1. Basis of presenting consolidated financial statements

The Kiyo Bank, Ltd. (the "Bank") and its consolidated subsidiaries (the "Group") maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Banking Law, in general conformity with the Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made in order to present them in a form which is more familiar to readers outside Japan.

Amounts of less than one million yen have been rounded down. As a result, the totals shown in the financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2018, which was ¥106.24 to US $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation — The consolidated financial statements include the accounts of the Bank and 6 subsidiaries for the years ended March 31, 2018 and 2017. All significant intercompany transactions and unrealized profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

(Unconsolidated company)
There is one unconsolidated company. The company is excluded from the scope of consolidation because the results of the company's operations have no material effect on the consolidated financial position and operating results of the Group in terms of total assets, net income (corresponding to the share), retained earnings (corresponding to the share) and accumulated other comprehensive income (corresponding to the share). The company is not accounted for by the equity method.

(Affiliate)
There is one affiliate. This company is excluded from the scope of application of the equity method because the results of the company's operations have no material impact on the consolidated financial statements in terms of net income (corresponding to the share), retained earnings (corresponding to the share) and accumulated other comprehensive income (corresponding to the share).

There is one company, of which the Bank owns the voting rights between 20% and 50% but which is not recognized as an affiliate, because it is held by unconsolidated subsidiary, which is engaged in investment business, for the purpose of incubating its investee, not for the purpose of controlling the company.

The fiscal closing date of all the consolidated subsidiaries is March 31.

(b) Trading account securities — Trading account securities are stated at fair market value. Gains and losses realized on the sale of such securities and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such securities are computed using the moving average cost.

(c) Securities — The Bank and its consolidated subsidiaries classify securities as (1) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (2) equity securities issued by subsidiaries and affiliated companies and (3) all other securities that are not classified in any of the above categories ("available-for-sale securities"). Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. In principle, available-for-sale securities are stated at fair value based on the market price as of the fiscal closing date. Available-for-sale securities for which it is extremely difficult to determine the fair value are stated at acquisition cost determined by the moving average method. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using the moving average cost.

(d) Derivatives and hedge accounting — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses and gains on the hedged items are recognized.

The following hedge accounting is applied to derivatives:
(Foreign exchange fluctuation risk hedge)
To hedge foreign exchange fluctuation risk arising from foreign currency denominated assets and liabilities of the Bank, the Bank applies the deferral method in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Hedge effectiveness is assessed by ensuring the existence of the corresponding foreign currency positions as hedging instruments, such as currency swaps and foreign exchange swaps conducted to mitigate foreign currency exchange fluctuation risk arising from foreign currency denominated monetary receivables and payables, equivalent to foreign currency denominated monetary receivables and payables as hedged items.

(e) Depreciation and amortization
(Tangible fixed assets (excluding lease assets))
Depreciation of tangible fixed assets held by the Bank is generally computed by the declining balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The useful life of tangible fixed assets ranges from 8 to 50 years for buildings and 5 to 20 years for equipment. Tangible fixed assets held by the consolidated subsidiaries are mainly depreciated using the declining balance method based on the estimated useful life of the asset.

(Intangible fixed assets (excluding lease assets))
Intangible fixed assets are amortized by the straight-line method. Software developed or obtained for internal use is amortized by the straight-line method over an estimated useful life of 5 years.

(Lease assets)
Depreciation and amortization of lease assets, including both "Tangible fixed assets" and "Intangible fixed assets," under leasing transactions that are not deemed to transfer ownership of the leased property to the lessee are computed by the straight-line method over the lease period with a residual value of zero.

(f) Reserve for possible loan losses — Based on its own rules for self-assessment, the Bank makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to any underlying collateral or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer's overall financial condition. For other loans, the reserve for possible loan losses is provided based on the actual rate of loan losses in the past.

All loans are subject to asset assessment by the business related divisions based on the self-assessment standards for assets. The assessment results are audited by the Asset Audit Department independent from the divisions concerned. Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on the rate of losses in the past and for certain doubtful claims in the amount deemed uncollectible based on assessments of the respective claims. For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," in principle, the amount exceeding the estimated value of collateral and guarantees deemed uncollectible is deducted directly from those claims. At March 31, 2018 and 2017, the deducted amounts were ¥15,853 million ($149,218 thousand) and ¥15,352 million, respectively.

(g) Accrued directors' retirement benefits — On June 29, 2004, the Bank abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision has been made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations when the previous system was abolished.

(h) Reserve for reimbursement of deposits — Provision is made for future losses from claims on dormant accounts based on historical refund records.

(i) Provision for contingent losses — Provision is made for payment on loan-loss burden-sharing to credit guarantee corporations in an amount estimated to be paid in the future.

(j) Accounting for employees' severance and retirement benefits — In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods on a benefit formula basis.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated by the straight-line method over 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated.

In calculating the net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries have adopted a simplified method in which the amount required to be paid if all the employees retired voluntarily at the fiscal year end is regarded as retirement benefit obligations.

(k) Foreign currency translation — Receivables and payables in foreign currencies of the Bank and its consolidated subsidiaries are translated into Japanese yen at the year-end rates.

(l) Income taxes — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset-liability approach based on loss carryforwards and the temporary differences between the financial statement bases and tax bases of assets and liabilities.

(m) Finance leases — As lessor, revenues and costs of finance leases are recognized when lease payments are made. For finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008, the theoretical value of the assets (after deduction of accumulated depreciation expenses) as of the previous term-end is used to determine the balance-sheet amounts of lease investment assets as of April 1, 2008 in accordance with stipulations stated in the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, issued on March 30, 2007).

(n) Statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

(o) Earnings per share — Basic earnings per share is computed by deducting dividends for preferred stock from profit attributable to owners of parent and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period. Diluted earnings per share reflect the potential dilution that could occur if preferred stock were converted into common stock.

(p) New accounting standards not yet adopted
The following standard and guidance were issued but not yet adopted.
- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(1) Overview
The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:
Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligation in the contract.
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards
The Bank and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(q) Additional information
(Issuance of Treasury Stock to the Employees through the Trust)
Since May 2015, the Bank has introduced “Trust-Type Employee Stock Incentive Plan” to fulfill welfare program for the Group employees and to improve business performances by granting incentives to the Group employees toward enhancement of medium and long-term corporate value and enhancing the employees’ awareness of participation in management.

(1) Overview of transactions
The Plan is an incentive plan for all the employees that participate in either “Kiyo Financial Group Employee Stock Ownership Association” or “Kiyo Information System Employee Stock Ownership Association” (collectively “both Associations”).

The Bank has established “Kiyo Financial Group Employee Stock Ownership Association Trust” (hereinafter referred to as the “Trust”). The Trust will acquire in advance the Bank’s shares approximate to the number of shares both Associations may acquire over the next three and a half years. Subsequently, the Bank’s shares will be regularly transferred from the Trust to both Associations at market value. When the amounts corresponding to gains on sales of shares are accumulated within the Trust at the termination of the Trust, such amounts will be distributed to the qualified employees who satisfy the requirements as a beneficiary.

In addition, the Bank will assume the obligation to pay for the remaining loan balances pursuant to the guarantee agreement since the Bank guarantees the loans for the Trust in purchasing the Bank’s shares. As such, when the amounts corresponding to losses on sales of shares due to decline in the Bank’s share value are accumulated in the Trust and such loan balances are remaining within the Trust upon termination of the Trust, the Bank will repay the remaining balance.

(2) The Bank’s shares remaining in the Trust
The Bank’s shares remaining in the Trust are recorded as “Treasury stock” under “Net assets” at the carrying amount (excluding incidental expenses) recorded at the Trust. The carrying amount and number of shares of treasury stock were ¥49 million ($461 thousand) and 27 thousand shares as of March 31, 2018 and ¥409 million and 224 thousand shares as of March 31, 2017, respectively.

(3) The carrying amount of the borrowed money recorded by applying the gross amount method as of March 31, 2018 and 2017 was ¥118 million ($1,110 thousand) and ¥489 million, respectively.

3. Cash and cash equivalents

As of March 31, 2018 and 2017, the amounts of cash and cash equivalents at end of year in the consolidated statements of cash flows were in agreement with the amounts of cash and due from banks in the consolidated balance sheets.

4. Trading account securities and other securities

Net valuation gains and losses from trading account securities for the years ended March 31, 2018 and 2017 amounted to ¥(0) million ($(0) thousand) and ¥(2) million, respectively.

Investments in an unconsolidated subsidiary and an affiliate in the amounts of ¥265 million ($2,494 thousand) and ¥166 million are included in "Securities" as of March 31, 2018 and 2017, respectively.

Among securities received under repurchase agreements in which the Bank has the right to sell or re-pledge the securities without restrictions, the securities which were held without disposition as of March 31, 2018 and 2017 amounted to ¥59 million ($555 thousand) and nil, respectively.

Fair values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair values as of March 31, 2018 and 2017 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen		
	2018		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	¥ **11,527**	¥ **11,534**	¥ **7**
Subtotal	¥ **11,527**	¥ **11,534**	¥ **7**
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	¥ **59,657**	¥ **59,361**	¥ **(296)**
Subtotal	¥ **59,657**	¥ **59,361**	¥ **(296)**
Total	¥ **71,185**	¥ **70,895**	¥ **(289)**

	Millions of yen		
	2017		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	¥ 38,532	¥ 38,589	¥ 57
Subtotal	¥ 38,532	¥ 38,589	¥ 57
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	¥ 66,395	¥ 65,880	¥ (514)
Subtotal	¥ 66,395	¥ 65,880	¥ (514)
Total	¥ 104,927	¥ 104,469	¥ (457)

Type	Thousands of U.S. dollars 2018 Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	$ 108,499	$ 108,565	$ 65
Subtotal	$ 108,499	$ 108,565	$ 65
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	$ 561,530	$ 558,744	$ (2,786)
Subtotal	$ 561,530	$ 558,744	$ (2,786)
Total	$ 670,039	$ 667,309	$ (2,720)

(b) Available-for-sale securities with available fair values, including trading account securities and beneficial interests in trusts included in "Monetary claims bought," were as follows:

