

Consolidated Balance Sheets
The Kiyo Bank, Ltd. and its consolidated subsidiaries
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets:			
Cash and due from banks (Note 3)	¥ 621,370	¥ 671,707	\$ 5,848,738
Monetary claims bought (Note 4)	799	799	7,520
Trading account securities (Note 4)	89	123	837
Securities (Notes 4, 7, 12, 23 and 24)	1,111,261	1,305,660	10,459,911
Loans and bills discounted (Notes 5, 22, 23 and 26)	2,868,779	2,812,871	27,002,814
Foreign exchanges	3,981	2,156	37,471
Other assets (Note 7)	27,988	39,140	263,441
Tangible fixed assets (Note 6)	35,036	36,224	329,781
Intangible fixed assets	4,268	5,262	40,173
Net defined benefit asset (Note 11)	14,530	12,769	136,765
Deferred tax assets (Note 19)	622	777	5,854
Customers' liabilities for acceptances and guarantees (Note 12)	8,588	9,062	80,835
Reserve for possible loan losses	(24,569)	(26,095)	(231,259)
Total assets	¥ 4,672,748	¥ 4,870,459	\$ 43,982,944
Liabilities:			
Deposits (Notes 7, 8 and 23)	¥ 3,941,821	¥ 3,941,679	\$ 37,102,983
Call money and bills sold (Note 23)	—	208,500	—
Payables under repurchase agreements (Note 7)	17,520	—	164,909
Payables under securities lending transactions (Notes 7 and 23)	159,277	180,206	1,499,218
Borrowed money (Notes 7, 9 and 23)	262,581	245,410	2,471,583
Foreign exchanges	29	25	272
Bonds (Notes 10 and 23)	10,000	10,000	94,126
Other liabilities	33,879	50,018	318,891
Net defined benefit liability (Note 11)	21	20	197
Reserve for directors' retirement benefits	30	32	282
Reserve for reimbursement of deposits	1,139	1,133	10,721
Provision for contingent losses	444	497	4,179
Deferred tax liabilities (Note 19)	8,122	5,895	76,449
Acceptances and guarantees (Note 12)	8,588	9,062	80,835
Total liabilities	4,443,455	4,652,481	41,824,689
Net assets (Notes 13 and 14):			
Common stock	80,096	80,096	753,915
Capital surplus	2,310	2,311	21,743
Retained earnings	110,074	100,802	1,036,088
Treasury stock	(1,521)	(881)	(14,316)
Total shareholders' equity	190,960	182,328	1,797,439
Net unrealized gains on available-for-sale securities (Note 4)	29,300	27,186	275,790
Net deferred gains (losses) on hedging instruments	(33)	(46)	(310)
Remeasurements of defined benefit plans	5,500	5,133	51,769
Total accumulated other comprehensive income	34,767	32,273	327,249
Subscription rights to shares (Notes 14 and 15)	81	52	762
Non-controlling interests	3,483	3,323	32,784
Total net assets	229,292	217,978	2,158,245
Total liabilities and net assets	¥ 4,672,748	¥ 4,870,459	\$ 43,982,944

See accompanying notes.

Consolidated Income Statements
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Income			
Interest income:			
Interest on loans and bills discounted	¥ 32,800	¥ 34,179	\$ 308,734
Interest and dividends on securities	14,138	14,005	133,076
Other interest income	459	506	4,320
Fees and commissions	13,238	13,023	124,604
Other operating income	6,739	8,149	63,431
Other income (Note 16)	6,896	5,638	64,909
Total income	74,273	75,502	699,105
Expenses			
Interest expenses:			
Interest on deposits	1,256	2,344	11,822
Interest on payables under securities lending transactions	1,286	947	12,104
Interest on borrowings	91	126	856
Other interest expenses	142	86	1,336
Fees and commissions payments	4,333	4,250	40,785
Other operating expenses	7,305	8,655	68,759
General and administrative expenses (Note 17)	38,126	39,482	358,866
Provision for possible loan losses	267	2,022	2,513
Other expenses (Note 18)	4,378	4,333	41,208
Total expenses	57,189	62,249	538,300
Profit before income taxes	17,084	13,252	160,805
Income taxes (Note 19):			
Current	3,963	1,361	37,302
Deferred	1,246	734	11,728
Total income taxes	5,209	2,096	49,030
Profit	11,874	11,156	111,765
Profit attributable to non-controlling interests	152	127	1,430
Profit attributable to owners of parent	¥ 11,722	¥ 11,028	\$ 110,335
		Yen	U.S. dollars
Per share of common stock:			
Basic earnings per share (Note 21)	¥ 168.82	¥ 157.77	\$ 1.58
Diluted earnings per share (Note 21)	168.70	157.70	1.58
Dividends (Note 14)	35.00	35.00	0.32

See accompanying notes.

