bills discounted of ¥18,970,311 million and a corresponding Allowance for loan losses of ¥192,762 million on the consolidated balance sheet as at the end of the fiscal year ended March 31, 2025. Loans and bills discounted accounted for approximately 58% of total assets, which is a material amount on the consolidated balance sheet. There is a possibility that loan losses may be incurred due to unforeseeable and uncertain events such as trends in the global and Japanese economies, fluctuations in real estate prices and stock prices, and business conditions of obligors.</p> <p>For this reason, the Group estimated the amount of expected losses due to future credit deterioration and recorded it as an Allowance for loan losses. Details of the calculation method are described in "g. Allowance for Loan Losses" of (1. Summary of Significant Accounting Policies) under Notes to Consolidated Financial Statements. In addition, details for the estimates of Allowance for loan losses are described in "s. Significant Accounting Estimates" of (1. Summary of Significant Accounting Policies) under Notes to Consolidated Financial Statements.</p>	<p>(1) Determination of the classification of obligors whose repayment status, financial position, or business performance has deteriorated</p> <p>For the determination of the classification of obligors whose repayment status, financial position, or business performance has deteriorated, we mainly performed the following audit procedures.</p> <ul style="list-style-type: none"> • We evaluated the effectiveness of the Group's internal controls to ensure the reliability of determining obligor classification and the credit ratings that serve as the premises for such classification, as well as information related to obligors that forms the basis for such determination. • In addition to the monetary impact of the transition of the obligor classifications on the amount recorded in the Allowance for loan losses, obligors deemed necessary for assessment were selected by taking into account factors such as the obligor's industry, repayment status, financial position, and extent of deterioration in business performance as well as the results of analysis performed using a self-assessment anomaly detection tool (a tool used in self-assessment audits to provide support for the selection of testing targets by identifying the location of credit risk through visualization from the standpoint of industries, branches, and regions based on the credit information and financial information of obligors and by identifying inconsistencies between obligor classifications that are based on an obligor classification predictive model using machine learning for each obligor and obligor classifications that are determined by the Group).



The Allowance for loan losses is determined in accordance with the self-assessment standards and the write-off and allowance standards prescribed by the Group. The calculation process includes the obligor classification, which is determined by evaluating the obligor's ability to earn profits based on factors such as the obligor's repayment status, financial position, business performance and their future prospects thereof. In addition, for loans other than those for which the Allowance for loan losses is recorded using the cash flow estimation method, an Allowance for loan losses is recorded by estimating default rates based on the economic outlook and estimating expected loss rates.

In determining the classification of obligors whose repayment status, financial position, or business performance has deteriorated, the reasonableness and feasibility of business improvement plans and so forth that embody the prospects for improvement of these financial conditions of the obligors in the future are more important factors. The reasonableness and feasibility of business improvement plans and so forth are affected by changes in the business environment surrounding the obligor and the success or failure of the obligor's business strategy, and therefore there is a high degree of uncertainty in estimates and reliance on management's judgment.

Furthermore, default rate estimates are statistically determined based on the economic outlook and past economic trends and actual bankruptcies. In economic forecasting, the expected one-year GDP growth rate is calculated using two scenarios (base scenario and downside scenario) based on the future economic outlook. Therefore, there is a high degree of uncertainty in estimates and reliance on management's judgment.

- In order to obtain an understanding of the obligor's actual recent repayment status, financial position, and business performance, we performed the following procedures.
 - We inspected materials related to the Group's self-assessment, such as explanatory materials including a description of the business, materials related to borrowing and repayment status, research materials that provide the details of actual financial position, and financial statements.
 - In order to obtain an understanding of the obligor's actual recent repayment status, financial position, and business performance, we made inquiries of responsible personnel in the department in charge of loans.
- We performed the following procedures to evaluate the reasonableness and feasibility of business improvement plans and so forth for Obligor's Who Need Attention (excluding obligors whose credit terms are re-scheduled or reconditioned) whose business improvement plans and so forth are the main determining factors.
 - For key items of reported income such as the obligor's revenue and so forth, we analyzed the trends based on past performance and the degree of achievement of business improvement plans and so forth established in prior years.
 - We discussed with personnel in charge and those responsible in the department in charge of loans as necessary regarding the reasonableness and feasibility of business improvement plans and so forth.

<p>Accordingly, we have determined the classification of obligors whose repayment status, financial position, or business performance has deteriorated, and the estimation of default rates, as key audit matters.</p>	<p>(2) Estimation of default rates</p> <p>For the estimation of default rates, we involved specialists from our network firm and mainly performed the following audit procedures.</p> <ul style="list-style-type: none"> • We evaluated the effectiveness of the following internal controls to ensure that estimations of default rates are performed appropriately. <ul style="list-style-type: none"> - Review and approval of statistical methods used in default rate estimations - Review and approval of significant source data used in default rate estimations - Review and approval of the future economic outlook and two scenarios (base scenario and downside scenario) based on it • We evaluated the appropriateness of statistical methods used in default rate estimations. • We evaluated the reasonableness of the future economic forecasts which forms the basis of the two scenarios (base scenario and downside scenario). This included a comparison of the future economic forecasts with available external information. • We evaluated the appropriateness of the calculation of estimates by performing assessments and recalculations of significant source data.
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Other Information

The other information comprises the information included in the Financial Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of 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, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for overseeing 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. 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 an 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to 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 to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.



Fee-related Information

The fees for the audits of the financial statements of Fukuoka Financial Group, Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 270 million yen and 27 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 6, 2025

Hirokazu Tanaka
Designated Engagement Partner
Certified Public Accountant

Yuji Yoshimura
Designated Engagement Partner
Certified Public Accountant

Hiroshi Miyagawa
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheet

Fukuoka Financial Group, Inc. and its subsidiaries
As of March 31, 2025 and 2024

	2025	2024	2025
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Assets			
Cash and due from banks (Notes 7, 18 and 20)	¥ 7,160,305	¥ 8,449,933	\$ 47,888
Call loans and bills bought (Note 20)	5,980	16,806	39
Monetary claims bought (Note 20)	46,025	41,569	307
Trading assets	313	493	2
Money held in trust (Note 4)	18,020	19,253	120
Securities (Notes 3, 5, 7, 10 and 20)	5,551,286	4,977,523	37,127
Loans and bills discounted (Notes 5, 7 and 20)	18,970,311	18,543,180	126,874
Foreign exchanges (Note 5)	26,933	12,309	180
Lease receivables and lease investment assets	—	20,725	—
Other assets (Notes 5 and 7)	266,159	380,196	1,780
Tangible fixed assets (Note 6)	214,403	216,108	1,433
Intangible fixed assets	29,182	23,562	195
Net defined benefit assets (Note 8)	27,266	69,884	182
Deferred tax assets (Note 15)	79,177	20,803	529
Customers' liabilities for acceptances and guarantees (Notes 5 and 9)	60,019	58,306	401
Allowance for loan losses (Note 5)	(192,762)	(200,929)	(1,289)
Total assets	¥32,262,623	¥32,649,727	\$215,774
Liabilities			
Deposits (Notes 7 and 20)	¥21,820,743	¥21,680,861	\$145,938
Call money and bills sold (Note 20)	2,256,200	2,150,000	15,089
Payables under repurchase agreements (Notes 7 and 20)	1,272,836	317,101	8,512
Cash collateral received for securities lent (Notes 7 and 20)	1,495,995	915,202	10,005
Borrowed money (Notes 7 and 20)	3,997,834	6,132,375	26,737
Foreign exchanges	1,697	1,906	11
Short-term bonds payable	56,000	55,800	374
Other liabilities (Note 7)	342,219	287,215	2,288
Net defined benefit liabilities (Note 8)	835	1,163	5
Provision for losses from reimbursement of inactive accounts	4,566	4,271	30
Provision for share awards	487	325	3
Reserves under the special laws	30	29	0
Deferred tax liabilities (Note 15)	36	553	0
Deferred tax liabilities for land revaluation (Note 6)	23,526	22,867	157
Acceptances and guarantees (Note 9)	60,019	58,306	401
Total liabilities	¥31,333,029	¥31,627,980	\$209,557
Net assets			
Capital stock	¥ 124,799	¥ 124,799	\$ 834
Capital surplus	143,978	143,631	962
Retained earnings	680,851	632,197	4,553
Treasury stock	(5,554)	(5,601)	(37)
Total shareholders' equity	944,074	895,025	6,314
Valuation difference on available-for-sale securities (Note 10)	(78,074)	33,469	(522)
Deferred gains or losses on hedges	6,703	20,616	44
Revaluation reserve for land (Note 6)	50,565	51,280	338
Remeasurements of defined benefit plans (Note 8)	5,913	19,951	39
Total accumulated other comprehensive income	(14,891)	125,317	(99)
Non-controlling interests	410	1,403	2
Total net assets	¥ 929,593	¥ 1,021,746	\$ 6,217
Total liabilities and net assets	¥32,262,623	¥32,649,727	\$215,774

Consolidated Statement of Income

Fukuoka Financial Group, Inc. and its subsidiaries
For the years ended March 31, 2025 and 2024

	2025	2024	2025
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Income			
Interest income:			
Interest on loans and discounts	¥201,419	¥179,940	\$1,347
Interest and dividends on securities	107,163	85,854	716
Interest on call loans and bills bought	652	699	4
Interest on receivables under resale agreements	0	(0)	0
Interest on due from banks	1	0	0
Other interest income	46,334	42,151	309
Trust fees	0	0	0
Fees and commissions	74,478	67,722	498
Trading income	149	160	0
Other operating income	11,669	22,176	78
Other income (Note 11)	15,821	28,115	105
Total income	¥457,691	¥426,822	\$3,061
Expenses			
Interest expenses:			
Interest on deposits	¥ 23,115	¥ 13,252	\$ 154
Interest on call money and bills sold	4,605	(669)	30
Interest on payables under repurchase agreements	7,194	5,352	48
Interest on cash collateral received for securities lent	43,178	43,186	288
Interest on borrowings and rediscounts	5,870	5,363	39
Interest on short-term bonds	213	28	1
Other interest expenses	46,621	40,921	311
Fees and commissions payments	28,616	26,441	191
Other operating expenses	22,219	35,867	148
General and administrative expenses (Notes 12 and 14)	158,906	150,918	1,062
Other expenses (Notes 13 and 14)	13,440	28,667	89
Total expenses	¥353,981	¥349,331	\$2,367
Income before income taxes	103,709	77,491	693
Income taxes: (Note 15)			
Current	28,354	18,124	189
Deferred	3,110	(1,877)	20
Total income taxes	31,465	16,246	210
Net income	72,244	61,244	483
Net income attributable to non-controlling interests	108	66	0
Net income attributable to owners of the parent (Note 16)	¥ 72,136	¥ 61,178	\$ 482

Consolidated Statement of Comprehensive Income

Fukuoka Financial Group, Inc. and its subsidiaries
For the years ended March 31, 2025 and 2024

	2025	2024	2025
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Net income	¥ 72,244	¥ 61,244	\$ 483
Other comprehensive income:			
Valuation difference on available-for-sale securities	(111,549)	38,281	(746)
Deferred gains or losses on hedges	(13,913)	12,203	(93)
Revaluation reserve for land	(676)	—	(4)
Remeasurements of defined benefit plans	(14,037)	24,170	(93)
Share of other comprehensive income of entities accounted for using equity method	6	—	0
Total other comprehensive income (Note 17)	(140,170)	74,656	(937)
Comprehensive income	¥ (67,926)	¥135,900	\$(454)
Total comprehensive income attributable to:			
Owners of the parent	(68,034)	135,834	(455)
Non-controlling interests	108	66	0