Type	Millions of yen 2018 Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 54,504	¥ 25,466	¥ 29,038
Bonds	450,597	440,981	9,616
Japanese government bonds	156,377	151,245	5,132
Local government bonds	143,014	141,087	1,927
Corporate bonds	151,204	148,648	2,556
Other	190,642	182,481	8,160
Foreign bonds	100,920	99,570	1,349
Other	89,721	82,910	6,810
Subtotal	¥ 695,744	¥ 648,929	¥ 46,815
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 4,977	¥ 5,451	¥ (473)
Bonds	147,575	148,668	(1,093)
Japanese government bonds	24,438	24,836	(398)
Local government bonds	78,023	78,511	(488)
Corporate bonds	45,113	45,320	(206)
Other	189,878	196,640	(6,761)
Foreign bonds	100,045	102,849	(2,804)
Other	89,833	93,791	(3,957)
Subtotal	¥ 342,431	¥ 350,760	¥ (8,328)
Total	¥ 1,038,176	¥ 999,690	¥ 38,486

Type	Millions of yen		
	2017		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 44,749	¥ 23,191	¥ 21,557
Bonds	555,220	543,933	11,286
Japanese government bonds	250,533	244,679	5,853
Local government bonds	142,319	139,830	2,488
Corporate bonds	162,367	159,423	2,944
Other	240,345	230,211	10,134
Foreign bonds	130,952	128,574	2,378
Other	109,393	101,637	7,756
Subtotal	¥ 840,315	¥ 797,336	¥ 42,978
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 1,985	¥ 2,147	¥ (162)
Bonds	192,309	195,113	(2,804)
Japanese government bonds	39,390	40,899	(1,508)
Local government bonds	108,437	109,381	(944)
Corporate bonds	44,481	44,832	(350)
Other	164,454	169,566	(5,112)
Foreign bonds	112,226	115,253	(3,027)
Other	52,228	54,312	(2,084)
Subtotal	¥ 358,749	¥ 366,828	¥ (8,078)
Total	¥ 1,199,064	¥ 1,164,165	¥ 34,899

Type	Thousands of U.S. dollars		
	2018		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	**$ 513,027**	**$ 239,702**	**$ 273,324**
Bonds	**4,241,312**	**4,150,800**	**90,512**
Japanese government bonds	**1,471,922**	**1,423,616**	**48,305**
Local government bonds	**1,346,140**	**1,328,002**	**18,138**
Corporate bonds	**1,423,230**	**1,399,171**	**24,058**
Other	**1,794,446**	**1,717,629**	**76,807**
Foreign bonds	**949,924**	**937,217**	**12,697**
Other	**844,512**	**780,402**	**64,100**
Subtotal	**$ 6,548,795**	**$ 6,108,141**	**$ 440,653**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	**$ 46,846**	**$ 51,308**	**$ (4,452)**
Bonds	**1,389,071**	**1,399,359**	**(10,288)**
Japanese government bonds	**230,026**	**233,772**	**(3,746)**
Local government bonds	**734,403**	**738,996**	**(4,593)**
Corporate bonds	**424,632**	**426,581**	**(1,939)**
Other	**1,787,255**	**1,850,903**	**(63,638)**
Foreign bonds	**941,688**	**968,081**	**(26,393)**
Other	**845,566**	**882,821**	**(37,245)**
Subtotal	**$ 3,223,183**	**$ 3,301,581**	**$ (78,388)**
Total	**$ 9,771,987**	**$ 9,409,732**	**$ 362,255**

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the fair value. In addition, the difference between acquisition cost and fair value is posted as a loss in the consolidated accounts for the fiscal year (this process is known as “impairment accounting”). The impairment loss recognized on corporate bonds for the years ended March 31, 2018 and 2017 was nil and ¥1 million, respectively.

The criteria for determining when available-for-sales securities have “significantly declined” are cases in which the fair value has fallen below 70% of the acquisition cost; or the fair value of a debt security under available-for-sales securities has fallen not below 70%, but the credit worthiness of the issuing company has worsened. In these cases, impairment loss is recognized as follows:

(1) For all the securities whose fair value has fallen below 50% of the acquisition cost, impairment accounting is implemented.

(2) For securities whose fair value has fallen below 70% but not below 50%, impairment accounting is implemented taking into account internal and external factors such as the business performance of the issuing company, the market price movements, trends of the market environments, etc. For bonds, impairment accounting is implemented taking into account credit worthiness of the issuing company with respect to those whose market prices are deemed unlikely to recover to the acquisition cost.

(3) For securities whose fair value has fallen, but not below 70% of the acquisition cost and the credit worthiness of the issuing company has worsened, impairment accounting is implemented, if necessary, taking into account its credit worthiness, etc.

(c) There were no bonds classified as held-to-maturity sold during the years ended March 31, 2018 and 2017.

(d) Total sales of available-for-sale securities in the years ended March 31, 2018 and 2017 amounted to ¥286,206 million ($2,693,957 thousand) and ¥157,947 million, respectively. The related gains and losses for the year ended March 31, 2018 amounted to ¥5,378 million ($50,621 thousand) and ¥3,079 million ($28,981 thousand), respectively. The related gains and losses for the year ended March 31, 2017 amounted to ¥5,795 million and ¥5,665 million, respectively.

(e) Net unrealized gains on available-for-sale securities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Difference between acquisition cost and fair value:			
Available-for-sale securities	¥ **39,773**	¥ 36,672	$ **374,369**
Deferred tax liabilities	**(10,267)**	(9,293)	**(96,639)**
Difference between acquisition cost and fair value (prior to adjustment for non-controlling interests)	**29,505**	27,378	**277,720**
Amount corresponding to non-controlling interests	**(205)**	(191)	**(1,929)**
Net unrealized gains on available-for-sale securities	¥ **29,300**	¥ 27,186	$ **275,790**

5. Loans and bills discounted

Loans and bills discounted at March 31, 2018 and 2017 included the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Loans to borrowers legally bankrupt	¥ **1,741**	¥ 1,522	$ **16,387**
Other delinquent loans	**59,548**	70,080	**560,504**
Loans past due over 3 months	**-**	-	**-**
Restructured loans	**8,445**	8,870	**79,489**
Total	¥ **69,736**	¥ 80,473	$ **656,400**

Loans to borrowers legally bankrupt are loans to customers who meet specific credit risk criteria such as undergoing bankruptcy proceedings. Interest is not accrued on these loans. Other delinquent loans are loans other than those included in loans to borrowers legally bankrupt for which the recognition of accrued interest has been suspended after an assessment of the loan's quality. Loans past due over 3 months are loans for which principal and/or interest payments are past due for three months or more.

Restructured loans are loans for which the Bank has granted borrowers certain concessions such as reduced or exempted interest, suspended payments of interest, delayed repayment of principal and/or waivers of claims to allow borrowers to restructure or to provide support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans and loans past due over 3 months.

The Bank applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002) and accounts for bills discounted as financial transactions. The face value of bank acceptances, bills of exchange and bills of lading which were permitted to be sold or pledged without restrictions and which were acquired at a discount amounted to ¥20,606 million ($193,957 thousand) and ¥20,311 million at March 31, 2018 and 2017, respectively.

6. Tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2018 and 2017 was ¥47,869 million ($450,574 thousand) and ¥46,687 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets was ¥4,271 million ($40,201 thousand) and ¥4,302 million at March 31, 2018 and 2017, respectively.

7. Assets pledged as collateral

Assets pledged as collateral at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Securities	¥ **463,366**	¥ 460,994	$ **4,361,502**
Other assets	**297**	293	**2,795**
Total	¥ **463,663**	¥ 461,288	$ **4,364,297**

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deposits	¥ **15,822**	¥ 24,470	$ **148,926**
Payables under repurchase agreements	**17,520**	-	**164,909**
Payables under securities lending transactions	**159,277**	180,206	**1,499,218**
Borrowed money	**256,974**	239,426	**2,418,806**
Total	¥ **449,594**	¥ 444,102	$ **4,231,871**

In addition to the above pledged assets, securities pledged as collateral for transaction guarantees of foreign exchange and as substitutes for margins on futures transactions at March 31, 2018 and 2017 were ¥27,282 million ($256,795 thousand) and ¥27,332 million, respectively. Other assets included guarantee and leasehold deposits and cash collateral paid for financial instruments of ¥1,289 million ($12,132 thousand) and ¥718 million ($6,758 thousand) at March 31, 2018 and guarantee and leasehold deposits of ¥1,302 million at March 31, 2017.

8. Deposits

Deposits at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Liquid deposits	¥ **2,089,489**	¥ 1,935,535	$ **19,667,629**
Fixed-term deposits	**1,692,495**	1,807,705	**15,930,864**
Other deposits	**99,387**	79,672	**935,495**
Negotiable certificates of deposit	**60,448**	118,766	**568,975**
Total	¥ **3,941,821**	¥ 3,941,679	$ **37,102,983**

9. Borrowed money and lease obligations

The weighted average interest rate on the term-end balance of borrowed money was 0.03%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2018 and 2017, subordinated loans in the amount of ¥5,000 million ($47,063 thousand) were included in borrowed money. Annual maturities of borrowed money and lease obligations as of March 31, 2018 were as follows:

	Borrowed money		Lease obligations	
Years ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2019	¥ **257,269**	$ **2,421,583**	¥ **141**	$ **1,327**
2020	**137**	**1,289**	**136**	**1,280**
2021	**97**	**913**	**133**	**1,251**
2022	**57**	**536**	**123**	**1,157**
2023	**19**	**178**	**96**	**903**
2024 and thereafter	**5,000**	**47,063**	**66**	**621**
Total	¥ **262,581**	$ **2,471,583**	¥ **698**	$ **6,570**

10. Bonds

As of March 31, 2018, the Bank had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
December 2013	December 2023	0.74%	¥ **10,000**	$ **94,126**
Total	-	-	¥ **10,000**	$ **94,126**

11. Employees' severance and retirement benefits

(a) Overview of the retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank has defined benefit pension plans consisting of a corporate pension plan and a lump-sum payment plan and since October 1, 2017, has established a corporate-type defined contribution pension plan. In addition, the Bank has set up a retirement benefit trust.

A consolidated subsidiary has adopted a defined contribution pension plan and participated in general establishment type welfare pension funds and it is accounted for in the same manner as the defined contribution plan since the amount of plan assets corresponding to its contribution cannot be reasonably determined.

Other consolidated subsidiaries have adopted lump-sum payment plans, and net defined benefit liability and severance and retirement benefit expenses are calculated using a simplified method.

(b) Defined benefit plans, including the plans to which a simplified method is applied

1. The changes in projected benefit obligation for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 31,437**	¥ 31,844	**$ 295,905**
Service cost	**1,113**	1,124	**10,476**
Interest cost	**106**	108	**997**
Actuarial differences	**(16)**	50	**(150)**
Benefits paid	**(1,659)**	(1,690)	**(15,615)**
Balance at end of year	**¥ 30,981**	¥ 31,437	**$ 291,613**

2. The changes in plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 44,185**	¥ 45,533	**$ 415,897**
Expected return on plan assets	**364**	388	**3,426**
Actuarial differences	**1,537**	(225)	**14,467**
Contribution from employers	**342**	-	**3,219**
Benefits paid	**(939)**	(1,511)	**(8,838)**
Balance at end of year	**¥ 45,490**	¥ 44,185	**$ 428,181**

3. Reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Funded benefit obligation	**¥ 30,960**	¥ 31,416	**$ 291,415**
Plan assets	**(45,490)**	(44,185)	**(428,181)**
	(14,530)	(12,769)	**(136,765)**
Unfunded benefit obligation	**21**	20	**197**
Net liability (asset)	**¥ (14,509)**	¥ (12,748)	**$ (136,568)**

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net defined benefit liability	**¥ 21**	¥ 20	**$ 197**
Net defined benefit asset	**(14,530)**	(12,769)	**(136,765)**
Net liability (asset)	**¥ (14,509)**	¥ (12,748)	**$ (136,568)**

4. The components of severance and retirement benefit expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Service cost	**¥ 1,113**	¥ 1,124	**$ 10,476**
Interest cost	**106**	108	**997**
Expected return on plan assets	**(364)**	(388)	**(3,426)**
Recognized actuarial differences	**(1,032)**	(622)	**(9,713)**
Other	**12**	23	**112**
Severance and retirement benefit expenses	**¥ (163)**	¥ 244	**$ (1,534)**

5. The components of adjustments for retirement benefits (before tax effect) for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Actuarial differences	**¥ 522**	¥ (898)	**$ 4,913**
Total	**¥ 522**	¥ (898)	**$ 4,913**

6. The components of accumulated adjustments for retirement benefits (before tax effect) as of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unrecognized actuarial differences	**¥ 7,902**	¥ 7,380	**$ 74,378**
Total	**¥ 7,902**	¥ 7,380	**$ 74,378**

7. Plan assets

(1) Components of plan assets as of March 31, 2018 and 2017

Plan assets consisted of the following:

	2018	2017
Stocks	**52%**	60%
Bonds	**11%**	16%
General accounts	**14%**	12%
Cash and deposits	**9%**	4%
Other	**14%**	8%
Total	**100%**	100%

Note: Total plan assets include the assets of the retirement benefit trust established for corporate pension plans and lump-sum severance payment plans representing 47% and 53% of total assets as of March 31, 2018 and 2017, respectively.

(2) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined with consideration for the allocation of plan assets expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2018 and 2017 were as follows (presented at weighted average rates):

	2018	2017
Discount rate	**0.3%**	0.3%
Long-term expected rate of return on plan assets	**0.8%**	0.8%
Expected rate of salary increase	**4.2%**	4.2%

(c) Defined contribution plans

The required contribution to the defined contribution plans of the Bank and its consolidated subsidiaries was ¥100 million ($941 thousand) and ¥32 million for the years ended March 31, 2018 and 2017, respectively.

The multi-employer plan under which the amount of the required contribution is treated as retirement benefit expense is as follows:

(1) Latest funding status of the entire plan

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Amount of plan assets	**¥ 748,654**	¥ 737,151	**$ 7,046,818**
Total amount of actuarial obligations for pension financing calculation purposes and the minimum actuarial reserve	**732,391**	715,710	**6,893,740**
Net amount	**¥ 16,263**	¥ 21,440	**$ 153,077**

Notes: 1. The latest funding status as of March 31, 2018 is based on the information available as of March 31, 2017.
2. The latest funding status as of March 31, 2017 is based on the information available as of March 31, 2016.

(2) The share of contribution of pension premiums of the Group against the whole plan for the years ended March 31, 2018 and 2017 (based on the information for the periods from March 1, 2017 through March 31, 2017 and from March 1, 2016 through March 31, 2016) was 0.1%.

(3) Supplementary explanation

Major factors in the net amount above (1) are past service liabilities for the purpose of pension calculation in the amount of ¥28 million ($263 thousand) and ¥54 million and surplus brought forward of ¥16,292 million ($153,350 thousand) and ¥21,495 million as of March 31, 2018 (based on information as of March 31, 2017) and 2017 (based on information as of March 31, 2016), respectively.

12. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥25,564 million ($240,625 thousand) and ¥17,954 million as of March 31, 2018 and 2017, respectively.

13. Shareholders' equity

(a) Capital stock

The number of shares of the Bank's capital stock as of March 31, 2018 and 2017 was as follows:

	Thousands of shares	
	2018	2017
Authorized:		
Common	**120,000**	120,000
Total	**120,000**	120,000

(b) Retained earnings

Japanese banks are subject to the Corporate Law of Japan (the "Law") and the Banking Law. The Law requires that all shares of common stock be recorded with no par value and that at least 50% of the issue price of new shares be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of their Boards of Directors, to issue shares to existing shareholders without limitation. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Law allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in cases in which a reduction was resolved at the shareholders' meeting.

In addition to requiring an appropriation for a legal reserve in connection with cash payments, the Law imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year for which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

14. Changes in net assets

(a) Type and number of shares issued and treasury stock

At March 31, 2018 and 2017, the number of shares was as follows:

	Thousands of shares			
	2017	Increase	Decrease	**2018**
Shares issued:				
Common	70,300	-	-	**70,300**
Total	70,300	-	-	**70,300**
Treasury stock:				
Common (*1 and *2)	539	528	199	**868**
Total	539	528	199	**868**

(*1) The number of shares of treasury stock at April 1, 2017 and March 31, 2018 includes 224 thousand shares and 27 thousand shares of the Bank held by Kiyo Financial Group Employee Stock Ownership Association Trust (hereinafter referred to as the "Trust"), respectively.

(*2) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (526 thousand shares) and the purchase of shares of less than one unit (2 thousand shares). The decrease in the number of common shares in treasury was due to the transfers resulting from execution of stock options (2 thousand shares) and the sales by the Trust of common shares (196 thousand shares).

	Thousands of shares			
	2016	Increase	Decrease	2017
Shares issued:				
Common (*1)	73,399	-	3,099	70,300
Total	73,399	-	3,099	70,300
Treasury stock:				
Common (*2 and *3)	2,783	1,074	3,318	539
Total	2,783	1,074	3,318	539

(*1) The decrease in the number of common shares issued was due to the retirement of treasury stock based on the resolution at the Board of Directors' meeting.

(*2) The number of shares of treasury stock at April 1, 2016 and March 31, 2017 includes 440 thousand shares and 224 thousand shares of the Bank held by the Trust, respectively.

(*3) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (1,072 thousand shares) and the purchase of shares of less than one unit (2 thousand shares). The decrease in the number of common shares in treasury was due to the retirement of treasury stock based on the resolution at the Board of Directors' meeting (3,099 thousand shares), the transfers resulting from execution of stock options (2 thousand shares), the requests for additional purchases of shares of less than one unit (0 thousand shares) and the sales by the Trust of common shares (216 thousand shares).

(b) Subscription rights to shares

The outstanding balance of subscription rights to shares of the Bank as of March 31, 2018 and 2017 was ¥81 million ($762 thousand) and ¥52 million, respectively.

(c) Information on dividends

Dividends paid during the year ended March 31, 2018 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥ 2,449**	**¥ 35.00**	**$ 23,051**	**$ 0.32**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2017.
2. Record date for all types of shares was March 31, 2017.
3. Effective date for all types of shares was June 30, 2017.
4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 29, 2017 included dividends in an amount of ¥7 million ($65 thousand) related to the Bank's shares held by the Trust.

Dividends applicable to the year ended March 31, 2018 and whose effective date (i.e. initial payment date) falls after March 31, 2018 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥ 2,431**	**¥ 35.00**	**$ 22,882**	**$ 0.32**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 28, 2018.
2. Record date for all types of shares was March 31, 2018.
3. Effective date for all types of shares was June 29, 2018.
4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 28, 2018 included dividends in an amount of ¥0 million ($0 thousand) related to the Bank's shares held by the Trust.

Dividends paid during the year ended March 31, 2017 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥ 2,486	¥ 35.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2016.
2. Record date for all types of shares was March 31, 2016.
3. Effective date for all types of shares was June 30, 2016.
4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 29, 2016 included dividends in an amount of ¥15 million related to the Bank's shares held by the Trust.

15. Stock options

(1) Stock option expense

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
General and administrative expenses	**¥ 33**	¥ 34	**$ 310**

(2) Stock options outstanding at March 31, 2018 were as follows:

a. Outline of stock options

	1st Stock Options	2nd Stock Options	3rd Stock Options
Persons to whom stock subscription rights were allocated	9 directors and 5 executive officers of the Bank; a total of 14 persons	9 directors and 6 executive officers of the Bank; a total of 15 persons	9 directors (excluding directors serving as audit and supervisory committee members) and 6 executive officers of the Bank; a total of 15 persons
Number of options granted	Common stock of the Bank 17,300 shares	Common stock of the Bank 26,600 shares	Common stock of the Bank 18,400 shares
Date of grant	July 27, 2015	July 29, 2016	July 31, 2017
Vesting conditions	Not defined	Not defined	Not defined
Applicable service period	Not defined	Not defined	Not defined
Exercise period	From July 28, 2015 to July 27, 2045	From July 30, 2016 to July 29, 2046	From August 1, 2017 to July 31, 2047

Note: Number of stock options is converted into number of shares.

b. Stock option activity

The following table summarizes the movement of stock options outstanding for the year ended March 31, 2018, in which the number of stock options is converted into the number of shares.

(i) Number of stock options

	Number of shares		
	1st Stock Options	2nd Stock Options	3rd Stock Options
Non-vested:			
Outstanding as of March 31, 2017	-	-	-
Granted	-	**-**	**18,400**
Forfeited	-	**-**	**-**
Vested	-	**-**	**18,400**
Outstanding as of March 31, 2018	**-**	**-**	**-**
Vested:			
Outstanding as of March 31, 2017	**14,800**	**26,600**	**-**
Vested	-	**-**	**18,400**
Exercised	**1,200**	**1,700**	**-**
Forfeited	**-**	**-**	**-**
Outstanding as of March 31, 2018	**13,600**	**24,900**	**18,400**

(ii) Price information

	Yen		
	1st Stock Options	2nd Stock Options	3rd Stock Options
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**
Average stock price at exercise	**1,978**	**1,978**	**-**
Fair value at date of grant	**1,678**	**1,382**	**1,727**

	U.S. Dollars		
	1st Stock Options	2nd Stock Options	3rd Stock Options
Exercise price	**$ 0.00**	**$ 0.00**	**$ 0.00**
Average stock price at exercise	**18.61**	**18.61**	**-**
Fair value at date of grant	**15.79**	**13.00**	**16.25**

Note: Above information is described after converting into per share data.