Consolidated Statement of Changes in Net Assets

Fukuoka Financial Group, Inc. and its subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2023	¥124,799	¥141,281	¥591,638	¥(8,068)	¥849,650	¥ (4,812)	¥ 8,412	¥51,382	¥ (4,219)	¥ 50,763	¥1,337	¥ 901,750
Changes during the period:												
Increase by share exchange		3,597		3,982	7,579							7,579
Dividends from surplus			(20,720)		(20,720)							(20,720)
Net income attributable to owners of the parent			61,178		61,178							61,178
Acquisition of treasury stock				(2,795)	(2,795)							(2,795)
Disposition of treasury stock		(1,247)		1,279	31							31
Transfer from revaluation reserve for land			101		101							101
Net changes of items other than shareholders' equity						38,281	12,203	(101)	24,170	74,554	66	74,620
Total changes during the period	—	¥ 2,349	¥ 40,559	¥ 2,466	¥ 45,375	¥ 38,281	¥ 12,203	¥ (101)	¥ 24,170	¥ 74,554	¥ 66	¥ 119,995
Balance as of March 31, 2024	¥124,799	¥143,631	¥632,197	¥(5,601)	¥895,025	¥ 33,469	¥ 20,616	¥51,280	¥ 19,951	¥ 125,317	¥1,403	¥1,021,746
Changes during the period:												
Dividends from surplus			(23,190)		(23,190)							(23,190)
Net income attributable to owners of the parent			72,136		72,136							72,136
Acquisition of treasury stock				(15)	(15)							(15)
Disposition of treasury stock		0		62	62							62
Transfer from revaluation reserve for land			38		38							38
Change in scope of consolidation and change in scope of equity method		346	(329)		17							17
Net changes of items other than shareholders' equity						(111,543)	(13,913)	(715)	(14,037)	(140,209)	(992)	(141,201)
Total changes during the period	—	¥ 347	¥ 48,654	¥ 47	¥ 49,049	¥(111,543)	¥(13,913)	¥ (715)	¥(14,037)	¥(140,209)	¥ (992)	¥ (92,152)
Balance as of March 31, 2025	¥124,799	¥143,978	¥680,851	¥(5,554)	¥944,074	¥ (78,074)	¥ 6,703	¥50,565	¥ 5,913	¥ (14,891)	¥ 410	¥ 929,593

	Millions of U.S. dollars (Note 2)											
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2024	\$834	\$960	\$4,228	\$(37)	\$5,985	\$ 223	\$137	\$342	\$133	\$ 838	\$ 9	\$6,833
Changes during the period:												
Dividends from surplus			(155)		(155)							(155)
Net income attributable to owners of the parent			482		482							482
Acquisition of treasury stock				(0)	(0)							(0)
Disposition of treasury stock		0		0	0							0
Transfer from revaluation reserve for land			0		0							0
Change in scope of consolidation and change in scope of equity method		2	(2)		0							0
Net changes of items other than shareholders' equity						(746)	(93)	(4)	(93)	(937)	(6)	(944)
Total changes during the period	—	\$ 2	\$ 325	\$ 0	\$ 328	\$(746)	\$(93)	\$ (4)	\$ (93)	\$(937)	\$(6)	\$ (616)
Balance as of March 31, 2025	\$834	\$962	\$4,553	\$(37)	\$6,314	\$(522)	\$ 44	\$338	\$ 39	\$ (99)	\$ 2	\$6,217

Consolidated Statement of Cash Flows

Fukuoka Financial Group, Inc. and its subsidiaries
For the years ended March 31, 2025 and 2024

	2025	2024	2025
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Cash flows from operating activities:			
Income before income taxes	¥ 103,709	¥ 77,491	\$ 693
Depreciation of fixed assets	13,599	12,618	90
Impairment losses	672	633	4
Gain on negative goodwill	—	(21,496)	—
Share of loss (income) of entities accounted for using equity method	2	—	0
Net change in allowance for loan losses	(8,111)	9,864	(54)
Net change in net defined benefit assets	42,617	(41,998)	285
Net change in net defined benefit liabilities	(287)	17	(1)
Net change in provision for losses from reimbursement of inactive accounts	295	(866)	1
Net change in provision for share awards	161	147	1
Interest income	(355,570)	(308,645)	(2,378)
Interest expenses	130,798	107,436	874
Net losses (gains) related to securities transactions	9,758	17,254	65
Net losses (gains) on money held in trust	(66)	61	(0)
Net exchange losses (gains)	19	(130)	0
Net losses (gains) on disposal of noncurrent assets	(1,137)	71	(7)
Net change in trading assets	180	553	1
Net change in trading liabilities	—	(2)	—
Net change in loans and bills discounted	(399,696)	(452,691)	(2,673)
Net change in deposits	139,444	202,216	932
Net change in borrowed money (excluding subordinated borrowed money)	(2,134,490)	1,167,467	(14,275)
Net change in due from banks (excluding deposits with the Bank of Japan)	(251)	776	(1)
Net change in call loans	6,368	(2,383)	42
Net change in call money	1,061,934	367,894	7,102
Net change in cash collateral received for securities lent	580,793	234,733	3,884
Net change in foreign exchanges - Assets	(14,623)	12,205	(97)
Net change in foreign exchanges - Liabilities	(209)	1,009	(1)
Net change in lease receivables and lease investment assets	—	(4,025)	—
Net change in short-term bonds payable - Liabilities	200	8,800	1
Interest received	376,597	315,063	2,518
Interest paid	(130,215)	(99,591)	(870)
Other, net	96,314	(127,499)	644
Subtotal	(481,192)	1,476,982	(3,218)
Income taxes received (paid)	(22,711)	3,896	(151)
Net cash provided by (used in) operating activities	(503,904)	1,480,879	(3,370)
Cash flows from investing activities:			
Payments for purchases of securities	(2,215,593)	(1,439,411)	(14,818)
Proceeds from sale of securities	1,073,618	302,570	7,180
Proceeds from redemption of securities	400,052	367,622	2,675
Payments for increase in money held in trust	(6,584)	(400)	(44)
Proceeds from decrease in money held in trust	2,370	—	15
Payments for purchases of tangible fixed assets	(6,294)	(10,304)	(42)
Proceeds from sale of tangible fixed assets	2,976	1,841	19
Payments for purchases of intangible fixed assets	(13,372)	(12,009)	(89)
Net cash used in investing activities	(762,826)	(790,090)	(5,101)
Cash flows from financing activities:			
Payments for purchases of treasury stock	(15)	(17)	(0)
Proceeds from sale of treasury stock	62	0	0
Dividends paid	(23,177)	(20,709)	(155)
Net cash used in financing activities	(23,129)	(20,726)	(154)
Effect of exchange rate changes on cash and cash equivalents	(19)	130	0
Net increase (decrease) in cash and cash equivalents	(1,289,879)	670,192	(8,626)
Cash and cash equivalents at beginning of the year	8,445,177	7,708,412	56,481
Increase in cash and cash equivalents by share exchange	—	66,572	—
Cash and cash equivalents at end of the year (Note 18)	¥ 7,155,297	¥ 8,445,177	\$ 47,855

Notes to Consolidated Financial Statements

Fukuoka Financial Group, Inc. and its subsidiaries
Fiscal years ended March 31, 2025 and 2024

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of FFG and its consolidated subsidiaries are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by FFG as required under the Financial Instruments and Exchange Act of Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of FFG and all subsidiaries, excluding 12 subsidiaries controlled directly or indirectly by FFG such as FFG Venture Investment Limited Partnership No. 1. All significant intercompany balances and transactions have been eliminated in consolidation.

FFG Lease Co., Ltd. was excluded from the scope of consolidation from the fiscal year ended March 31, 2025 as it became an affiliated company accounted for using equity method due to a decrease in ownership as a result of a capital increase through third-party allotment.

The above-mentioned unconsolidated subsidiaries are excluded from the scope of consolidation because their assets, net income (loss) (amount corresponding to the FFG's equity position), retained earnings (amount corresponding to the FFG's equity position), accumulated other comprehensive income (amount corresponding to the FFG's equity position) and others are immaterial to the extent that their exclusion from the scope of consolidation does not preclude reasonable judgment of the FFG's financial position and results of operations.

In addition, there are five companies that are not regarded as FFG's subsidiaries even though the majority of their voting rights (business execution rights) are held by FFG in its own accounts. Investments in these five companies were made by FFG's unconsolidated subsidiaries engaged in investment and related businesses for the purpose of rehabilitating their businesses and earning capital gains, not to control the decision-making bodies of the investees. Therefore, the five companies meet the requirements prescribed in Paragraph 16 of "Implementation Guidance on Determining a Subsidiary and an Affiliate" ("ASBJ Guidance No. 22), and are not treated as FFG's subsidiaries.

There is one affiliated company, FFG Lease Co., Ltd. as aforesaid, over which FFG exercises significant influence in terms of their operating and financial policies. The above-mentioned unconsolidated subsidiaries and two affiliated companies, Kumamoto Historical Town Development Investment Limited Partnership and Kyushu Open Innovation No. 2 Investment Business Limited Partnership, are excluded from the scope of the equity method because their net income (loss) (amount corresponding to the FFG's equity position), retained earnings (amount corresponding to the FFG's equity position), accumulated other comprehensive income (amount corresponding to the FFG's equity position) and others are immaterial to the extent that their exclusion from the scope of companies accounted for using equity method does not preclude reasonable judgment of the FFG's financial position and results of operations.

c. Trading Assets and Liabilities

Trading account transactions are the transactions in which profit opportunities arise from the differences between different markets and short-term movements in rates and other indices, including interest rates, currency exchange rates, and dealing in marketable securities. These transactions are included in the consolidated financial statements as of the respective trading dates.

"Trading assets" and "Trading liabilities" are valued as follows: Securities and monetary assets are valued at fair value at the balance sheet date; swaps, futures, options and other derivative transactions are valued on the assumption that they were settled at the balance sheet date.

Gains and losses on trading account transactions are recorded by adding or deducting differences between valuation gains or losses at the previous balance sheet date and those at the current balance sheet date to the interest earned or paid in the current year for securities, monetary assets, etc. With respect to derivatives, the differences between the gains and losses from assumed settlement at the previous balance sheet date and those at the current balance sheet date are added to or deducted from the interest earned or paid in the current year.

d. Securities

Held-to-maturity debt securities are stated at cost computed by the moving-average method or amortized cost (straight-line method).

Available-for-sale securities are stated at fair value (cost of securities sold is calculated using the moving-average method), and equity securities, etc. that do not have a market price are stated at cost computed by the moving-average method.

With respect to translation difference of available-for-sale securities (bonds) denominated in foreign currencies, among amounts that resulted from translating foreign currency-based fair value at the exchange rates on the balance

sheet date, translation difference due to changes in foreign currency-based fair value (the amount translated changes in foreign currency-based fair value at the spot exchange rates on the balance sheet date) is treated as valuation difference, while the other difference is treated as net exchange losses (gains).

Valuation difference on available-for-sale securities is included in net assets, net of income taxes.

Securities held as components of individually managed money held in trust whose principal objective is investments in securities are stated at fair value.

e. Derivative Transactions

Derivatives for purposes other than trading are stated at fair value.

f. Depreciation and Amortization of Fixed Assets

Depreciation of buildings is principally computed using the straight-line method. Other tangible fixed assets are principally depreciated using the declining-balance method.

The estimated useful lives of the tangible fixed assets are as follows:

Buildings	3 years to 50 years
Other	2 years to 20 years

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are amortized using the straight-line method for the estimated useful life of 5 years.

Lease assets under finance leases which do not transfer ownership of leased assets to lessees, consisting primarily of office equipment, are depreciated by the straight-line method over the lease terms of the respective assets. Residual value of the tangible fixed assets under finance leases which do not transfer ownership of leased assets to lessees is guaranteed residual value on lease agreements or zero value.

g. Allowance for Loan Losses

The allowance for loan losses in consolidated subsidiaries conducting banking businesses is maintained in accordance with internally established standards for write-offs and allowances:

- For credits extended to obligors that are legally bankrupt under the Bankruptcy Law, Special Liquidation in the Commercial Law or other similar laws ("Bankrupt Obligors"), and to obligors that are effectively in similar conditions ("Effectively Bankrupt Obligors"), allowances are maintained at 100% of amounts of claims, net of expected amounts from the disposal of collateral and/or on the amounts recoverable under guarantees.
- For credits extended to obligors that are not Bankrupt Obligors or Effectively Bankrupt Obligors but have a substantial chance of business failure going forward

("In-Danger-of-Bankruptcy Obligors"), allowances are maintained at the amount deemed necessary based on overall solvency analyses, on the amount of claims less expected amounts recoverable from the disposal of collateral and/or on the amounts recoverable under guarantees.

- For credits extended to obligors that are In-Danger-of-Bankruptcy Obligors or whose credit terms are rescheduled or reconditioned, and exceed a certain threshold, the Discounted Cash Flow Method (the DCF Method) is applied if cash flows on repayment of principals and collection of interest of the loan can be reasonably estimated. The DCF Method requires that the difference between the cash flows discounted by the original interest rate and the carrying value of the loan be provided as allowance for loan losses.
- For credits extended to other obligors, allowances are maintained principally at the amounts of expected losses for the next 1 year or 3 years by estimating, based on an economic outlook, default rates for each of the 17 categories: 10 categories under Normal Obligors, 6 categories under Obligors Who Need Attention and 1 category under In-Danger-of-Bankruptcy Obligors.

All credits are assessed by each credit origination department, and the results of the assessments are verified and examined by the independent examination department.

Allowances for loan losses are provided for on the basis of such verified assessments.

Allowance for loan losses in consolidated subsidiaries not conducting banking businesses is provided by the actual write-off ratio method, etc.

h. Retirement Benefits

The expected benefit payments are attributed to each period by the benefit formula method upon calculating projected benefit obligations.

Prior service cost and actuarial gains or losses are amortized mainly in the following manner:

- Prior service cost is amortized by the straight-line method over certain periods (5–9 years), which are shorter than the average remaining years of service of the employees.
- Actuarial gains or losses are amortized by the straight-line method from the following year over certain periods (5–11 years), which are shorter than the average remaining years of service of the employees.

Certain consolidated subsidiaries apply a simplified method where the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations in the calculation of their net defined benefit liabilities and retirement benefit expenses.

Notes to Consolidated Financial Statements

i. Provision for Losses from Reimbursement of Inactive Accounts

The provision for losses from reimbursement of inactive accounts for the necessary amount for deposits discontinued from liabilities in consideration of past payment performance, owing to depositor requests for reimbursement.

j. Provision of Share Awards

The provision for share awards is provided at the amount of estimated share award obligations at the fiscal year-end for share-based payments to directors, etc. of FFG and some of its consolidated subsidiaries under the stock compensation plan.

k. Reserves under the Special Laws

Reserves under the special laws corresponds to the financial instruments transaction liability reserves of FFG Securities Co., Ltd., as reserves against losses resulting from a securities-related accident. These reserves are calculated in accordance with the provisions of Article 46-5, Paragraph 1, of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Businesses, etc.

l. Translation of Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

m. Revenue and Expenses for Lease Transactions

Regarding revenue for finance leases, net sales and cost of sales are recorded upon receipt of lease payments.

n. Hedge Accounting

(1) Hedge accounting for interest rate risks

For derivatives to hedge the interest rate risk associated with various financial assets and liabilities, FFG applies the deferred method which is stipulated in “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022). FFG assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. FFG assesses the effectiveness of such hedges for fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

(2) Hedge accounting for foreign exchange risks

FFG applies the deferred method of hedge accounting for derivatives to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and

liabilities as stipulated in “Accounting and Auditing Treatment Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

For certain assets and liabilities, the exceptional accounting is applied to interest rate swaps that meet specific requirements for hedge accounting.

o. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

FFG and some of its domestic subsidiaries adopt the group tax sharing system.

p. Appropriation of Retained Earnings

Under the Companies Act, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Note 24.

q. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with the Bank of Japan which are included in “Cash and due from banks” in the consolidated balance sheet.

r. Principles and Procedures of Accounting Treatments Adopted When Relevant Accounting Standards, etc. Are Not Clear

With respect to gains or losses on cancellation or redemption of investment trusts, in case of gains as a whole of investment trusts including dividends from revenue during the fiscal year, etc., it is recorded in “Interest and dividends on securities.” In case of losses, it is recorded in loss on redemption of bonds under “Other operating expenses.”

s. Significant Accounting Estimates

Items whose recorded amount in the consolidated financial statements for the current fiscal year for accounting determined based on the account estimates, may have a significant impact on the consolidated financial statements for the following fiscal year were as follows:

Allowance for loan losses

(1) The amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2025 and 2024

	(Millions of yen)	
	2025	2024
Allowance for loan losses	¥192,762	¥200,929

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

(a) Calculation method

See “g. Allowance for Loan Losses” of Note 1 for the method of calculating allowance for loan losses.

(b) Main assumptions

The main assumptions used in the method of calculating allowance for loan losses are “future performance forecasts of borrowers for judgement on category of obligors” and “future business forecasts for estimating default rates.” Details of assumptions are as follows:

- Future performance forecasts of borrowers for judgement on category of obligors

They are set by assessing the capability to generate future earnings of each obligor on an individual basis.

- Future business forecasts for estimating default rates

The default rates are statistically estimated and calculated based on an economic outlook, past business trends and historical data of bankruptcy, and a GDP growth rate is used as an economic indicator.

In forecasting economic outlook, expected annual GDP growth rate is calculated using two scenarios, that is a baseline scenario and a downside scenario, based on future prospect of economics, which is then determined semiannually in principle by the Board of Directors.

At the end of the fiscal year ended March 31, 2025, despite rising expectation for recovery in consumer spending owing to an increase in real wages, FFG assumes that there will be a strong sense of uncertainty over the economic situation arising from cost hikes caused by continuous rises in prices, supply constraints due to labor shortage, and changes in the financial environment resulting from an interest rate hike, as well as prospect of U.S. trade policies and concern over the U.S.-China trade war.

(c) Impact on the consolidated financial statements for the following fiscal year

Main assumptions may be affected by uncertainties such as economic trends, real estate prices, and changes in the business conditions of client companies. Accordingly, when assumptions used for initial estimates change, it may have a significant impact on allowance for loans losses in the consolidated financial statements for the fiscal year ending March 31, 2026.

t. Changes in Accounting Policies

Adoption of Accounting Standard for Current Income Taxes, etc.

FFG adopted the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc. from the beginning of the fiscal year ended March 31, 2025. There was no effect on the consolidated financial statements due to this adoption.

u. Accounting Standards Issued but Not Yet Effective

ASBJ issued the “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024) and “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024). In addition, other related guidance, including Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance were revised by ASBJ.

(a) Overview

These standards and guidance prescribe the accounting treatment whereby lessees are required to recognize assets and liabilities for all leases in the same manner as accounting principles generally accepted internationally.

(b) Scheduled date of adoption

FFG expects to adopt these accounting standards from the beginning of the fiscal year ending March 31, 2028.

(c) Impact of adopting the implementation guidance

FFG is currently evaluating the impact of adopting these accounting standards on its consolidated financial statements.

v. Additional Information

Transactions for delivering own shares through a trust

(a) Overview of the transaction

FFG has introduced a performance-linked stock compensation plan for FFG’s directors (excluding directors serving as Audit & Supervisory Committee members and external directors) which seeks to clarify the link between directors’ remuneration and the Group’s performance and shareholder value, raise the motivation of directors to contribute to the medium- to long-term improvement of business performance and the growth of corporate value, and have directors share with all shareholders the risks and returns of share price fluctuations.

In addition to FFG’s directors, FFG’s executive officers, and directors and executive officers of The Bank of Fukuoka, Ltd., The Kumamoto Bank, Ltd., The Juhachi-Shinwa Bank, Ltd. and Minna Bank, Ltd. (collectively, the “Eligible Directors, etc.”) are covered by this plan.

This plan adopts the Board Incentive Plan (“BIP”) Trust scheme whereby FFG’s shares and money are delivered to the Eligible Directors, etc. according to their position and the degree of attainment of the target per-

Notes to Consolidated Financial Statements

formance, etc.

In addition, FFG has introduced a stock compensation plan for directors and executive officers of The Fukuoka Chuo Bank, Ltd. This is because FFG has succeeded the plan introduced by The Fukuoka Chuo Bank, Ltd. as a result of making it a wholly owned subsidiary through a share exchange.

(b) FFG's shares held in the trust

FFG's shares held in the trust are recorded as treasury stock under shareholders' equity at the carrying value in the trust. The carrying value of such treasury stock as of March 31, 2025 and 2024 was ¥614 million and ¥676 million, respectively. The number of such treasury stock as of March 31, 2025 and 2024 was 241 thousand shares and 266 thousand shares, respectively.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥149.52 = US\$1.00, the approximate rate of exchange on March 31, 2025, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Securities

Securities at March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
National government bonds	¥2,660,080	¥2,173,163
Local government bonds	147,211	147,406
Corporate bonds	355,207	388,190
Equity securities	236,569	270,221
Other securities	2,152,216	1,998,541
Total	¥5,551,286	¥4,977,523

Equity securities included investments in unconsolidated subsidiaries and affiliated companies of ¥4,717 million and ¥46 million at March 31, 2025 and 2024, respectively.

Other securities included investments in unconsolidated subsidiaries and affiliated companies of ¥19,714 million and ¥16,753 million at March 31, 2025 and 2024, respectively.

Corporate bonds included bonds offered through private placement. FFG's guarantee obligation for such private placement bonds was ¥28,194 million and ¥33,446 million at March 31, 2025 and 2024, respectively.

■ Held-to-maturity debt securities

There were no held-to-maturity debt securities at March 31, 2025 and 2024.

■ Available-for-sale securities

The following tables summarize acquisition costs, carrying values and differences of securities with available fair values at March 31, 2025 and 2024:

(Millions of yen)				
2025				
		Acquisition cost	Carrying value	Difference
Securities with carrying value exceeding acquisition cost	National government bonds	¥ 222,352	¥ 222,880	¥ 527
	Local government bonds	10,000	10,003	3
	Corporate bonds	15,463	15,696	232
	Equity securities	95,439	214,753	119,313
	Other	799,366	845,933	46,567
	Subtotal	¥1,142,622	¥1,309,266	¥ 166,643
Securities with carrying value not exceeding acquisition cost	National government bonds	¥2,631,603	¥2,437,200	¥(194,402)
	Local government bonds	142,848	137,208	(5,640)
	Corporate bonds	363,328	339,511	(23,817)
	Equity securities	8,471	7,822	(649)
	Other	1,269,629	1,209,766	(59,863)
	Subtotal	¥4,415,882	¥4,131,509	¥(284,372)
	Total	¥5,558,505	¥5,440,775	¥(117,729)
(Millions of yen)				
2024				
		Acquisition cost	Carrying value	Difference
Securities with carrying value exceeding acquisition cost	National government bonds	¥ 475,310	¥ 477,170	¥ 1,860
	Local government bonds	19,811	19,875	63
	Corporate bonds	35,261	35,436	174
	Equity securities	99,024	253,254	154,230
	Other	757,718	813,011	55,293
	Subtotal	¥1,387,126	¥1,598,748	¥ 211,622
Securities with carrying value not exceeding acquisition cost	National government bonds	¥1,787,699	¥1,695,992	¥ (91,706)
	Local government bonds	129,482	127,531	(1,951)
	Corporate bonds	365,406	352,753	(12,652)
	Equity securities	6,053	5,620	(432)
	Other	1,168,573	1,107,896	(60,676)
	Subtotal	¥3,457,215	¥3,289,795	¥(167,419)
	Total	¥4,844,341	¥4,888,544	¥ 44,202

Securities other than securities held for trading purpose (excluding equity securities, etc. that do not have a market price and investments in partnerships) that have fallen substantially below the acquisition cost and are not expected to recover to the acquisition cost are carried at their fair values. The unrealized losses have been recognized for such securities during the period (hereinafter, "impairment losses"). FFG recognized impairment losses of ¥57 million for equity securities for the fiscal year ended March 31, 2025 while no impairment losses were recognized for the fiscal year ended

March 31, 2024. The determination of whether the fair value has fallen significantly is based on independent asset classification, with issuers of securities divided into the following classifications.