(3) Estimation method for fair values of stock options granted

The 3rd stock options granted during the year ended March 31, 2018 were valued using the Black-Scholes option pricing model with the following assumptions:

	3rd Stock Options
Volatility of stock price (*1)	29.898%
Expected remaining outstanding period (*2)	3.5 years
Expected dividend (*3)	¥35 ($0.32) per share
Risk-free interest rate (*4)	(0.072)%

(*1) Stock price volatility is computed based on actual stock prices during the period corresponding to the expected remaining outstanding period (from February 1, 2014 to July 31, 2017).

(*2) Expected remaining outstanding period is estimated by the method of averaging the difference between the average retirement age and current age of each incumbent grantee.

(*3) Expected dividend is based on actual dividend paid per common stock for the year ended March 31, 2017.

(*4) Risk-free interest rate refers to the yield of government bonds for the period corresponding to the expected remaining outstanding period.

(4) Estimation method for number of stock options vested

The Bank uses the method to reflect the actual forfeited options, since it is difficult to reasonably estimate the number of stock options to be forfeited in the future.

16. Other income

Other income for the years ended March 31, 2018 and 2017 included the following:

	Millions of yen				Thousands of U.S. dollars	
		2018		2017		**2018**
Recovery of written-off claims	¥	**1,317**	¥	1,272	$	**12,396**
Gain on sales of stocks and other securities		**3,970**		2,794		**37,368**

17. General and administrative expenses

General and administrative expenses for the years ended March 31, 2018 and 2017 included the following:

	Millions of yen				Thousands of U.S. dollars	
		2018		2017		**2018**
Salaries and allowances	¥	**14,759**	¥	15,199	$	**138,921**

18. Other expenses

Other expenses for the years ended March 31, 2018 and 2017 included the following:

	Millions of yen				Thousands of U.S. dollars	
		2018		2017		**2018**
Loss on the loans written-off	¥	**2,469**	¥	1,441	$	**23,239**
Loss on sales of stock and other securities		**509**		1,609		**4,791**
Loss on the devaluation of stocks		**12**		0		**112**
Loss on the transfer/sale of loan obligations		**267**		244		**2,513**
Loss on forgiveness of receivables		**-**		59		**-**
Impairment loss on fixed assets		**421**		214		**3,962**

Impairment loss on fixed assets

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥421 million ($3,962 thousand) and ¥214 million for the years ended March 31, 2018 and 2017, respectively. Details are as follows:

			Impairment loss on fixed assets			
			Millions of yen		Thousands of U.S. dollars	
Location	Major use	Asset category		**2018**		**2018**
Wakayama Prefecture	Operating offices	Land, buildings and movables	¥	**304**	$	**2,861**
Wakayama Prefecture	Idle assets	Land and movables		**18**		**169**
Osaka Prefecture	Operating offices	Land, buildings and movables		**96**		**903**
Osaka Prefecture	Idle assets	Land		**1**		**9**
Total	-	-	¥	**421**	$	**3,962**

			Impairment loss on fixed assets	
			Millions of yen	
Location	Major use	Asset category		2017
Wakayama Prefecture	Operating offices	Land and buildings	¥	183
Wakayama Prefecture	Idle assets	Land and buildings		6
Osaka Prefecture	Operating offices	Buildings		25
Total	-	-	¥	214

With respect to the calculation of impairment loss on fixed assets, the minimum operational unit recognized for management accounting purposes by the Bank is the single bank branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch. Each unit of idle assets (one “unit” is defined as one plot of land or one building) is treated as a separate and individual unit for accounting purposes. Because the head office, administration center and Bank provided housing and dormitories for the staff of the Bank do not independently generate any cash flows, they are treated as assets held in common by the Bank for accounting purposes. With respect to the consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss on fixed assets for the reporting period, the amount deemed recoverable, i.e., the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards. For immaterial assets, the recoverable value is determined by deducting the estimated cost of disposal from the appraisal value based on the roadside land prices, etc.

19. Income taxes

The Bank is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.6% for the years ended March 31, 2018 and 2017. The table below summarizes the significant differences between the statutory tax rate and the Bank’s effective tax rate for financial statement purposes for the year ended March 31, 2017.

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 is not disclosed because it was not more than 5% of the statutory tax rate.

	2017
Statutory tax rate	30.6%
Adjustments:	
Change in valuation allowance	(13.8)
Dividend income that is not taxable for income tax purposes	(2.6)
Other	1.6
Effective income tax rate	15.8%

Significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥ 8,966**	¥ 8,938	**$ 84,393**
Write-down of securities	**2,359**	2,394	**22,204**
Operating loss carryforwards	**78**	57	**734**
Other	**4,746**	4,576	**44,672**
Subtotal	**16,149**	15,967	**152,004**
Valuation allowance	**(9,722)**	(9,453)	**(91,509)**
Deferred tax assets	**6,427**	6,513	**60,495**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(10,272)**	(9,298)	**(96,686)**
Net defined benefit asset	**(2,262)**	(911)	**(21,291)**
Gain on retirement benefit trust	**(440)**	(440)	**(4,141)**
Other	**(952)**	(980)	**(8,960)**
Deferred tax liabilities	**(13,927)**	(11,630)	**(131,089)**
Net deferred tax assets	**¥ (7,499)**	¥ (5,117)	**$ (70,585)**

Net amounts recorded in the consolidated balance sheets after offsetting by each taxable entity at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets	**¥ 622**	¥ 777	**$ 5,854**
Deferred tax liabilities	**8,122**	5,895	**76,449**

20. Other comprehensive income (loss)

Amounts reclassified to profit in the current period that were recognized in other comprehensive income (loss) in the current or previous periods and the tax effects for each component of other comprehensive income (loss) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net unrealized gains (losses) on available-for-sale securities:			
Increase during the year	¥ **5,844**	¥ (6,265)	$ **55,007**
Reclassification adjustments	**(2,743)**	(759)	**(25,818)**
Subtotal before tax	**3,100**	(7,024)	**29,179**
Tax benefit (expense)	**(973)**	3,231	**(9,158)**
Net unrealized gains (losses) on available-for-sale securities	**2,126**	(3,792)	**20,011**
Net deferred gains (losses) on hedging instruments:			
Decrease during the year	**(28)**	(67)	**(263)**
Reclassification adjustments	**48**	0	**451**
Subtotal before tax	**19**	(67)	**178**
Tax benefit (expense)	**(5)**	20	**(47)**
Net deferred gains (losses) on hedging instruments	**13**	(46)	**122**
Adjustments for retirement benefits:			
Increase during the year	**1,554**	(276)	**14,627**
Reclassification adjustments	**(1,032)**	(622)	**(9,713)**
Subtotal before tax	**522**	(898)	**4,913**
Tax benefit (expense)	**(155)**	273	**(1,458)**
Adjustments for retirement benefits	**366**	(624)	**3,445**
Total other comprehensive income (loss)	¥ **2,506**	¥ (4,464)	$ **23,588**

21. Per share information

	Yen 2018	Yen 2017	U.S. dollars 2018
Net assets per share	¥ **3,251.11**	¥ **3,076.28**	$ **30.60**
Basic earnings per share	**168.82**	**157.77**	**1.58**
Diluted earnings per share	**168.70**	**157.70**	**1.58**

(Note 1) The calculation of net assets per share as of March 31, 2018 and 2017 was as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Total net assets	¥ **229,292**	¥ 217,978	$ **2,158,245**
Amount to be deducted from total net assets:	**3,564**	3,375	**33,546**
Subscription rights to shares	**81**	52	**762**
Non-controlling interests	**3,483**	3,323	**32,784**
Net assets attributable to common stock	**225,727**	214,602	**2,124,689**
Number of shares of common stock as of the fiscal year end used in computing net assets per share (thousands of shares)	**69,431**	69,760	**-**

(Note 2) The calculation of earnings per share for the years ended March 31, 2018 and 2017 was as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Basic earnings per share:			
Profit attributable to owners of parent	¥ **11,722**	¥ 11,028	$ **110,335**
Amount not attributable to common shareholders	**-**	-	**-**
Profit attributable to common shareholders of parent	**11,722**	11,028	**110,335**
Average number of shares of common stock during the term (thousands of shares)	**69,435**	69,905	**-**
Diluted earnings per share:			
Adjustment to profit attributable to owners of parent	**-**	-	**-**
Increase in number of shares of common stock (thousands of shares)	**49**	31	**-**
Subscription rights to shares (thousands of shares)	**49**	31	**-**
Overview of potential shares not included in computing diluted earnings per share due to having no dilutive effect	**-**	-	**-**

(Note 3) In computing net assets per share, the Bank's shares held by Kiyo Financial Group Employee Stock Ownership Association Trust, which are recorded as treasury stock under shareholders' equity, are included in the number of treasury stock to be deducted from the total number of issued shares at the fiscal year end and are included in the number of treasury stock to be deducted from the average number of shares during the term in computing basic earnings per share and diluted earnings per share.

The number of shares of such treasury stock deducted in computing net assets per share as of March 31, 2018 and 2017 was 27 thousand shares and 224 thousand shares, respectively, and the average number of shares of treasury stock during the term deducted in computing basic earnings per share and diluted earnings per share for the years ended March 31, 2018 and 2017 was 112 thousand shares and 311 thousand shares, respectively.

22. Commitment lines

Loan agreements and commitment line agreements are agreements which oblige the Bank to lend funds up to a certain limit agreed to in advance. The Bank makes the loans upon a borrower's request to draw down funds under the agreements as long as there is no breach of the various terms and conditions stipulated in the agreements. The unused commitment balances related to these agreements at March 31, 2018 and 2017 amounted to ¥445,330 million ($4,191,735 thousand) and ¥421,635 million, respectively. Of this amount, the unused commitment balances related to agreements with terms of one year or less or that were unconditionally cancelable at any time totaled ¥403,112 million ($3,794,352 thousand) and ¥387,494 million, respectively.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitment balances will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank to decline a request to draw down funds or to reduce the agreed limit amount when there is a cause to do so, such as when there is a change in the financial condition of the borrower or when it is necessary to protect the Bank's credit. The Bank makes various measures to protect its credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or confirming the obligor's financial condition in accordance with the Bank's established internal procedures.