Bankrupt, effectively bankrupt, in danger of bankruptcy	Fair value below acquisition cost
Needs attention	Fair value 30% or more below acquisition cost
Normal	Fair value 50% or more below acquisition cost, or fair value 30% or more but less than 50% below acquisition cost and market price below a certain level

A bankrupt issuer is one that is currently bankrupt, under special liquidation, or legally or formally bankrupt from the standpoint of effective management. Effectively bankrupt indicates that an issuer is experiencing business failure in substance. An issuer in danger of bankruptcy is one that is highly likely to be classified as bankrupt in the future. Needs attention indicates an issuer that will require care in management. A normal issuer is one that falls outside the above-stated categories of bankrupt issuer, effectively bankrupt issuer, issuer in danger of bankruptcy and issuer who needs attention.

The following table summarizes total sales amounts of available-for-sale securities sold, and amounts of the related gains and losses for the fiscal years ended March 31, 2025 and 2024:

(Millions of yen)			
2025			
	Sales amounts	Amounts of the related gains	Amounts of the related losses
National government bonds	¥ 930,253	¥ 89	¥17,215
Local government bonds	—	—	—
Corporate bonds	2,034	0	0
Equity securities	23,309	6,458	606
Other	68,582	7,334	2,374
Total	¥1,024,180	¥13,882	¥20,195
(Millions of yen)			
2024			
	Sales amounts	Amounts of the related gains	Amounts of the related losses
National government bonds	¥179,579	¥ 664	¥20,215
Local government bonds	5,796	59	4
Corporate bonds	9,234	44	—
Equity securities	7,691	2,967	268
Other	51,354	2,345	1,391
Total	¥253,656	¥6,080	¥21,879

4. Money Held in Trust

The following table summarizes carrying value and gains (losses) on valuation included in the consolidated statement of income regarding money held in trust for trading purpose at March 31, 2025 and 2024 and for the fiscal years then ended:

(Millions of yen)		
2025		
	Carrying value	Gains (losses) on valuation
Money held in trust for trading purpose	¥ 7,911	¥(66)

(Millions of yen)		
2024		
	Carrying value	Gains (losses) on valuation
Money held in trust for trading purpose	¥13,053	¥ 22

The following tables summarize acquisition costs, carrying values and differences of money held in trust for other purpose (i.e. not for trading or held-to-maturity) at March 31, 2025 and 2024:

(Millions of yen)			
2025			
	Acquisition cost	Carrying value	Difference
Money held in trust for other purpose	¥10,109	¥10,109	¥—

(Millions of yen)			
2024			
	Acquisition cost	Carrying value	Difference
Money held in trust for other purpose	¥ 6,200	¥ 6,200	¥—

5. Claims

Claims based on the Banking Act and Act on Emergency Measures for the Revitalization of the Financial Functions at March 31, 2025 and 2024 were as follows. The claims consist of those recorded in the consolidated balance sheet as corporate bonds in “Securities” (limited to those guaranteeing all or a part of principal and interest, and offered through private placement in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, accrued interest and suspense payments in “Other assets” and customers’ liabilities for acceptances and guarantees, as well as securities in securities lending transactions indicated in the notes (limited to those under loan for use or lease contracts).

Notes to Consolidated Financial Statements

	(Millions of yen)	
	2025	2024
Bankrupt or quasi-bankrupt claims	¥ 48,481	¥ 50,399
Doubtful claims	144,417	152,604
Claims past due for three months or more	1,312	1,337
Restructured claims	115,392	107,251
Total	¥309,603	¥311,592

Bankrupt or quasi-bankrupt claims are claims made against obligors who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and claims similar to these.

Doubtful claims are claims that are made against obligors who are yet to have fallen into bankruptcy, but it is highly probable that the contractual principal and interest cannot be collected/received due to deterioration of the obligor's financial condition and business performance, and those not classified as bankrupt or quasi-bankrupt claims.

Claims past due for three months or more represent claims for which payments of principal or interest have been in arrears for three months or more from the day following the agreed-upon payment date, but do not meet the criteria for bankrupt or quasi-bankrupt claims, or doubtful claims.

Restructured claims are claims that have been restructured to support the rehabilitation of certain obligors who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the obligors (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.), and are not classified in any of the above categories.

The amounts of claims in the above table are before deduction of allowance for loan losses.

Notes discounted are recorded as cash lending/borrowing transactions in accordance with "Accounting and Auditing Treatment of the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022). FFG has a right to sell or collateralize such bills at the discretion of FFG. At March 31, 2025 and 2024, total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥23,255 million and ¥38,791 million, respectively.

Line-of-credit agreements relating to overdrafts and loans are agreements which oblige FFG to lend funds up to a certain limit agreed in advance. FFG makes the loan upon the request of an obligor to draw down funds under such a loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused line-of-credit balance relating to these overdrafts and loan agreements at March 31, 2025

and 2024 amounted to ¥5,043,451 million and ¥4,859,003 million, respectively. The amount related to overdrafts and loans with a term of one year or less or overdrafts and loans which permit unconditional cancellation at any time were ¥4,554,121 million and ¥4,452,148 million at March 31, 2025 and 2024, respectively.

As many of these contracts expire undrawn, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of FFG and its consolidated subsidiaries. Many of these contracts have clauses that allow FFG's consolidated subsidiaries to turn down a loan request or reduce the amounts of the credit line if there is a change in financial conditions, a need to establish increased securities, or other similar reasons. In addition to obtaining necessary collateral (real estates, securities, etc.) at the time the commitment contract is entered into, FFG's consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

6. Tangible Fixed Assets

Land used for the Bank of Fukuoka's business activities has been revalued on the basis prescribed by the Law Concerning Land Revaluation (Proclamation No. 34 dated March 31, 1998). As for the revaluation difference, the income tax account corresponding to the revaluation difference amount is included in liabilities as "Deferred tax liabilities for land revaluation," and the revaluation difference, net of this deferred tax liability, is included in net assets as "Revaluation reserve for land."

Date of revaluation: March 31, 1998

Revaluation method as stated in Article 3, Paragraph 3 of the Law Concerning Land Revaluation: The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119 dated March 31, 1998), after making reasonable adjustments.

Accumulated depreciation for tangible fixed assets amounted to ¥169,000 million and ¥169,261 million at March 31, 2025 and 2024, respectively.

The accelerated depreciation entry for tangible fixed assets amounted to ¥16,898 million and ¥17,013 million at March 31, 2025 and 2024, respectively.

7. Pledged Assets

Assets pledged as collateral at March 31, 2025 and 2024 consisted of the following:

	(Millions of yen)	
	2025	2024
Assets pledged as collateral:		
Securities	¥3,556,626	¥3,446,494
Loans and bills discounted	4,915,135	5,013,750
Other assets	4	4
Liabilities corresponding to assets pledged as collateral:		
Deposits	45,431	41,916
Payables under repurchase agreements	1,272,836	317,101
Cash collateral received for securities lent	1,495,995	915,202
Borrowed money	3,993,128	6,128,154
Other liabilities	143	14

In addition, the following assets were pledged as collateral for settlement of exchange, etc. at March 31, 2025 and 2024.

	(Millions of yen)	
	2025	2024
Cash and due from banks	¥ 1	¥ 2
Securities	183,040	—
Other assets	716	712

Initial margins of futures markets, cash collateral paid for financial instruments and guarantee deposits included in other assets at March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Initial margins of futures markets	¥ 358	¥ 199
Cash collateral paid for financial instruments	53,389	183,219
Guarantee deposits	2,517	2,475

8. Retirement Benefit Plans

The consolidated subsidiaries engaged in banking businesses primarily have a cash balance plan-type corporate pension plan as a defined benefit plan and established retirement benefit trusts.

FFG and certain consolidated subsidiaries have a defined contribution-type corporate pension plan as a defined contribution plan.

Certain consolidated subsidiaries apply a simplified method in the calculation of their net defined benefit liabilities and retirement benefit expenses concerning lump-sum payment plans.

(1) Defined benefit plans

The changes in the projected benefit obligation during the fiscal years ended March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Projected benefit obligation at the beginning of the fiscal year	¥141,127	¥162,283
Increase by share exchange	—	3,035
Service cost	3,442	4,548
Interest cost	1,285	265
Actuarial losses (gains)	3,006	(21,175)
Retirement benefits paid	(8,272)	(8,282)
Prior service cost	—	—
Contributions by participants of plans	457	450
Other	223	0
Projected benefit obligation at the end of the fiscal year	¥141,270	¥141,127

The changes in plan assets during the fiscal years ended March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Plan assets at the beginning of the fiscal year	¥209,848	¥186,389
Increase by share exchange	—	5,668
Expected return on plan assets	7,267	6,578
Actuarial gains (losses)	(15,612)	12,982
Contributions by FFG's subsidiaries	5,924	5,705
Retirement benefits paid	(7,683)	(7,926)
Partial return of retirement benefit trusts	(32,499)	—
Contributions by participants of plans	457	450
Other	—	—
Plan assets at the end of the fiscal year	¥167,702	¥209,848

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2025 and 2024.

	(Millions of yen)	
	2025	2024
Funded projected benefit obligation	¥ 139,629	¥ 139,458
Plan assets at fair value	(167,702)	(209,848)
	(28,072)	(70,390)
Unfunded projected benefit obligation	1,641	1,669
Net asset for retirement benefits in the balance sheet	¥ (26,431)	¥ (68,720)
	(Millions of yen)	
	2025	2024
Net defined benefit liabilities	¥ 835	¥ 1,163
Net defined benefit assets	(27,266)	(69,884)
Net asset for retirement benefits in the balance sheet	¥(26,431)	¥(68,720)

Notes to Consolidated Financial Statements

The components of retirement benefit expenses for the fiscal years ended March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Service cost	¥ 3,442	¥ 4,548
Interest cost	1,285	265
Expected return on plan assets	(7,267)	(6,578)
Amortization of actuarial losses (gains)	(1,508)	328
Amortization of prior service cost	61	71
Other	—	—
Retirement benefit expenses	¥(3,986)	¥(1,363)

The components of remeasurements of defined benefit plans included in other comprehensive income (before income taxes and tax effect) for the fiscal years ended March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Prior service cost	¥ 61	¥ 71
Actuarial gains (losses)	(20,127)	34,486
Other	—	—
Total	¥(20,066)	¥34,557

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before income taxes and tax effect) as of March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Unrecognized prior service cost	¥ 546	¥ 607
Unrecognized actuarial losses (gains)	(9,145)	(29,273)
Other	—	—
Total	¥(8,599)	¥(28,665)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2025 and 2024 was as follows:

	2025	2024
Debt securities	38%	33%
Equity securities	25%	39%
Cash and due from banks	3%	2%
Other	34%	26%
Total	100%	100%

Total plan assets included retirement benefit trusts of 10% and 29% as of March 31, 2025 and 2024, respectively, which were set for corporate pension plans.

The long-term expected rate of return on plan assets has been estimated based on the current and anticipated allocation of plan assets and the current and long-term expected return on plan assets composed of various assets.

The main assumptions used in accounting for the above plans were as follows:

	2025	2024
Discount rate	Mainly 1.4%	Mainly 1.4%
Long-term expected rate of return on plan assets	Mainly 3.5%	Mainly 3.5%
Estimated rate of increase in salary	Mainly 3.2%	Mainly 3.2%

(2) Defined contribution plans

The amounts to be paid to defined contribution plans by consolidated subsidiaries were ¥411 million and ¥386 million for the fiscal years ended March 31, 2025 and 2024, respectively.

9. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in this account. As a contra account, “Customers’ liabilities for acceptances and guarantees” is shown on the assets side, which represents FFG’s right of indemnity from the applicants.

10. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale securities at March 31, 2025 and 2024 consisted of the following:

	(Millions of yen)	
	2025	2024
Gross valuation difference on available-for-sale securities	¥(116,871)	¥ 44,715
Deferred tax assets (liabilities) applicable to valuation difference	38,791	(11,246)
Valuation difference on available-for-sale securities, net of the applicable income taxes before adjustment for non-controlling interests	(78,080)	33,469
Amount attributable to non-controlling interests	—	—
Amount attributable to the parent of valuation difference on available-for-sale securities held by affiliated companies	6	—
Valuation difference on available-for-sale securities	¥ (78,074)	¥ 33,469

11. Other Income

Other income for the fiscal years ended March 31, 2025 and 2024 included the following:

	(Millions of yen)	
	2025	2024
Recoveries of written off receivables	¥ 152	¥ 119
Gains on sale of equity securities	12,354	4,817
Gains on disposal of fixed assets	1,979	582
Gain on negative goodwill	—	21,496

12. General and Administrative Expenses

General and administrative expenses for the fiscal years ended March 31, 2025 and 2024 included the following:

	(Millions of yen)	
	2025	2024
Salaries and allowances	¥60,927	¥57,900
Retirement benefit expenses	(3,574)	(976)
Outsourcing expenses	16,170	13,152

13. Other Expenses

Other expenses for the fiscal years ended March 31, 2025 and 2024 included the following:

	(Millions of yen)	
	2025	2024
Provision of allowance for loan losses	¥5,253	¥23,036
Losses on devaluation of equity securities and other securities	2,562	63
Losses on disposal of fixed assets	841	654
Impairment losses	672	633
Provision of reserves for financial instruments transaction liabilities	0	5
Loss on step acquisitions	—	231
Loss on change in equity	349	—

14. Research and Development Expenses

Research and development expenses included in general and administrative expenses, and other expenses for the fiscal years ended March 31, 2025 and 2024 was follows:

	(Millions of yen)	
	2025	2024
Research and development expenses included in general and administrative expenses	¥195	¥40
Research and development expenses included in other expenses	26	24

15. Income Taxes

The significant components of the deferred tax assets and liabilities as of March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Deferred tax assets:		
Allowance for loan losses	¥ 55,182	¥ 56,984
Net losses carried forward	5,080	5,234
Net defined benefit liabilities	700	449
Valuation difference on available-for-sale securities	38,791	—
Losses on devaluation of securities	4,971	4,221
Depreciation expenses	4,234	4,750
Fair value gains related to consolidated taxation	3,854	3,784
Other	11,816	10,872
Subtotal	124,631	86,297
Valuation allowance for net losses carried forward	(3,745)	(3,396)
Valuation allowance for total deductible temporary differences, etc.	(12,902)	(12,133)
Subtotal	(16,648)	(15,529)
Total	107,983	70,767
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	—	(11,246)
Retirement benefit trust	(2,186)	(6,272)
Securities returned from retirement benefit trust	(7,848)	(3,159)
Reserve for special depreciation	(689)	(673)
Fair value losses related to consolidated taxation	(463)	(465)
Deferred gains or losses on hedges	(3,041)	(8,991)
Other	(14,613)	(19,709)
Total	(28,842)	(50,517)
Net deferred tax assets (liabilities)	¥ 79,140	¥ 20,250

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the fiscal years ended March 31, 2025 and 2024.

	(%)	
	2025	2024
Statutory tax rate	—	30.4
Change in valuation allowance	—	(0.7)
Gain on negative goodwill	—	(8.4)
Entertainment expenses and other items permanently excluded from expenses	—	0.4
Per capital residence tax	—	0.3
Dividend revenue and other items permanently excluded from gross revenue	—	(0.6)
Other	—	(0.5)
Effective tax rate	—	20.9

Note: The above information for the fiscal year ended March 31, 2025 is omitted because the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

Notes to Consolidated Financial Statements

FFG and some of its domestic consolidated subsidiaries adopt the group tax sharing system. Accordingly, the accounting and disclosure of corporation taxes, local corporation taxes and tax effect accounting are treated in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

Following the enactment of the Act on Partial Revision of the Income Tax Act (Act No. 13 of 2025) by the Diet on March 31, 2025, a special defense surtax will be imposed on corporate income tax for fiscal years starting on or after 1 April 2026. Consequently, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 30.4% to 31.3% for those expected to be realized or settled on or after April 1, 2026. Due to this change, deferred tax assets and valuation difference on available-for-sale securities increased by ¥1,235 million and ¥1,114 million, respectively, while deferred gains or losses on hedges, remeasurements of defined benefit plans, deferred income taxes decreased by ¥87 million, ¥71 million, and ¥135 million, respectively, for the fiscal year ended March 31, 2025. In addition, deferred tax liabilities for land revaluation increased by ¥676 million while revaluation reserve for land decreased by the same amount.

FFG’s shares held in the trust for the stock compensation plan, which were recorded as treasury stock under shareholders’ equity, were included in treasury stock to be deducted from the calculation of the weighted average number of shares of common stock outstanding during the fiscal year for the purpose of calculating basic net income attributable to owners of the parent per share. In addition, they were included in treasury stock to be deducted from the calculation of the number of shares of common stock outstanding at the fiscal year-end for the purpose of calculating net assets per share.

16. Per Share Data

Net income attributable to owners of the parent per share for the fiscal years ended March 31, 2025 and 2024 and net assets per share as of then were as follows:

	(Yen)	
	2025	2024
Net income attributable to owners of the parent per share:		
Basic	¥ 381.54	¥ 324.76
Diluted	—	—
Net assets per share	4,914.53	5,397.27

Basic net income attributable to owners of the parent per share is computed by dividing net income attributable to owners of the parent by the weighted average number of shares of common stock outstanding during the fiscal year.

For the fiscal years ended March 31, 2025 and 2024, as there were no dilutive securities, the amount of diluted net income attributable to owners of the parent per share of common stock is not stated.

Net assets per share is computed by dividing net assets excluding non-controlling interests by the number of shares of common stock outstanding at the fiscal year-end.

17. Other Comprehensive Income

Each component of other comprehensive income for the fiscal years ended March 31, 2025 and 2024 was as follows:

	(Millions of yen)	
	2025	2024
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥ (178,824)	¥ 35,258
Reclassification adjustments to profit or loss	17,236	18,386
Amount before income taxes and tax effect	(161,587)	53,645
Income taxes and tax effect	50,037	(15,363)
Total	(111,549)	38,281
Deferred gains or losses on hedges		
Gains (losses) arising during the year	(13,060)	13,827
Reclassification adjustments to profit or loss	(6,803)	3,706
Amount before income taxes and tax effect	(19,863)	17,534
Income taxes and tax effect	5,950	(5,330)
Total	(13,913)	12,203
Revaluation reserve for land		
Gains (losses) arising during the year	—	—
Reclassification adjustments to profit or loss	—	—
Amount before income taxes and tax effect	—	—
Income taxes and tax effect	(676)	—
Total	(676)	—
Remeasurements of defined benefit plans		
Gains (losses) arising during the year	(18,619)	34,299
Reclassification adjustments to profit or loss	(1,446)	428
Amount before income taxes and tax effect	(20,066)	34,727
Income taxes and tax effect	6,028	(10,557)
Total	(14,037)	24,170
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) arising during the year	6	—
Reclassification adjustments to profit or loss	—	—
Amount before income taxes and tax effect	6	—
Income taxes and tax effect	—	—
Total	6	—
Total other comprehensive income	¥ (140,170)	¥ 74,656

18. Supplementary Cash Flow Information

Reconciliation of cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows at March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Cash and due from banks	¥7,160,305	¥8,449,933
Interest-earning deposits with other banks (Excluding deposits with the Bank of Japan)	(5,007)	(4,756)
Cash and cash equivalents	¥7,155,297	¥8,445,177

19. Leases

As lessee

Finance leases which do not transfer ownership of leased assets to lessees

The leased assets primarily consist of office machinery and equipment. See “f. Depreciation and Amortization of Fixed Assets” of Note 1 for the depreciation method of the leased assets.

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2025 and 2024 were as follows:

	(Millions of yen)	
	2025	2024
Within one year	¥28	¥ 61
Over one year	41	139
Total	¥70	¥201

20. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

FFG's operations center on the banking business with various financial services. Through these operations, FFG generates income primarily from interest on loans to customers, as well as through securities—mainly bonds—and call loans. FFG raises funds mainly through customer deposits, as well from call money, borrowed money and bonds. In this way, FFG principally holds financial assets and financial liabilities that are subject to interest rate fluctuations. FFG conducts asset-liability management (ALM) to minimize the negative impact of interest rate fluctuations. ALM includes the use of derivative transactions.

Notes to Consolidated Financial Statements

(b) Details of major financial instruments and their risk

Loans and bills discounted

Loans and bills discounted are mainly comprised of loans to domestic corporate and individual customers and are subject to credit risk which is a risk of decrease or loss in asset value due to deterioration of borrowers' financial condition, and interest rate risk which is a risk of decrease in profit or suffering loss due to interest rate fluctuation.

Securities

FFG holds equity and debt securities. Such securities are subject to issuer credit risk, interest rate risk, price fluctuation risk which is a risk of suffering loss from market price fluctuation and liquidity risk (market liquidity risk) owing to such factors as being unable to dispose of securities under certain conditions in the operating environment. FFG employs interest rate swap transactions to reduce its interest rate risk to a certain extent. In addition to the above-mentioned risks, securities denominated in foreign currencies are subject to exchange rate fluctuation risk which is a risk of suffering loss from exchange rate fluctuation. Currency swap transactions, etc. are used to reduce this risk to a certain extent.

Deposits

FFG accepts from corporate and individual customers' current deposits, ordinary and other demand deposits, time deposits with unregulated interest rates, and negotiable certificates of deposit. Such deposits are subject to liquidity risk (cash flow risk), which is the risk that FFG is unable to secure the funds required to honor these deposits because of unforeseen cash outflows.

Derivative transactions

Derivative transactions are used for providing customers with hedging instruments, etc., conducting asset-liability management (ALM) and other purposes. Such derivative transactions are subject to market risk (interest rate risk, price fluctuation risk and exchange rate fluctuation risk), credit risk and liquidity risk (market liquidity risk).

Hedge accounting is employed for certain derivative transactions used as part of ALM to hedge interest rate risk and exchange rate fluctuation risk, and matters related to the hedge accounting such as hedging instruments, hedged items, the hedge policy and the method for assessing the effectiveness of hedges are described in "n. Hedge Accounting" of Note 1.

(2) Financial risk management system

(a) Management of credit risk

The principal risk that FFG encounters is credit risk, and appropriate management to maintain asset soundness while securing appropriate returns is a topmost priority for bank management.

FFG's Board of Directors has formulated the "Credit Risk Management Policy," which establishes FFG's basic policy for credit risk management, and the "Credit Policy," which clarifies basic considerations and standards for decisions and actions for appropriate conduct of the credit operations, to manage credit risk appropriately. FFG also seeks to determine obligor status and supports initiatives targeting obligors, including management consultation, management guidance and management improvement. Furthermore, FFG calculates the amount of credit risk for individual obligors and portfolios, verifies the general allowance for loan losses, conducts comparisons with capital adequacy and employs credit risk management procedures to determine the rationality and quantity of credit risk.

FFG's organization for handling credit risk management is separated clearly into the Credit Risk Management Department and the Risk Audit Department. To ensure the effectiveness of credit risk management, within the Credit Risk Management Department, FFG has established the Screening Department, Credit Management Department, Ratings Department and Problem Obligor Management Department. The Credit Management Department formulates plans and works to ensure risk management preparedness in line with the Risk Management Program that stipulates action plans regarding credit risk. The Risk Audit Department audits the appropriateness of credit risk management.

The Credit Management Department reports appropriately and in a timely manner to the Board of Directors and the ALM Committee to communicate the status of credit risk and credit risk management regularly and on an as-needed basis.

The Credit Risk Management Department regularly determines credit information and market prices to manage credit risk on issuers of securities and counterparty risk on derivative transactions.

(b) Management of market risk

Along with returns on credit risk, the returns on interest rate risk and other market risks constitute one of FFG's largest sources of earnings. However, returns are highly susceptible to the risks taken, and fluctuations in market risk factors can have a major impact on profitability and financial soundness.

FFG's Board of Directors has formulated the "Market Risk Management Policy" as its basic policy on managing market risk. The board has also created management regulations, which prescribe specific risk management methods, to manage market risk appropriately.

FFG's ALM Committee deliberates expeditious and specific measures to respond to changes in the market environment and determines response policies. The management committees of consolidated subsidiaries set FFG's risk capital and the ceilings necessary for managing other market risks, reviewing these settings every six months.

FFG's organization for managing market risks comprises the Market Transaction Department (front office), the Market Risk Management Department (middle office), the Market Operations Management Department (back office) and the Risk Audit Department. This organizational structure ensures a mutual checking function. The Market Risk Management Department has established the "Risk Management Program," which establishes action plans related to market risk, and works to prepare for and confirm market risk management. The Risk Audit Department audits the appropriateness of market risk management.

Furthermore, the Market Risk Management Department reports appropriately and in a timely manner to the Board of Directors and the ALM Committee to communicate the status of market risk and market risk management regularly and on an as-needed basis.

Quantitative information related to market risk

(i) Financial instruments held for trading purposes

FFG holds securities for trading purposes, classified as "Trading assets," and conducts certain derivative transactions for trading purposes, including interest rate-related transactions, currency-related transactions and bond-related transactions. These financial products are traded with customers or as their counter transactions, and risk is minimal.

(ii) Financial instruments held for purposes other than trading

Interest rate risk

FFG's main financial instruments affected by interest rate fluctuations—the primary risk variable—are "Loans and bills discounted," bonds included in "Securities," "Deposits," "Borrowed money," "Bonds payable" and interest-related transactions included in "Derivative transactions."

FFG calculates VaR of these financial assets and financial liabilities using the historical simulation

method (holding period of 60 days, confidence interval of 99%, observation period of 1,250 days) and employs quantitative analysis in its interest rate fluctuation risk management.

As of March 31, 2025 and 2024, FFG's amount of interest rate risk (value of estimated losses) was ¥104,309 million and ¥86,183 million, respectively.

FFG conducts back-testing by comparing its VaR model calculations with estimated gains or losses based on its portfolio for the VaR measurement period. In the domestic banking department, losses exceeded the VaR several times in back-testing conducted for the fiscal year ended March 31, 2025. Therefore, FFG ensures a conservative estimate by measuring VaR using a fixed multiplier.

Among financial liabilities, VaR for "liquid deposits" that are included in "Deposits" and have no maturity is calculated using an internal model with an appropriate term that assumes long-term holding.

Thus, VaR is a technique to measure interest rate risk using certain statistical probabilities based on historical market fluctuations, and consequently, this process may not capture risk in the event that interest rates fluctuate in a manner that has not been observed in the past. Therefore, FFG reviews the calculation models used, etc. in a timely and appropriate manner as necessary to improve the accuracy in capturing risk.

Volatility risk

FFG's main financial instruments affected by share price fluctuations—the primary risk variable—are listed equity securities and investment trusts included in "Securities."

FFG calculates VaR of these financial assets using the historical simulation method (holding period of 120 days, confidence interval of 99%, observation period of 1,250 days for listed equity securities held for strategic investment purpose; holding period of 60 days, confidence interval of 99%, observation period of 1,250 days for listed equity securities held purely for investment purpose and investment trusts) and employs quantitative analysis in its volatility risk management.

As of March 31, 2025 and 2024, FFG's amount of volatility risk was ¥94,365 million and ¥89,714 million, respectively.

FFG conducts back-testing by comparing its VaR model calculations with estimated gains or losses based on its portfolio for the VaR measurement period. As a result of such back-testing conducted for

Notes to Consolidated Financial Statements

the fiscal year ended March 31, 2025, losses exceeded the VaR four times. Therefore, FFG ensures a conservative estimate by measuring VaR using a fixed multiplier.

Thus, VaR is a technique to measure volatility risk using certain statistical probabilities based on historical market fluctuations, and consequently, this process may not capture risk in the event that prices fluctuate in a manner that has not been observed in the past. Therefore, FFG reviews the calculation models it uses in a timely and appropriate manner as necessary to improve the accuracy in capturing risk.

(c) Management of liquidity risk

FFG recognizes the need to manage liquidity risk thoroughly, as it believes that downplaying liquidity risk could lead to serious problems of business failure and, in turn, the systemic risk of a chain reaction of defaults by financial institutions.

FFG's Board of Directors has formulated the "Liquidity Risk Management Policy" as its basic policy on managing liquidity risk, management regulations defining specific management methods, and regulations defining the method of responding to liquidity crises to manage liquidity risk appropriately.

FFG's ALM Committee deliberates expeditious and specific measures to respond to changes in the market environment and determines response policies. The management committees of consolidated subsidiaries set cash flow limits and pledged collateral limits, reviewing these limits every six months.

FFG determines response policies corresponding to cash flow conditions (normal, concern, crisis). The Cash Flow Management Department assesses cash flow condition each month, and the ALM Committee deliberates response policies.

FFG's organization for managing liquidity risk comprises the Cash Flow Management Department, which is in charge of daily cash flow management and operations; the Liquidity Risk Management Department, which monitors whether daily cash flow management and operations are carried out appropriately; and the Risk Audit Department. This organizational structure ensures a mutual checking function. The Liquidity Risk Management Department has established the "Risk Management Program," which establishes action plans related to liquidity risk, and work to prepare for and confirm liquidity risk management. The Risk Audit Department audits the appropriateness of liquidity risk management.

Furthermore, the Liquidity Risk Management Department reports appropriately and in a timely manner to the Board of Directors and the ALM Committee to communicate the status of liquidity risk and liquidity risk management regularly and on an as-needed basis.

(3) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2025 and 2024 were as follows. Equity securities, etc. that do not have a market price and investments in partnerships are not included in the table below. In addition, notes are omitted for items whose fair value approximates book value due to their short maturities, or whose carrying value is immaterial.

(Millions of yen)			
2025			
	Carrying value	Fair value	Difference
Assets			
Securities			
Available-for-sale securities (*1)	¥ 5,440,775	¥ 5,440,775	¥ —
Loans and bills discounted (*2)	18,780,388	18,801,990	21,602
Total	¥24,221,163	¥24,242,766	¥ 21,602
Liabilities			
Deposits	¥21,820,743	¥21,816,532	¥ (4,210)
Borrowed money	3,997,834	3,920,400	(77,433)
Total	¥25,818,578	¥25,736,933	¥ (81,644)
Derivatives (*3)			
Hedge accounting not applied	¥ 1,704	¥ 1,704	¥ —
Hedge accounting applied	(11,623)	(11,623)	—
Total	¥ (9,919)	¥ (9,919)	¥ —

(Millions of yen)			
2024			
	Carrying value	Fair value	Difference
Assets			
Securities			
Available-for-sale securities (*1)	¥ 4,888,544	¥ 4,888,544	¥ —
Loans and bills discounted (*2)	18,345,549	18,445,599	100,050
Total	¥23,234,093	¥23,334,143	¥100,050
Liabilities			
Deposits	¥21,680,861	¥21,681,267	¥ 405
Borrowed money	6,132,375	6,059,379	(72,995)
Total	¥27,813,236	¥27,740,647	¥ (72,589)
Derivatives (*3)			
Hedge accounting not applied	¥ 2,317	¥ 2,317	¥ —
Hedge accounting applied (*4)	23,954	23,954	—
Total	¥ 26,272	¥ 26,272	¥ —

(*1) Available-for-sale securities include investment trusts whose unit price is deemed as fair value by applying the treatment provided for in Paragraphs 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(*2) Allowance for loan losses on loans and bills discounted are directly deducted from the amounts on consolidated financial statements.

(*3) Derivatives indicate the sum of derivatives included within "Trading assets and liabilities" and "Other assets and liabilities." Net

amounts of receivables and payables arising from derivative transactions are indicated. Parentheses indicate totals that are net payable amounts.

- (*4) Derivatives to which hedge accounting is applied are interest rate swaps and currency swaps, etc. designated as hedging instruments to fix cash flows, offset market fluctuation, or reduce foreign exchange risk of financial assets and financial liabilities of hedged items such as loans and securities. FFG applies deferred hedge accounting, interest rate swaps with exceptional accounting, or the allocation method to these derivatives.

In addition, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, March 17, 2022) is applied to the hedging relationships.

The carrying value of equity securities, etc. that do not have a market price and investments in partnerships at March 31, 2025 and 2024 were as follows. These are not included in "Available-for-sale securities" in the above tables.

(Millions of yen)		
	2025	2024
Carrying value		
Unlisted equity securities (*1) (*2)(*3)	¥ 9,323	¥11,346
Investments in partnerships (*4)	96,516	77,632

- (*1) Unlisted equity securities are exempted from fair value disclosures in accordance with Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

- (*2) Impairment losses on unlisted equity securities were ¥2,504 million and ¥63 million for the fiscal years ended March 31, 2025 and 2024, respectively.

- (*3) Equity securities of an affiliated company accounted for using equity method (¥4,670 million and nil as of March 31, 2025 and 2024, respectively) are not included in the above.

- (*4) Investments in partnerships are exempted from fair value disclosures in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

The redemption schedule for monetary assets and securities with maturity dates at March 31, 2025 and 2024 are summarized as follows:

(Millions of yen)							
2025							
	1 year or less	More than 1 year but less than 3 years	More than 3 years but less than 5 years	More than 5 years but less than 7 years	More than 7 years but less than 10 years	More than 10 years	
Due from banks	¥ 6,921,049	¥ —	¥ —	¥ —	¥ —	¥ —	—
Call loans and bills bought	5,980	—	—	—	—	—	—
Monetary claims bought	46,025	—	—	—	—	—	—
Securities							
Available-for-sale securities with maturities							
National government bonds	12,923	597,047	669,134	120,598	328,936	931,441	
Local government bonds	20,078	17,146	44,315	13,556	37,286	14,827	
Corporate bonds	27,340	74,763	40,776	8,199	9,767	186,019	
Other	42,905	174,706	170,223	30,974	166,336	936,149	
Loans and bills discounted (*)	6,284,881	2,789,413	2,377,054	1,505,136	1,715,163	3,883,103	
Total	¥13,361,186	¥3,653,077	¥3,301,505	¥1,678,465	¥2,257,490	¥5,951,540	

- (*1) Loans do not include an estimated ¥185,298 million in uncollectible loans to Bankrupt Obligors, Effectively Bankrupt Obligors or In-Danger-of-Bankruptcy Obligors, and ¥230,260 million in loans that have no set term.

(Millions of yen)

2024							
	1 year or less	More than 1 year but less than 3 years	More than 3 years but less than 5 years	More than 5 years but less than 7 years	More than 7 years but less than 10 years	More than 10 years	
Due from banks	¥ 8,250,390	¥ —	¥ —	¥ —	¥ —	¥ —	—
Call loans and bills bought	16,806	—	—	—	—	—	—
Monetary claims bought	41,569	—	—	—	—	—	—
Securities							
Available-for-sale securities with maturities							
National government bonds	50,994	297,888	450,282	65,407	227,914	1,080,675	
Local government bonds	20,569	29,566	19,497	34,662	25,372	17,739	
Corporate bonds	19,774	73,346	57,438	8,376	11,710	209,164	
Other	56,962	132,005	138,759	77,912	138,449	879,265	
Loans and bills discounted (*)	6,085,447	2,749,089	2,268,944	1,601,921	1,663,529	3,757,222	
Total	¥14,542,514	¥3,281,896	¥2,934,922	¥1,788,280	¥2,066,975	¥5,944,067	

- (*) Loans do not include an estimated ¥196,417 million in uncollectible loans to Bankrupt Obligors, Effectively Bankrupt Obligors or In-Danger-of-Bankruptcy Obligors, and ¥220,608 million in loans that have no set term.