23. Financial instruments and related disclosures

1. Disclosure about Financial Instruments

(1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuation in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and engages in derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group consist mainly of loans to domestic customers that are exposed to credit risk arising from the customers' nonperformance of contractual obligations and the risk of interest rate fluctuations. Securities held by the Group consist mainly of debt securities, equity securities and investment trusts, which are held for the purpose of holding to maturity, net investment, strategic investment and trading purposes. These securities are exposed to the credit risk of the issuers, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities consist mainly of deposits, which are exposed to liquidity risk and interest rate fluctuation risk, and other financial assets.

Major risks inherent in derivative transactions include the market risk of fluctuation in interest rates, foreign exchange, stock prices and other market instruments and the credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge these risks, and the market risk of the hedged items is almost entirely offset by the derivatives. Hedging instruments to which hedge accounting is applied are currency swaps, etc. The corresponding hedged items are securities.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a credit risk management system that includes the "Credit Risk Control Rule" and other various rules and defines the basic credit risk control policy and management system. Specifically, the Review Department conducts reviews according to the risk characteristics of the credit items by identifying the financial position, use of funds, repayment resources and other factors related to credit customers. The Credit Control Department sets up and controls limits to avoid the concentration of credit risk and identifies the quantitative level of credit risk. The Department is also responsible for the maintenance of the credit rating system and reports the measured volume of credit risk to the Board of Directors and risk management committee so that credit risk management may be discussed within the framework of integrated risk control.

Market risk management

The Group has established a market risk management system that includes the "Market Risk Control Rule" and other various rules and defines the basic market risk control policy and management system.

(i) Interest rate risk management

With respect to interest rate management, the Group regularly measures the volume of interest rate risk arising from assets and liabilities such as securities, loans and deposits and conducts interest rate gap analysis and interest rate sensitivity analysis and reports the outcome to the ALM Strategy Committee and the Risk Control Committee. The Group also has established specific limits on the level of interest rate risk.

(ii) Price fluctuation risk management

With respect to price fluctuation risk, the Group controls the level of risk on a daily basis by measuring the risk volume and setting up limits on the level of risk. Securities held for net investment purposes are controlled by setting up additional limits on transactions and losses above those set up by the executive committee in addition to the risk volume control. With respect to shares held for strategic investment purposes, the Group tries to reduce the risk level by limiting the balance and hedge transactions, etc.

(iii) Foreign exchange risk management

The Group identifies the fluctuation risk associated with foreign currency denominated assets and liabilities, controls the risk within the limit determined by the executive committee and works to mitigate the risk using currency swaps, etc.

(iv) Derivative transactions

Derivatives transactions are employed principally and limitedly for hedging purposes. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and controlling operations.

(v) Quantitative information on market risk

Major financial instruments that are affected by interest rate risk that is regarded as major risk factors are call loans, other debt purchased, bonds and investment trusts included in securities, loans and bills discounted, deposits, call money, payables under securities lending transactions, borrowed money and bonds. Financial instruments that are affected by price fluctuation risk consist of stocks and investment trusts included in securities.

The Bank calculates Value at Risk (VaR) to capture the effects of income and economic value from interest rate fluctuation and price fluctuation. VaR is made available to internal management. To calculate VaR, the Bank applies the variance and covariance method, using 3 to 6 months as the holding period based on risk characteristics, 99% as the confidence interval and 1 to 5 years as the observation period based on risk characteristics. The amount of risk at March 31, 2018 and 2017 was ¥8,474 million ($79,762 thousand) and ¥10,438 million, respectively, for interest rate risk and ¥13,841 million ($130,280 thousand) and ¥20,224 million, respectively, for price fluctuation risk.

For the fiscal year ended March 31, 2018, VaR of strategic investment (equity, investment trust) out of VaR of price fluctuation risk uses modified VaR that is VaR after deducting valuation gain or loss for the purpose of the internal control of the Bank and the above mentioned VaR of price fluctuation risk also uses modified VaR. (Since valuation gain or loss of strategic investment (equity, investment trust) in the amount of ¥27,860 million ($262,236 thousand) exceeds VaR of the price fluctuation risk in the amount of ¥10,031 million ($94,418 thousand), the modified VaR of strategic investment (equity, investment trust) zero.)

In addition, the Bank verifies the effectiveness of risk measurement under the variance and covariance method by a back testing protocol that compares VaR to actual income.

In calculating VaR on interest rate risk, the core deposits of liquid deposits are adjusted. Core deposits do not have specified interest rates and are demand deposits that are expected to be held for the long term without demand for withdrawal. VaR is a statistical measure of market risk volume under a certain probability of occurrence based on the past market fluctuations. Accordingly, it may be impossible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Liquidity risk management

The Group has established a liquidity risk management system that includes the “Liquidity Risk Control Rule” and other various rules and defines the basic liquidity risk control policy and management system. The Group tries to control liquidity risk by maintaining stable cash management, securing highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments

In addition to value based on the market price, the fair values of financial instruments include valuations calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the values, the outcome of such calculations may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and any difference as of March 31, 2018 and 2017 are set forth in the table below. Note that unlisted equity securities for which the fair value was extremely difficult to determine were not included in the following table (See Note 2). Also, insignificant items were omitted.

	Millions of yen		
	2018		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**¥ 621,370**	**¥ 621,370**	**¥ -**
Securities:			
Held-to-maturity securities	**71,185**	**70,895**	**(289)**
Available-for-sale securities	**1,037,377**	**1,037,377**	**-**
Loans and bills discounted	**2,868,779**		
Reserve for possible loan losses (*1)	**(24,374)**		
	2,844,404	**2,854,869**	**10,464**
Total assets	**¥ 4,574,338**	**¥ 4,584,512**	**¥ 10,174**
Deposits	**¥ 3,941,821**	**¥ 3,941,995**	**¥ 174**
Payables under securities lending transactions	**159,277**	**159,277**	**-**
Borrowed money	**262,581**	**262,581**	**-**
Bonds	**10,000**	**10,032**	**32**
Total liabilities	**¥ 4,373,679**	**¥ 4,373,886**	**¥ 206**
Derivative transactions (*2)			
Hedge accounting not applied	**¥ 1,583**	**¥ 1,583**	**¥ -**
Hedge accounting applied	**79**	**79**	**-**
Total derivative transactions	**¥ 1,662**	**¥ 1,662**	**¥ -**

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.
(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

	Millions of yen		
	2017		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 671,707	¥ 671,707	¥ -
Securities:			
Held-to-maturity securities	104,927	104,469	(457)
Available-for-sale securities	1,198,265	1,198,265	-
Loans and bills discounted	2,812,871		
Reserve for possible loan losses (*1)	(25,910)		
	2,786,961	2,802,529	15,568
Total assets	¥ 4,761,862	¥ 4,776,972	¥ 15,110
Deposits	¥ 3,941,679	¥ 3,941,846	¥ 166
Call money and bills sold	208,500	208,500	-
Payables under securities lending transactions	180,206	180,206	-
Borrowed money	245,410	245,410	-
Bonds	10,000	10,068	68
Total liabilities	¥ 4,585,796	¥ 4,586,030	¥ 234
Derivative transactions (*2)			
Hedge accounting not applied	¥ 1,513	¥ 1,513	¥ -
Hedge accounting applied	(59)	(59)	-
Total derivative transactions	¥ 1,454	¥ 1,454	¥ -

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.
(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

	Thousands of U.S. dollars		
	2018		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**$ 5,848,738**	**$ 5,848,738**	**$ -**
Securities:			
Held-to-maturity securities	**670,039**	**667,309**	**(2,720)**
Available-for-sale securities	**9,764,467**	**9,764,467**	**-**
Loans and bills discounted	**27,002,814**		
Reserve for possible loan losses (*1)	**(229,423)**		
	26,773,381	**26,871,884**	**98,493**
Total assets	**$ 43,056,645**	**$ 43,152,409**	**$ 95,764**
Deposits	**$ 37,102,983**	**$ 37,104,621**	**$ 1,637**
Payables under securities lending transactions	**1,499,218**	**1,499,218**	**-**
Borrowed money	**2,471,583**	**2,471,583**	**-**
Bonds	**94,126**	**94,427**	**301**
Total liabilities	**$ 41,167,912**	**$ 41,169,860**	**$ 1,939**
Derivative transactions (*2)			
Hedge accounting not applied	**$ 14,900**	**$ 14,900**	**$ -**
Hedge accounting applied	**743**	**743**	**-**
Total derivative transactions	**$ 15,643**	**$ 15,643**	**$ -**

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.
(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

(Note 1) Method of calculation for fair value of financial instruments

Assets:

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For deposits with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the maturity is short (less than one year).

Securities

The fair value of equity securities is determined using the quoted price on exchanges, and the fair value of debt securities is determined using the price published by the industry group or offered by the financial institutions with which they are transacted. The fair value of investment trusts is determined using the quoted price on exchanges or the price offered by the financial institution with which they are transacted. The fair value of non-publicly traded private placement bonds guaranteed by the Bank is determined using the same calculation method as that of loans.

Loans and bills discounted

For loans with variable interest rates which reflect short-term interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as long as the creditworthiness of the borrower has not changed significantly from the time of the loan origination. For loans with fixed interest rates, the fair value is determined based on the aggregate value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. For loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For receivables from bankrupt, effectively bankrupt and likely to become bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the expected loan losses, the carrying amount is presented as the fair value.

For loans which have non-defined repayment due dates because of restricting the amount of the loans to the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value approximates the carrying amount considering the expected repayment schedule and interest rate.

Liabilities:

Deposits

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposits is determined using the discounted present value of future cash flows grouped by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call money and bills sold (for the year ended March 31, 2017) and payables under securities lending transactions

For call money and bills sold and payables under securities lending transactions in which the trade term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Borrowed money and bonds

For borrowed money and bonds, the fair value is calculated as the present value of expected future cash flows discounted using the interest rate that would apply to newly borrowed money. For borrowed money with variable interest rates linked to short-term market interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the creditworthiness of the Bank and its consolidated subsidiaries did not change significantly after it was executed.

Derivative transactions:

Derivative transactions consist mainly of currency related derivatives such as currency futures, currency options, currency swaps, etc. The fair value is determined using the value calculated by the quoted price on exchange, discounted present value, option pricing models, etc.

(Note 2) Financial instruments for which fair value is extremely difficult to determine are set forth in the table below. These securities are not included in "Available-for-sale securities" under "Assets" in the table "Fair value of financial instruments."