The payment schedule for corporate bonds, borrowed money and other interest-bearing liabilities at March 31, 2025 and 2024 are summarized as follows:

(Millions of yen)							
2025							
	1 year or less	More than 1 year but less than 3 years	More than 3 years but less than 5 years	More than 5 years but less than 7 years	More than 7 years but less than 10 years	More than 10 years	
Deposits (*)	¥ 21,354,331	¥ 311,602	¥126,702	¥4,666	¥23,440	¥ —	
Call money and bills sold	2,256,200	—	—	—	—	—	
Payables under repurchase agreements	1,205,552	22,428	44,856	—	—	—	
Cash collateral received for securities lent	1,495,995	—	—	—	—	—	
Borrowed money	1,285,754	2,419,078	291,663	—	604	733	
Total	¥ 27,597,833	¥2,753,109	¥463,222	¥4,666	¥24,044	¥733	

- (*) Demand deposits are included in "1 year or less."

(Millions of yen)							
2024							
	1 year or less	More than 1 year but less than 3 years	More than 3 years but less than 5 years	More than 5 years but less than 7 years	More than 7 years but less than 10 years	More than 10 years	
Deposits (*)	¥21,260,643	¥ 310,043	¥ 87,891	¥5,633	¥16,650	¥ —	
Call money and bills sold	2,150,000	—	—	—	—	—	
Payables under repurchase agreements	264,108	52,993	—	—	—	—	
Cash collateral received for securities lent	915,202	—	—	—	—	—	
Borrowed money	2,869,683	1,475,493	1,785,484	1,100	495	119	
Total	¥27,459,637	¥1,838,529	¥1,873,375	¥6,733	¥17,145	¥119	

- (*) Demand deposits are included in "1 year or less."

(4) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Notes to Consolidated Financial Statements

Level 1: Fair value measured using observable inputs that are quoted prices for identified assets or liabilities in active markets

Level 2: Fair value measured using observable inputs other than those included within Level 1

Level 3: Fair value measured using unobservable inputs

In cases where multiple inputs with a significant impact on the fair value measurement are used, fair value is classified into the level to which the input with the lowest priority in the fair value measurement belongs.

(a) Financial instruments carried at fair value in the consolidated balance sheet

(Millions of yen)				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
National government bonds	¥2,660,080	¥ —	¥ —	¥2,660,080
Local government bonds	—	147,211	—	147,211
Corporate bonds	—	315,012	40,194	355,207
Equity securities	222,576	—	—	222,576
Foreign bonds	399,394	926,551	15,388	1,341,334
Other (*1)	230,568	408,954	23,174	662,697
Total assets	¥3,512,620	¥1,797,729	¥78,757	¥5,389,107
Derivatives (*2)				
Interest-related	¥ 7	¥ 12,078	¥ —	¥ 12,085
Currency-related	—	(22,195)	—	(22,195)
Credit derivatives	—	190	—	190
Total derivatives	¥ 7	¥ (9,296)	¥ —	¥ (9,919)
(Millions of yen)				
2024				
Fair value				
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
National government bonds	¥2,173,163	¥ —	¥ —	¥2,173,163
Local government bonds	—	147,406	—	147,406
Corporate bonds	—	348,952	39,238	388,190
Equity securities	258,875	—	—	258,875
Foreign bonds	364,533	893,501	7,686	1,265,721
Other (*1)	280,472	297,971	31,162	609,606
Total assets	¥3,077,044	¥1,687,832	¥78,088	¥4,842,964
Derivatives (*2)				
Interest-related	¥ —	¥ 33,174	¥ —	¥ 33,174
Currency-related	—	(7,242)	—	(7,242)
Credit derivatives	—	340	—	340
Total derivatives	¥ —	¥ 26,272	¥ —	¥ 26,272

(*1) Investment trusts whose unit price is deemed as fair value by applying the treatment provided for in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are not included. The carrying value of investment trusts applying the treatment provided for in Paragraph 24-3 as of March 31, 2025

and 2024 was ¥19,576 million and ¥15,040 million, respectively. The carrying value of investment trusts applying the treatment provided for in Paragraph 24-9 as of March 31, 2025 and 2024 was ¥32,091 million and ¥30,539 million, respectively.

(*2) Derivatives indicate the sum of derivatives included within "Trading assets and liabilities" and "Other assets and liabilities." Net amounts of receivables and payables arising from derivative transactions are indicated. Parentheses indicate totals that are net payable amounts.

(b) Financial instruments not carried at fair value in the consolidated balance sheet

(Millions of yen)				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥—	¥ —	¥18,801,990	¥18,801,990
Total assets	¥—	¥ —	¥18,801,990	¥18,801,990
Deposits	¥—	¥21,816,532	¥ —	¥21,816,532
Borrowed money	—	3,920,400	—	3,920,400
Total liabilities	¥—	¥25,736,933	¥ —	¥25,736,933
(Millions of yen)				
2024				
Fair value				
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥—	¥ —	¥18,445,599	¥18,445,599
Total assets	¥—	¥ —	¥18,445,599	¥18,445,599
Deposits	¥—	¥21,681,267	¥ —	¥21,681,267
Borrowed money	—	6,059,329	49	6,059,379
Total liabilities	¥—	¥27,740,597	¥ 49	¥27,740,647

Description of the valuation techniques and inputs used in the fair value measurement is as follows:

Assets

Securities

The fair value of securities with an unadjusted quoted prices in active markets available is classified as Level 1. This mainly includes listed equity securities and national government bonds. Even if there is a published quoted price, in cases such as when the market is not active, fair value is classified as Level 2. This mainly includes local government bonds and corporate bonds. For investment trusts with no transaction price in markets, if there are no material restrictions causing market participants to demand compensation for risk of cancellation or claims for repurchases, fair value is based on the trusts' unit price, and is classified as Level 2.

The fair value of securities with no quoted price available is determined based on the present value calculated by discounting estimated future cash flows generated from each transaction at a discount rate, that is a market interest rate plus factors such as credit risk based on an expected loss rate by obligors' classification in accordance with internal rating, and is classified as Level 3.

Loans and bills discounted

The fair value of loans and bills discounted is determined principally based on the present value calculated by discounting estimated future cash flows generated from each transaction at a discount rate, that is a market interest rate plus factors such as credit risk based on an expected loss rate by loan type and obligors' classification in accordance with internal rating, and is classified as Level 3. In estimating future cash flows of loans with floating interest rates, which reflect market interest rates within a short period of time, the next interest due date is considered the maturity date.

With regard to claims to Bankrupt Obligors, Effectively Bankrupt Obligors or In-Danger-of-Bankruptcy Obligors, an estimated loss amount is based on either a present value of estimated future cash flows or an amount expected to be collected through collateral and guarantees, and therefore fair value approximates carrying value of claims, etc. at the balance sheet date less allowance for loan losses and such amount is used as fair value, which is classified as Level 3.

For loans that have no specific repayment period because loan amounts are limited to the value of assets pledged as collateral, fair value approximates book value considering their expected repayment periods and interest conditions, therefore book value is used as fair value, which is classified as Level 3.

Liabilities

Deposits

The fair value of demand deposits is determined by the payment amount (book value) if demanded on the balance sheet date. The fair value of time deposits is based on the present value calculated by discounting estimated future cash flows, classified by certain periods of time, at an interest rate used when accepting new deposits, and is classified as Level 2.

Borrowed money

The fair value of borrowed money is based on the present value calculated by discounting estimated future cash flows generated from each transaction at a discount rate, that is a market interest rate plus factors such as FFG's credit risk estimated from bonds with a market price, etc. In cases where the amount of unobservable inputs has a significant impact on the fair value, the fair value is classified as Level 3, otherwise it is classified as Level 2. In estimating future cash flows of borrowed money with floating interest rates, which reflect market interest rates within a short period of time, the next interest due date is considered the maturity date.

Bonds payable

The fair value of corporate bonds issued by FFG and its consolidated subsidiaries with a market price is based on the market price. The fair value of corporate bonds with no market price is based on the present value calculated by discounting estimated future cash flows generated from each transaction at a discount rate, that is a market interest rate plus certain factors such as FFG's credit risk estimated from bonds with a market price, etc. The fair value of corporate bonds with a market price is classified as Level 2 while that with no market price is classified as Level 3. In estimating future cash flows of corporate bonds with floating interest rates, which reflect market interest rates within a short period of time, the next interest due date is considered the maturity date.

Derivatives

The fair value of derivatives with an unadjusted quoted price in active markets available is classified as Level 1. This includes bond futures and interest rate futures.

However, as most of derivatives are over-the-counter transactions and there is no published quoted price, fair value is calculated using valuation techniques such as the discounted present value method and option pricing models depending on the transaction type and the period to maturity. The main inputs used in these techniques are market interest rates, foreign currency exchange rates and volatility. In addition, price adjustments based on counterparties' credit risk and FFG's own credit risk are made.

In cases where unobservable inputs are not used or their impact is immaterial, fair value is classified as Level 2. In addition, in cases where significant unobservable inputs are used, fair value is classified as Level 3.

Information about Level 3 fair value of financial instruments carried at fair value in the consolidated balance sheet is as follows:

(a) Quantitative information on significant unobservable inputs

2025				
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Corporate bonds				
Private placement bonds and specified bonds	Discounted present value method	Default probability	0.05%-7.03%	0.30%
		Bankruptcy loss ratio	20.00%-100.00%	87.08%
Foreign bonds				
Yen-denominated securitization	Discounted present value method	Default probability	0.05%	0.05%

Notes to Consolidated Financial Statements

2024				
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Corporate bonds				
Private placement bonds and specified bonds	Discounted present value method	Default probability	0.05%-7.15%	0.31%
		Bankruptcy loss ratio	20.00%-100.00%	83.22%
Foreign bonds				
Yen-denominated securitization	Discounted present value method	Default probability	0.05%	0.05%

(b) Reconciliation from the beginning balance to the ending balance and valuation gains (losses) recognized

(Millions of yen)

2025								
	Balance at the beginning of the fiscal year	Recorded in gains (losses) (*1)	Gains (losses) or other comprehensive income for the fiscal year	Recorded in other comprehensive income (*2)	Purchase, sale, issuance and settlement, net	Transfer into Level 3	Transfer out of Level 3	Valuation gains (losses) of financial assets and financial liabilities held at the fiscal year-end included in gains (losses) for the fiscal year
Securities								
Available-for-sale securities								
Corporate bonds	¥39,238	¥(0)	¥ (41)	¥ 997	¥--	¥--	¥40,194	¥--
Foreign bonds	7,686	(7)	(165)	7,874	--	--	15,388	--
Other	31,162	--	(301)	(7,686)	--	--	23,174	--

(Millions of yen)

2024								
	Balance at the beginning of the fiscal year	Recorded in gains (losses) (*1)	Gains (losses) or other comprehensive income for the fiscal year	Recorded in other comprehensive income (*2)	Purchase, sale, issuance and settlement, net	Transfer into Level 3	Transfer out of Level 3 (*3)	Valuation gains (losses) of financial assets and financial liabilities held at the fiscal year-end included in gains (losses) for the fiscal year
Securities								
Available-for-sale securities								
Corporate bonds	¥ 42,073	¥27	¥ (39)	¥(2,428)	¥--	¥ (395)	¥39,238	¥--
Foreign bonds	217,566	0	47	6,843	--	(216,770)	7,686	--
Other	41,105	(1)	(179)	(9,761)	--	--	31,162	--

(*1) Included mainly in "Other operating income" and "Other operating expenses" in the consolidated statement of income.