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unlisted equity securities (*1) (*2)	**¥ 1,580**	¥ 1,527	**$ 14,871**
Investment in partnerships (*3)	**1,118**	939	**10,523**
Total	**¥ 2,698**	¥ 2,467	**$ 25,395**

(*1) No market price is available for unlisted equity securities, and the fair value is not disclosed since it was extremely difficult to determine.
(*2) The Bank recognized impairment loss in an amount of ¥12 million ($112 thousand) and ¥0 million on unlisted equity securities for the years ended March 31, 2018 and 2017, respectively.
(*3) The fair value of investment in partnerships whose assets consisted of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contract maturities subsequent to the balance sheet date

	Millions of yen					
	2018					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	**¥ 621,370**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Securities:	**100,773**	**164,631**	**142,138**	**44,948**	**268,145**	**149,686**
Held-to-maturity debt securities:	**-**	**45,782**	**25,402**	**-**	**-**	**-**
Japanese government bonds	**-**	**45,782**	**25,402**	**-**	**-**	**-**
Available-for-sale securities with contract maturities:	**100,773**	**118,848**	**116,735**	**44,948**	**268,145**	**149,686**
Japanese government bonds	**27,050**	**27,111**	**67,650**	**8,318**	**7,203**	**43,482**
Local government bonds	**34,736**	**34,852**	**2,755**	**6,781**	**134,504**	**7,408**
Corporate bonds	**20,162**	**31,598**	**27,300**	**10,165**	**22,640**	**84,451**
Other	**18,824**	**25,286**	**19,029**	**19,683**	**103,796**	**14,344**
Foreign bonds	**18,824**	**25,286**	**19,029**	**19,683**	**103,796**	**14,344**
Loans and bills discounted (*)	**642,985**	**541,056**	**395,828**	**302,736**	**286,185**	**607,551**
Total	**¥ 1,365,129**	**¥ 705,687**	**¥ 537,966**	**¥ 347,684**	**¥ 554,331**	**¥ 757,238**

(*) Loans and bills discounted at March 31, 2018 do not include ¥61,290 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥31,145 million of those which have non-defined maturities.

	Millions of yen					
	2017					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	¥ 671,707	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:	194,953	198,882	188,167	71,723	287,004	154,804
Held-to-maturity debt securities:	33,519	501	70,906	-	-	-
Japanese government bonds	33,519	501	70,906	-	-	-
Available-for-sale securities with contract maturities (*1):	161,434	198,380	117,261	71,723	287,004	154,804
Japanese government bonds	84,668	54,442	28,408	44,051	10,327	68,024
Local government bonds	25,758	60,780	13,802	624	141,757	8,031
Corporate bonds	37,221	39,103	32,401	5,095	15,610	77,318
Other	13,786	44,053	42,648	21,951	119,308	1,429
Foreign bonds	13,786	44,053	42,648	21,951	119,308	1,429
Loans and bills discounted (*2)	592,223	561,247	379,583	268,656	328,304	586,153
Total	¥ 1,458,884	¥ 760,129	¥ 567,751	¥ 340,380	¥ 615,309	¥ 740,958

(*1) Available-for-sale securities with contract maturities do not include those securities issued by bankrupt, effectively bankrupt or likely to become bankrupt issuers amounting to ¥98 million whose repayment schedules cannot be estimated.
(*2) Loans and bills discounted at March 31, 2017 do not include ¥71,602 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥25,099 million of those which have non-defined maturities.

	Thousands of U.S. dollars					
	2018					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	**$ 5,848,738**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Securities	**948,541**	**1,549,614**	**1,337,895**	**423,079**	**2,523,955**	**1,408,942**
Held-to-maturity debt securities	**-**	**430,929**	**239,100**	**-**	**-**	**-**
Japanese government bonds	**-**	**430,929**	**239,100**	**-**	**-**	**-**
Available-for-sale securities with contract maturities	**948,541**	**1,118,674**	**1,098,785**	**423,079**	**2,523,955**	**1,408,942**
Japanese government bonds	**254,612**	**255,186**	**636,765**	**78,294**	**67,799**	**409,280**
Local government bonds	**326,957**	**328,049**	**25,931**	**63,827**	**1,266,039**	**69,728**
Corporate bonds	**189,777**	**297,420**	**256,965**	**95,679**	**213,102**	**794,907**
Other	**177,183**	**238,008**	**179,113**	**185,269**	**976,995**	**135,015**
Foreign bonds	**177,183**	**238,008**	**179,113**	**185,269**	**976,995**	**135,015**
Loans and bills discounted (*)	**6,052,193**	**5,092,771**	**3,725,790**	**2,849,548**	**2,693,759**	**5,718,665**
Total	**$ 12,849,482**	**$ 6,642,385**	**$ 5,063,685**	**$ 3,272,628**	**$ 5,217,724**	**$ 7,127,616**

(*) Loans and bills discounted at March 31, 2018 do not include $576,901 thousand of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and $293,157 thousand of those which have non-defined maturities.

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities subsequent to the balance sheet date

	Millions of yen					
	2018					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	**¥ 3,648,011**	**¥ 245,397**	**¥ 48,412**	**¥ -**	**¥ -**	**¥ -**
Deposits received for securities lending transactions	**159,277**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**257,269**	**235**	**77**	**5,000**	**-**	**-**
Bonds	**-**	**-**	**-**	**10,000**	**-**	**-**
Total	**¥ 4,064,557**	**¥ 245,632**	**¥ 48,489**	**¥ 15,000**	**¥ -**	**¥ -**

(*) Demand deposits are shown under “Due within 1 year.”

	Millions of yen					
	2017					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	¥ 3,614,905	¥ 269,908	¥ 56,865	¥ -	¥ -	¥ -
Call money and bills sold	208,500	-	-	-	-	-
Deposits received for securities lending transactions	180,206	-	-	-	-	-
Borrowed money	239,602	728	80	-	5,000	-
Bonds	-	-	-	10,000	-	-
Total	¥ 4,243,214	¥ 270,636	¥ 56,945	¥ 10,000	¥ 5,000	¥ -

(*) Demand deposits are shown under “Due within 1 year.”

	Thousands of U.S. dollars					
	2018					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	**$34,337,452**	**$2,309,836**	**$455,685**	**$ -**	**$ -**	**$ -**
Deposits received for securities lending transactions	**1,499,218**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**2,421,583**	**2,211**	**724**	**47,063**	**-**	**-**
Bonds	**-**	**-**	**-**	**94,126**	**-**	**-**
Total	**$38,258,254**	**$2,312,048**	**$456,410**	**$ 141,189**	**$ -**	**$ -**

(*) Demand deposits are shown under “Due within 1 year.”

24. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives and the risks and risk control systems for derivatives are described in Note 23, "Financial instruments and related disclosures."

Outstanding derivative contracts which were revalued at fair value and the gains and losses recognized in the consolidated statements of income as of March 31, 2018 and 2017 are set forth in the tables below.

Derivatives to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount, fair value and recognized gain (loss) at the balance sheet date designated by transaction type and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with the derivatives themselves.

	Millions of yen							
	2018				2017			
	Contract amount				Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)	Total	Over one Year	Fair value	Recognized gain (loss)
Currency related:								
Currency swaps	**¥ 705,728**	**¥ 563,828**	**¥ 629**	**¥ 629**	¥ 467,698	¥ 398,219	¥ 420	¥ 420
Forward foreign exchanges:								
Sell	**84,582**	**102**	**1,016**	**1,016**	95,647	-	1,094	1,094
Buy	**4,064**	**24**	**(62)**	**(62)**	3,423	-	(2)	(2)
Total	-	-	**¥ 1,583**	**¥ 1,583**	-	-	¥ 1,513	¥ 1,513

	Thousands of U.S. dollars			
	2018			
	Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:				
Currency swaps	**$ 6,642,771**	**$ 5,307,115**	**$ 5,920**	**$ 5,920**
Forward foreign exchanges:				
Sell	**796,140**	**960**	**9,563**	**9,563**
Buy	**38,253**	**225**	**(583)**	**(583)**
Total	-	-	**$ 14,900**	**$ 14,900**

The transactions were valued at market value, and valuation gains and losses were credited or charged to income. Fair value was determined using the value calculated by the discounted present value.

Derivatives to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, the contract amount and fair value at the balance sheet date by transaction type and by hedge accounting method and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with the derivatives themselves.

Interest rate related:

There were no interest rate related derivatives at March 31, 2018 and 2017.

Currency related:

Hedge accounting method	Type	Major hedged items	Millions of yen					
			2018					
			Contract amount					
			Total		Over one year		Fair value	
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	**¥**	**2,252**	**¥**	**2,252**	**¥**	**79**

Hedge accounting method	Type	Major hedged items	Millions of yen					
			2017					
			Contract amount					
			Total		Over one year		Fair value	
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	¥	2,252	¥	2,252	¥	(59)

Notes:

1. The above transactions are accounted for by deferral hedge accounting in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
2. Fair value was determined using the value calculated by the discounted present value.

Hedge accounting method	Type	Major hedged items	Thousands of U.S. dollars					
			2018					
			Contract amount					
			Total		Over one year		Fair value	
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	**$**	**21,197**	**$**	**21,197**	**$**	**743**

Notes:

1. The above transactions are accounted for by deferral hedge accounting in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
2. Fair value was determined using the value calculated by the discounted present value.

Stock or bond related:

There were no stock or bond related derivatives at March 31, 2018 and 2017.

25. Segment information

(a) General information about reportable segments

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors meeting, etc. regularly in order to make decisions about the allocation of resources and assess performance. The Group comprises of the Bank and the six consolidated subsidiaries, and engages mainly in the banking business, and financial information is controlled based on figures provided by the Bank, which operates the banking business. So, the Group defines the banking business as a reportable segment.

(b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

The accounting methods used for the reportable segments are the same as those used for the preparation of the consolidated financial statements. Profits for reportable segments are ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest. Profits and transfer sums of intersegment transactions within the Group are based on market prices.

(c) Information about reportable segment profit or loss, segment assets, segment liabilities and other items

Segment information as of and for the fiscal year ended March 31, 2018 was as follows:

	Millions of yen				
	2018				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ **65,755**	¥ **8,501**	¥ **74,257**	¥ **-**	¥ **74,257**
Intersegment	**335**	**1,690**	**2,026**	**(2,026)**	**-**
Total	**66,091**	**10,192**	**76,283**	**(2,026)**	**74,257**
Segment profit	**15,657**	**1,818**	**17,476**	**85**	**17,561**
Segment assets	**4,669,139**	**31,819**	**4,700,958**	**(28,210)**	**4,672,748**
Segment liabilities	**4,450,519**	**18,707**	**4,469,227**	**(25,771)**	**4,443,455**
Others					
Depreciation	¥ **3,268**	¥ **456**	¥ **3,725**	¥ **-**	¥ **3,725**
Interest income	**47,392**	**79**	**47,471**	**(72)**	**47,398**
Interest expense	**2,775**	**71**	**2,846**	**(70)**	**2,776**
Gain on disposal of fixed assets	**16**	**0**	**16**	**-**	**16**
Loss on disposal of fixed assets	**72**	**0**	**72**	**-**	**72**
Impairment loss on fixed assets	**421**	**-**	**421**	**-**	**421**
Income taxes	**4,640**	**540**	**5,181**	**28**	**5,209**
Increase in tangible and intangible fixed assets	**1,960**	**96**	**2,057**	**-**	**2,057**

Notes: 1. Ordinary income represents total income less certain specific income.
2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.
3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(2,026) million represents intersegment elimination.
(2) "Reconciliation" of "Segment profit" in the amount of ¥85 million represents intersegment elimination.
(3) "Reconciliation" of "Segment assets" in the amount of ¥(28,210) million represents intersegment elimination.
(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(25,771) million represents intersegment elimination.
(5) "Reconciliation" of "Interest income" in the amount of ¥(72) million represents intersegment elimination.
(6) "Reconciliation" of "Interest expenses" in the amount of ¥(70) million represents intersegment elimination.
(7) "Reconciliation" of "Income taxes" in the amount of ¥28 million represents intersegment elimination.
4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

Segment information as of and for the fiscal year ended March 31, 2017 was as follows:

	Millions of yen				
	2017				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ 67,053	¥ 8,432	¥ 75,485	¥ -	¥ 75,485
Intersegment	344	1,643	1,988	(1,988)	-
Total	67,397	10,076	77,473	(1,988)	75,485
Segment profit	12,171	1,317	13,488	73	13,562
Segment assets	4,868,004	30,056	4,898,061	(27,601)	4,870,459
Segment liabilities	4,659,359	18,225	4,677,585	(25,103)	4,652,481
Others					
Depreciation	¥ 3,339	¥ 420	¥ 3,759	¥ -	¥ 3,759
Interest income	48,676	95	48,771	(80)	48,691
Interest expense	3,504	78	3,582	(77)	3,504
Gain on disposal of fixed assets	16	-	16	-	16
Loss on disposal of fixed assets	111	1	112	-	112
Impairment loss on fixed assets	214	-	214	-	214
Income taxes	1,517	548	2,065	30	2,096
Increase in tangible and intangible fixed assets	3,243	278	3,522	(0)	3,521

Notes: 1. Ordinary income represents total income less certain specific income.

2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.

3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(1,988) million represents intersegment elimination.
(2) "Reconciliation" of "Segment profit" in the amount of ¥73 million represents intersegment elimination.
(3) "Reconciliation" of "Segment assets" in the amount of ¥(27,601) million represents intersegment elimination.
(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(25,103) million represents intersegment elimination.
(5) "Reconciliation" of "Interest income" in the amount of ¥(80) million represents intersegment elimination.
(6) "Reconciliation" of "Interest expenses" in the amount of ¥(77) million represents intersegment elimination.
(7) "Reconciliation" of "Income taxes" in the amount of ¥30 million represents intersegment elimination.
(8) "Reconciliation" of "Increase in tangible and intangible fixed assets" in the amount of ¥(0) million represents intersegment elimination.

4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

	Thousands of U.S. dollars				
	2018				
	Banking Business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	**$ 618,928**	**$ 80,016**	**$ 698,955**	**$ -**	**$ 698,955**
Intersegment	**3,153**	**15,907**	**19,070**	**(19,070)**	**-**
Total	**622,091**	**95,933**	**718,025**	**(19,070)**	**698,955**
Segment profit	**147,373**	**17,112**	**164,495**	**800**	**165,295**
Segment assets	**43,948,974**	**299,501**	**44,248,475**	**(265,530)**	**43,982,944**
Segment liabilities	**41,891,180**	**176,082**	**42,067,272**	**(242,573)**	**41,824,689**
Others					
Depreciation	**$ 30,760**	**$ 4,292**	**$ 35,062**	**$ -**	**$ 35,062**
Interest income	**446,084**	**743**	**446,827**	**(677)**	**446,140**
Interest expense	**26,120**	**668**	**26,788**	**(658)**	**26,129**
Gain on disposal of fixed assets	**150**	**0**	**150**	**-**	**150**
Loss on disposal of fixed assets	**677**	**0**	**677**	**-**	**677**
Impairment loss on fixed assets	**3,962**	**-**	**3,962**	**-**	**3,962**
Income taxes	**43,674**	**5,082**	**48,766**	**263**	**49,030**
Increase in tangible and intangible fixed assets	**18,448**	**903**	**19,361**	**-**	**19,361**

Notes: 1. Ordinary income represents total income less certain specific income.
2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.
3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of $(19,070) thousands represents intersegment elimination.
(2) "Reconciliation" of "Segment profit" in the amount of $800 thousand represents intersegment elimination.
(3) "Reconciliation" of "Segment assets" in the amount of $(265,530) thousand represents intersegment elimination.
(4) "Reconciliation" of "Segment liabilities" in the amount of $(242,573) thousand represents intersegment elimination.
(5) "Reconciliation" of "Interest income" in the amount of $(677) thousand represents intersegment elimination.
(6) "Reconciliation" of "Interest expenses" in the amount of $(658) thousand represents intersegment elimination.
(7) "Reconciliation" of "Income taxes" in the amount of $263 thousand represents intersegment elimination.
4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

(d) Information about services

	Millions of yen			
	2018			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**¥ 34,433**	**¥ 19,431**	**¥ 20,392**	**¥ 74,257**

	Millions of yen			
	2017			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥ 35,708	¥ 19,756	¥ 20,020	¥ 75,485

	Thousands of U.S. dollars			
	2018			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**$ 324,105**	**$ 182,897**	**$ 191,942**	**$ 698,955**

Note: Ordinary income represents total income less certain specific income.

(e) Information about geographic areas

The information is not required to be disclosed because the amounts of ordinary income and tangible fixed assets in Japan exceeded 90% of the respective total amount for all segments.

(f) Information about major customers

The information is not required to be disclosed because ordinary income from any particular outside customer represented less than 10% of consolidated ordinary income.

(g) Segment information for impairment loss on fixed assets by reportable segment

	Millions of yen		
	2018		
	Banking business	Other business	Total
Impairment loss on fixed assets	**¥ 421**	**¥ -**	**¥ 421**

	Millions of yen		
	2017		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 214	¥ -	¥ 214

	Thousands of U.S. dollars		
	2018		
	Banking business	Other business	Total
Impairment loss on fixed assets	**$ 3,962**	**$ -**	**$ 3,962**

(h) Segment information on amortization and the unamortized portion of goodwill by reportable segment

There was no applicable information for the years ended March 31, 2018 and 2017.

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26. Related party transactions

Significant transactions with the directors of the Bank or major shareholders for the years ended March 31, 2018 and 2017 were as follows:

Year ended March 31, 2018

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Ippei Uchita (Note 2)	Office worker	-	Loans	Loan (Note 1)	**¥ -**	Loans and bills discounted	**¥ 19**
	Kinuko Higuchi (Notes 3, 7 and 8)	Real estate leasing	-	Loans	Loan (Note 1)	**-**	Loans and bills discounted	**204**
*2	Trendfix, Inc. (Note 4)	Production pf advertisement	-	Loans	Loan (Note 1)	**17**	Loans and bills discounted	**17**
	Akira Danbooru Kogyo Co., Ltd. (Notes 5 and 7)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	**5**	Loans and bills discounted	**24**
	MORI KEN CO., LTD. (Notes 6 and 7)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	**181**	Loans and bills discounted	**257**

*1 An officer of the Bank or his or her relative
*2 A company in which an officer or his or her relative owns a majority interest

Notes:
1. The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
2. Mr. Ippei Uchita is a relative of Mr. Keiji Shima, a director and senior managing executive officer of the Bank.
3. Ms. Kinuko Higuchi is a relative of Mr. Katsuji Higuchi, a former statutory auditor of the Bank.
4. A relative of Mr. Keiji Shima, a director and senior managing executive officer of the Bank, owns a majority of the voting rights of this company.
5. A relative of Mr. Yasuhiko Akira, a director and senior executive officer of the Bank, owns a majority of the voting rights of this company.
6. A relative of Mr. Kazuhiro Yasuyuki, a senior executive officer of the Bank, owns a majority of the voting rights of this company.
7. The Bank took out a revolving mortgage on its real estate to secure the loans.
8. As Mr. Katsuji Higuchi retired as statutory auditor on June 29, 2017, the outstanding balance of Ms. Kinuko Higuchi is presented as of that date.

Year ended March 31, 2017

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Ippei Uchita (Note 2)	Office worker	-	Loans	Loan (Note 1)	¥ 20	Loans and bills discounted	¥ 20
	Kinuko Higuchi (Notes 3 and 6)	Real estate leasing	-	Loans	Loan (Note 1)	146	Loans and bills discounted	205
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 4 and 6)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	(15)	Loans and bills discounted	18
	MORI KEN CO., LTD. (Notes 5 and 6)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	-	Loans and bills discounted	76

*1 An officer of the Bank or his or her relative
*2 A company in which an officer or his or her relative owns a majority interest

Notes:
1. The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
2. Mr. Ippei Uchita is a relative of Mr. Keiji Shima, a director and managing executive officer of the Bank.
3. Ms. Kinuko Higuchi is a relative of Mr. Katsuji Higuchi, a statutory auditor of the Bank.
4. A relative of Mr. Yasuhiko Akira, a director and executive officer of the Bank, owns a majority of the voting rights of this company.
5. A relative of Mr. Kazuhiro Yasuyuki, an executive officer of the Bank, owns a majority of the voting rights of this company.
6. The Bank took out a revolving mortgage on its real estate to secure the loans.