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

(*3) Transferred from Level 3 to Level 2 because observable inputs have become available. The transfers were made at the beginning of the fiscal year ended March 31, 2024.

(c) Description of valuation processes used for the fair value measurement

In FFG, the Risk Management Department (middle office) and the Market Operations Management Department (back office) establish policies and procedures for the fair value measurement and each department measures fair value accordingly. Each department verifies the appropriateness of the valuation techniques and inputs used to calculate fair value and the appropriateness of the classification of fair value levels.

In measuring fair value, FFG uses a valuation model that most appropriately reflects the nature, characteristics and risks of each financial instrument. In addition, when using quoted prices obtained from third parties, FFG verifies the appropriateness of the prices by using appropriate methods, such as checking the valuation techniques and inputs used, carrying out time-series analysis of prices, and comparing them with estimates calculated by FFG.

(d) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Default probability

Default probability represents an estimate of the likelihood of a bankruptcy event occurring. A significant rise (decline) in default probability will lead to a significant decline (rise) in fair value.

Bankruptcy loss ratio

Bankruptcy loss ratio represents an estimated rate of the loss expected to be incurred in the event of bankruptcy against the total bonds outstanding. A significant rise (decline) in bankruptcy loss ratio will lead to a significant decline (rise) in fair value.

21. Derivative Transactions

FFG has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and debt security prices.

Information regarding the derivative transactions outstanding as of March 31, 2025 and 2024 was as follows:

Hedge accounting not applied

As of March 31, 2025 and 2024, on derivative transactions to which hedge accounting is not applied, notional amounts, fair values and gains (losses) as of the balance sheet date as well as the method of measuring these fair values are described below.

The notional amounts of derivative transactions are not a direct measure of the FFG's market risk exposure in connection with its derivative transactions.

■ Interest-related transactions

(Millions of yen)			
As of March 31, 2025	Notional amount	Fair value	Gains (Losses)
Interest rate swaps			
Receive/fixed and pay/floating	¥265,007	¥(12,248)	¥(12,271)
Receive/floating and pay/fixed	265,007	14,472	14,461
Other			
Sell	3,097	(103)	17
Buy	3,097	102	12
Total	—	¥ 2,222	¥ 2,220

(Millions of yen)			
As of March 31, 2024	Notional amount	Fair value	Gains (Losses)
Interest rate swaps			
Receive/fixed and pay/floating	¥270,187	¥(5,614)	¥(5,719)
Receive/floating and pay/fixed	270,187	7,824	7,892
Other			
Sell	2,668	(50)	45
Buy	2,668	48	(33)
Total	—	¥ 2,208	¥ 2,184

■ Currency-related transactions

(Millions of yen)			
As of March 31, 2025	Notional amount	Fair value	Gains (Losses)
Currency swaps	¥1,059,285	¥ (444)	¥ (446)
Foreign exchange contract			
Sell	206,264	(9,217)	(9,217)
Buy	84,818	8,952	8,952
Total	—	¥ (709)	¥ (711)

(Millions of yen)			
As of March 31, 2024	Notional amount	Fair value	Gains (Losses)
Currency swaps	¥771,106	¥ (29)	¥ (31)
Foreign exchange contract			
Sell	224,188	(9,633)	(9,633)
Buy	107,033	9,431	9,431
Total	—	¥ (231)	¥ (233)

■ Credit derivative transactions

(Millions of yen)			
As of March 31, 2025	Notional amount	Fair value	Gains (Losses)
Credit default swaps			
Sell	¥12,000	¥190	¥187
Buy	—	—	—
Total	—	¥190	¥187

(Millions of yen)			
As of March 31, 2024	Notional amount	Fair value	Gains (Losses)
Credit default swaps			
Sell	¥21,000	¥340	¥334
Buy	—	—	—
Total	—	¥340	¥334

of the balance sheet date as well as the method of measuring these fair values are described below.

The notional amounts of derivative transactions are not a direct measure of the FFG's market risk exposure in connection with its derivative transactions.

■ Interest-related transactions

(Millions of yen)				
As of March 31, 2025				
Hedge accounting method	Transaction type	Principal hedged items	Notional amount	Fair value
Deferred hedge accounting	Interest rate swaps	Interest bearing financial assets and liabilities of which, loans, available-for-sale securities, and deposits		
	Receive/ fixed and pay/floating		¥5,550,700	¥(86,673)
	Receive/ floating and pay/fixed		2,460,839	96,456
	Interest rate futures		29,904	7
Interest rate swaps with exceptional accounting	Interest rate swaps	Interest bearing financial assets and liabilities of which, loans, held-to-maturity debt securities, and deposits		
	Receive/ floating and pay/fixed		490,363	72
Total			—	¥ 9,862

(Millions of yen)				
As of March 31, 2024				
Hedge accounting method	Transaction type	Principal hedged items	Notional amount	Fair value
Deferred hedge accounting	Interest rate swaps	Interest bearing financial assets and liabilities of which, loans, available-for-sale securities, and deposits		
	Receive/ fixed and pay/floating		¥7,412,500	¥(18,370)
	Receive/ floating and pay/fixed		1,490,467	49,335
	Interest rate futures		—	—
Interest rate swaps with exceptional accounting	Interest rate swaps	Interest bearing financial assets and liabilities of which, loans, held-to-maturity debt securities, and deposits		
	Receive/ floating and pay/fixed		—	—
Total			—	¥ 30,965

Hedge accounting applied

As of March 31, 2025 and 2024, on derivative transactions to which hedge accounting is applied, hedge accounting method, hedged items, notional amounts and fair values as

Notes to Consolidated Financial Statements

■ Currency-related transactions

(Millions of yen)

As of March 31, 2025				
Hedge accounting method	Transaction type	Principal hedged items	Notional amount	Fair value
Deferred hedge accounting	Currency swaps	Financial assets and liabilities of which, loans, securities and deposits denominated in foreign currencies, and foreign exchange assets and liabilities	¥1,190,372	¥(21,458)
Allocation method	Currency swaps	Loans denominated in foreign currencies	1,265	(27)
Total			—	¥(21,486)

(Millions of yen)

As of March 31, 2024				
Hedge accounting method	Transaction type	Principal hedged items	Notional amount	Fair value
Deferred hedge accounting	Currency swaps	Financial assets and liabilities of which, loans, securities and deposits denominated in foreign currencies, and foreign exchange assets and liabilities	¥1,271,729	¥(7,008)
Allocation method	Currency swaps	Loans denominated in foreign currencies	1,126	(2)
Total			—	¥(7,010)

22. Segment Information

The FFG's reportable segment is composed of only the banking business. Segment information has been omitted because businesses other than the banking business were immaterial for the fiscal years ended March 31, 2025 and 2024.

Information on income by service has been omitted because income from the banking business accounted for more than 90% of ordinary income in the consolidated statement of income for the fiscal years ended March 31, 2025 and 2024.

Information on income by geographic area has been omitted because income from Japanese customers accounted for more than 90% of ordinary income in the consolidated statement of income for the fiscal years ended March 31, 2025 and 2024.

Information on tangible fixed assets by geographic area has been omitted because total tangible fixed assets of the domestic operations constituted more than 90% of the consolidated total tangible fixed assets at March 31, 2025 and 2024.

Information on income by major customer has been omitted because no ordinary income derived from any external customer amounted to 10% or more of ordinary income in the consolidated statement of income for the fiscal years ended March 31, 2025 and 2024.

23. Related Party Transactions

There were no significant transactions with related parties to report for the fiscal years ended March 31, 2025 and 2024.

24. Subsequent Events

Cash dividends

The following distribution of retained earnings of FFG, which has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2025, was approved at a shareholders meeting held on June 27, 2025 and became effective on June 30, 2025:

(Millions of yen)

Dividends on common stock (¥70.00 per share)	¥13,251
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Non-Consolidated Balance Sheet (Unaudited)

The Bank of Fukuoka, Ltd.

As of March 31, 2025 and 2024

	2025	2024	2025
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 4,757,465	¥ 5,371,979	\$ 31,818
Call loans	1,053,366	678,679	7,044
Cash collateral provided for securities borrowed	640,384	330,325	4,282
Monetary claims bought	20,881	21,961	139
Trading assets	146	115	0
Money held in trust	8,425	3,160	56
Securities	3,550,901	3,221,023	23,748
Loans and bills discounted	12,624,879	11,793,792	84,436
Foreign exchanges	17,453	6,175	116
Other assets	257,838	295,148	1,724
Tangible fixed assets	143,784	145,322	961
Intangible fixed assets	15,822	11,881	105
Prepaid pension expenses	9,060	21,473	60
Deferred tax assets	34,636	1,593	231
Customers' liabilities for acceptances and guarantees	40,388	38,441	270
Allowance for loan losses	(99,209)	(104,104)	(663)
Total assets	¥23,076,224	¥21,836,970	\$154,335
Liabilities			
Deposits	¥14,134,912	¥13,961,424	\$ 94,535
Call money	2,456,686	2,150,795	16,430
Payables under repurchase agreements	1,272,836	317,101	8,512
Cash collateral received for securities lent	1,235,331	662,081	8,261
Borrowed money	2,926,649	3,724,794	19,573
Foreign exchanges	1,931	2,087	12
Other liabilities	309,193	238,429	2,067
Provision for losses from reimbursement of inactive accounts	2,267	2,118	15
Provision for share awards	99	64	0
Deferred tax liabilities for land revaluation	23,526	22,867	157
Acceptances and guarantees	40,388	38,441	270
Total liabilities	¥22,403,824	¥21,120,206	\$149,838
Net assets			
Capital stock	¥ 82,329	¥ 82,329	\$ 550
Capital surplus	60,480	60,480	404
Retained earnings	499,633	463,896	3,341
Total shareholders' equity	642,443	606,707	4,296
Valuation difference on available-for-sale securities	(25,746)	42,556	(172)
Deferred gains or losses on hedges	5,137	16,219	34
Revaluation reserve for land	50,565	51,280	338
Total valuation and translation adjustments	29,956	110,056	200
Total net assets	¥ 672,400	¥ 716,763	\$ 4,497
Total liabilities and net assets	¥23,076,224	¥21,836,970	\$154,335

Non-Consolidated Statement of Income (Unaudited)

The Bank of Fukuoka, Ltd.

For the years ended March 31, 2025 and 2024

	2025	2024	2025
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Interest income:			
Interest on loans and discounts	¥137,737	¥127,014	\$ 921
Interest and dividends on securities	81,080	64,636	542
Interest on call loans	3,035	868	20
Interest on receivables under resale agreements	0	(0)	0
Interest on cash collateral provided for securities borrowed	973	19	6
Interest on deposits with banks	1	0	0
Interest on interest swaps	9,889	16,646	66
Other interest income	21,526	12,138	143
Trust fees	0	0	0
Fees and commissions	47,676	43,570	318
Trading income	17	10	0
Other operating income	2,409	3,080	16
Other income	9,014	4,634	60
Total income	¥313,361	¥272,620	\$2,095
Expenses			
Interest expenses:			
Interest on deposits	¥ 18,178	¥ 12,947	\$ 121
Interest on call money	5,116	(874)	34
Interest on payables under repurchase agreements	7,194	5,352	48
Interest on cash collateral received for securities lent	29,759	30,082	199
Interest on borrowing and rediscounts	4,726	4,848	31
Interest on interest swaps	39,393	35,614	263
Other interest expenses	434	685	2
Fees and commissions payments	23,646	22,564	158
Other operating expenses	12,485	19,427	83
General and administrative expenses	70,840	67,062	473
Other expenses	6,757	10,672	45
Total expenses	¥218,533	¥208,383	\$1,461
Income before income taxes	94,828	64,236	634
Income taxes:			
Current	24,252	14,738	162
Deferred	1,875	1,059	12
Total income taxes	26,128	15,798	174
Net income	¥ 68,700	¥ 48,438	\$ 459