Year ended March 31, 2018

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Ippei Uchita (Note 2)	Office worker	-	Loans	Loan (Note 1)	**$ -**	Loans and bills discounted	**$ 178**
	Kinuko Higuchi (Notes 3, 7 and 8)	Real estate leasing	-	Loans	Loan (Note 1)	**-**	Loans and bills discounted	**1,920**
*2	Trendfix, Inc. (Note 4)	Production of advertisement	-	Loans	Loan (Note 1)	**160**	Loans and bills discounted	**160**
	Akira Danbooru Kogyo Co., Ltd. (Notes 5 and 7)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	**47**	Loans and bills discounted	**225**
	MORI KEN CO., LTD. (Notes 6 and 7)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	**1,703**	Loans and bills discounted	**2,419**

*1 An officer of the Bank or his or her relative
*2 A company in which an officer or his or her relative owns a majority interest

Notes:
1. The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
2. Mr. Ippei Uchita is a relative of Mr. Keiji Shima, a director and senior managing executive officer of the Bank.
3. Ms. Kinuko Higuchi is a relative of Mr. Katsuji Higuchi, a former statutory auditor of the Bank.
4. A relative of Mr. Keiji Shima, a director and senior managing executive officer of the Bank, owns a majority of the voting rights of this company.
5. A relative of Mr. Yasuhiko Akira, a director and senior executive officer of the Bank, owns a majority of the voting rights of this company.
6. A relative of Mr. Kazuhiro Yasuyuki, a senior executive officer of the Bank, owns a majority of the voting rights of this company.
7. The Bank took out a revolving mortgage on its real estate to secure the loans.
8. As Mr. Katsuji Higuchi retired as statutory auditor on June 29, 2017, the outstanding balance of Ms. Kinuko Higuchi is presented as of that date.

Information about parent company or significant affiliates

Years ended March 31, 2018 and 2017
Not applicable

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27. Subsequent events
Transactions under common control
Purchase of treasury stock by consolidated subsidiaries
Kiyo Card Co., Ltd. and The Kiyo Card DC Co., Ltd., consolidated subsidiaries of the Bank (hereinafter collectively referred to as the “Two Subsidiaries”), purchased the common stock issued by the Two Subsidiaries (hereinafter individually or collectively referred to as the “Stock Purchase”) on September 21, 2018.

1. Overview of the transaction
(1) Name and business description of the companies to be combined

Name of companies to be combined	Business description
Kiyo Card Co., Ltd.	Credit card operations
The Kiyo Card DC Co., Ltd.	Credit card operations

(2) Date of the business combination
September 21, 2018

(3) Legal form of the business combination
The Two Subsidiaries shall purchase treasury stock from other consolidated subsidiaries of the Bank and non-controlling shareholders.

(4) Name of companies after the business combination
No change.

(5) Other matters regarding the overview of the transaction
In the “5th Medium-Term Management Plan” of the Bank, which spans across the three-year period from April 2018 to March 2021, “achieving a balance between further improving the Bank’s presence in the region and strengthening profitability” is stated as the basic policy. As a part of the initiatives based on the policy, the Stock Purchase has been implemented in order to realize the enhancement of integrated financial services through strengthening the Bank’s cooperation with group companies.
Accordingly, the Bank shall further promote the strengthening of Group management, and strive to further enhance the Bank’s corporate value.

2. Overview of accounting treatment applied
   The transaction was accounted for as a transaction with other consolidated subsidiaries of the Bank and non-controlling shareholders within transactions under common control based on “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and “Guidance on Accounting Standards for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013).

3. Matters regarding additional purchases of subsidiary’s stock
   Breakdown of acquisition cost and purchase consideration of the company that will be acquired by type

Purchase consideration	Cash and due from banks	¥419 million ($3,943 thousand)
Acquisition cost		¥419 million ($3,943 thousand)

4. Matters regarding changes in the Bank’s equity related to transactions with non-controlling shareholders
   (1) Reasons for changes in capital surplus
   The acquisition cost of treasury stock that the Two Subsidiaries purchased from the non-controlling shareholders was less than the decrease in non-controlling interests.
   (2) Amount of increase in capital surplus due to transactions with non-controlling shareholders
   ¥789 million ($7,426 thousand)

Share exchange with the Bank as the wholly owning parent company resulting from the share exchange and Kiyo Card Co., Ltd. and The Kiyo Card DC Co., Ltd. as the wholly owned subsidiaries resulting from the share exchange

On October 1, 2018, the Bank implemented a share exchange (hereinafter individually and collectively referred to as the “Share Exchange”), with the Bank as the wholly owning parent company resulting from the Share Exchange, and Kiyo Card Co., Ltd. (hereinafter referred to as “Kiyo Card”) and The Kiyo Card DC Co., Ltd. (hereinafter referred to as “Kiyo Card DC”) as wholly owned subsidiaries resulting from the Share Exchange (hereinafter collectively referred to as the “Two Subsidiaries”).

1. Overview of the transaction
   (1) Name and business description of the companies to be combined

Name of companies to be combined	Business description
Kiyo Card Co., Ltd.	Credit card operations
The Kiyo Card DC Co., Ltd.	Credit card operations

   (2) Date of the business combination
   October 1, 2018

   (3) Legal form of the business combination
   Share exchange (simple) with the Bank as the wholly owning parent company resulting from the Share Exchange and the Two Subsidiaries as the wholly owned subsidiaries resulting from the Share Exchange

   (4) Name of companies after the business combination
   No change.

   (5) Other matters regarding the overview of the transaction
   In the “5th Medium-Term Management Plan” of the Bank, which spans across the three-year period from April 2018 to March 2021, “achieving a balance between further improving the Bank’s presence in the region and strengthening profitability” is stated as the basic policy. As a part of the initiatives based on the policy, the Share Exchange that converts the Two Subsidiaries into wholly owned subsidiaries has been implemented in order to realize the enhancement of integrated financial services through strengthening the Bank’s cooperation with group companies.
   Accordingly, the Bank shall further promote the strengthening of Group management, and strive to further enhance the Bank’s corporate value.

2. Overview of accounting treatment applied
   The transaction was accounted for as a transaction with non-controlling shareholders within a transaction under common control based on “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and “Guidance on Accounting Standards for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013).

3. Matters regarding additional purchases of subsidiaries' stock

(1) Acquisition cost and the breakdown thereof

Purchase consideration	Treasury stock	¥1,490 million ($14,024 thousand)
Acquisition cost		¥1,490 million ($14,024 thousand)

As this is a transaction between a consolidated parent company and its consolidated subsidiaries, the entire amount has been offset.

(2) Allotment ratio and the number of shares issued related to the share exchange by type of shares

	The Bank (Wholly owning parent company resulting from the Share Exchange)	Kiyo Card (Wholly owned subsidiary resulting from the Share Exchange)
Allotment ratio related to the share exchange	1	325.9

The Bank shall allot and issue 325.9 shares of its common stock for one share of Kiyo Card's common stock. However, the 60 shares of Kiyo Card's common stock owned by the Bank are not allotted in the Share Exchange.

	The Bank (Wholly owning parent company resulting from the Share Exchange)	Kiyo Card DC (Wholly owned subsidiary resulting from the Share Exchange)
Allotment ratio related to the share exchange	1	60.5

The Bank shall allot and issue 60.5 shares of its common stock for one share of Kiyo Card DC's common stock. However, the 5,360 shares of Kiyo Card DC's common stock owned by the Bank are not allotted in the Share Exchange.

(3) Calculation method for allotment ratios

To ensure the fairness and appropriateness in the calculation of the allotment ratios of shares listed in 3. (2) "Allotment ratio and the number of shares issued related to the share exchange by type of shares" above (hereinafter referred to as the "Share Exchange Ratios"), the Bank selected YAMADA Consulting Group Co., Ltd. (hereinafter referred to as "Yamada Consulting") as the third-party calculation institution. As Yamada Consulting is a calculation institution independent from the Bank and the Two Subsidiaries, and is not considered a related party, there are no special interests related to the Share Exchange concerning Yamada Consulting that should be stated.

Referencing the share exchange ratio calculation results it received from Yamada Consulting, the Bank made careful considerations of the exchange ratios, and multiple discussions and negotiations were conducted between the related parties. As a result, the Bank and the Two Subsidiaries deemed that the Share Exchange Ratios were appropriate, and would not negatively affect profits of the shareholders of any of the companies. Accordingly, in the Board of Directors' meeting of the Bank and the Two Subsidiaries held on August 6, 2018, the Share Exchange Ratios were determined and agreed upon.

Introduction of the "Trust-Type Employee Stock Incentive Plan"

At the Board of Directors' meeting held on November 12, 2018, the Bank made a resolution to introduce the "Trust-Type Employee Stock Incentive Plan" (hereinafter referred to as the "Plan") in order to grant incentives to the Group employees toward the enhancement of the Bank's medium and long-term corporate value.

1. Details of the Plan

(1) Objective of the introduction

Due to the expiration of the Second Kiyo Financial Group Employee Stock Ownership Association Trust based on the resolution at the Board of Directors' meeting held on May 15, 2015, the Bank has introduced the "Trust-Type Employee Stock Incentive Plan" to continue to enhance welfare programs for the Group employees and to improve business performances by granting incentives to the Group employees toward enhancement of medium and long-term corporate value and enhancing the employees' awareness of participation in management.

(2) Overview of the Plan

The Plan is an incentive plan for all the employees that participate in either “Kiyo Financial Group Employee Stock Ownership Association” or “Kiyo Information System Employee Stock Ownership Association” (hereinafter collectively referred to as “both Associations”).

The Bank has established “Kiyo Financial Group Employee Stock Ownership Association Trust” (hereinafter referred to as the “Trust”) in a trust bank. The Trust will acquire in advance the Bank’s shares approximate to the number of shares both Associations may acquire over the next three years. Subsequently, the Bank’s shares will be regularly transferred from the Trust to both Associations at fair value. When the amounts corresponding to gains on sales of shares are accumulated within the Trust at the termination of the Trust, such amounts will be distributed to the qualified employees who satisfy the requirements as a beneficiary.

In addition, the Bank will assume the obligation to pay for the remaining loan balances pursuant to the guarantee agreement since the Bank guarantees the loans for the Trust in purchasing the Bank’s shares. As such, when the amounts corresponding to losses on sales of shares due to a decline in the Bank’s share value are accumulated in the Trust and such loan balances are remaining within the Trust upon termination of the Trust, the Bank will repay the remaining balance.

(3) Overview of the Trust

Trustor	The Bank
Trustee	The Nomura Trust and Banking Co., Ltd.
Date of conclusion of the trust contract	November 13, 2018
Period of the trust	November 13, 2018 to November 17, 2021

2. Total amount of shares expected to be transferred to both Associations

¥1.1 billion ($10 million)

3. Scope of eligible persons who may receive beneficial interests or other rights under the Plan

The eligible persons are in principle those who are participating in the stock ownership associations at the termination of the Trust. In addition, those employees who resigned due to mandatory retirement or reasons attributable to the company are also deemed as “beneficiary candidates.”

The “beneficiary candidates” will become beneficiaries by following the designated procedures. The deceased cannot be a beneficiary.