Consolidated Statements of Comprehensive Income
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit	¥ 11,874	¥ 11,156	\$ 111,765
Other comprehensive income (loss) (Note 20):			
Net unrealized gains (losses) on available-for-sale securities	2,126	(3,792)	20,011
Net deferred gains (losses) on hedging instruments	13	(46)	122
Remeasurements of defined benefit plans	366	(624)	3,445
Total other comprehensive income (loss)	2,506	(4,464)	23,588
Comprehensive income	¥ 14,381	¥ 6,692	\$ 135,363
Total comprehensive income attributable to:	¥ 14,381	¥ 6,692	\$ 135,363
Comprehensive income attributable to owners of parent	14,215	6,548	133,800
Comprehensive income attributable to non-controlling interests	165	143	1,553

See accompanying notes.

	Shareholders' equity					Accumulated other comprehensive income					Total net assets	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares		Non-controlling interests
Balance at April 1, 2016	¥ 80,096	¥ 6,941	¥ 92,260	¥ (4,406)	¥ 174,891	¥ 30,995	¥ -	¥ 5,755	¥ 36,754	¥ 21	¥ 3,184	¥ 214,851
Cash dividends	-	-	(2,486)	-	(2,486)	-	-	-	-	-	-	(2,486)
Profit attributable to owners of parent	-	-	11,028	-	11,028	-	-	-	-	-	-	11,028
Purchase of treasury stock	-	-	-	(1,504)	(1,504)	-	-	-	-	-	-	(1,504)
Disposal of treasury stock	-	0	-	388	388	-	-	-	-	-	-	388
Retirement of treasury stock	-	(4,630)	-	4,630	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	(3,809)	(46)	(624)	(4,480)	30	138	(4,310)
Balance at March 31, 2017	80,096	2,311	100,802	(651)	182,328	27,186	(46)	5,133	32,273	52	3,323	217,978
Balance at April 1, 2017	80,096	2,311	100,802	(651)	182,328	27,186	(46)	5,133	32,273	52	3,323	217,978
Cash dividends	-	-	(2,449)	-	(2,449)	-	-	-	-	-	-	(2,449)
Profit attributable to owners of parent	-	-	11,722	(1,004)	11,722	-	-	-	-	-	-	11,722
Purchase of treasury stock	-	-	-	(1,004)	(1,004)	-	-	-	-	-	-	(1,004)
Disposal of treasury stock	-	(0)	-	364	363	-	-	-	-	-	-	363
Net changes in items other than shareholders' equity	-	-	-	-	-	2,113	13	366	2,493	28	160	2,682
Balance at March 31, 2018	80,096	2,310	110,074	(1,521)	190,960	29,300	(33)	5,500	34,767	81	3,483	229,292

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares		Non-controlling interests
Balance at April 1, 2017	\$ 753,915	\$ 21,752	\$ 948,814	\$ (6,292)	\$ 1,716,189	\$ 255,892	\$ (432)	\$ 48,315	\$ 303,774	\$ 489	\$ 31,278	\$ 2,051,750
Cash dividends	-	-	(23,051)	-	(23,051)	-	-	-	-	-	-	(23,051)
Profit attributable to owners of parent	-	-	110,385	-	110,385	-	-	-	-	-	-	110,385
Purchase of treasury stock	-	(0)	-	(9,450)	(9,450)	-	-	-	-	-	-	(9,450)
Disposal of treasury stock	-	-	-	3,426	3,416	-	-	-	-	-	-	3,416
Net changes in items other than shareholders' equity	-	-	-	-	-	19,888	122	3,445	23,465	263	1,506	25,244
Balance at March 31, 2018	753,915	21,743	87,274	(6,024)	81,260	19,888	122	3,445	23,465	263	1,506	106,494
Balance at March 31, 2018	753,915	21,743	1,036,068	(14,316)	1,797,459	275,790	(810)	51,769	327,249	762	32,784	2,156,245

See accompanying notes.

Consolidated Statements of Cash Flows
The Kiyu Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		2018
	2018	2017	
Cash flows from operating activities:			
Profit before income taxes	¥ 17,084	¥ 13,252	\$ 160,805
Depreciation	3,725	3,759	35,062
Impairment loss on fixed assets	421	214	3,962
Increase (decrease) in reserve for possible loan losses	(1,525)	1,032	(14,354)
(Increase) decrease in net defined benefit asset	(1,242)	43	(11,690)
Increase (decrease) in net defined benefit liability	0	(1)	0
Increase (decrease) in reserve for directors' retirement benefits	(1)	-	(9)
Increase (decrease) in reserve for reimbursement of deposits	5	12	47
Increase (decrease) in provision for contingent losses	(52)	(59)	(489)
Interest income	(47,398)	(48,691)	(446,140)
Interest expenses	2,776	3,504	26,129
(Gains) losses on securities transactions	(2,288)	(128)	(21,536)
(Gains) losses on foreign exchange transactions	7,044	(1,870)	66,302
(Gains) losses on sales and disposal of fixed assets	56	95	527
Net (increase) decrease in trading account securities	34	119	320
Net (increase) decrease in loans and bills discounted	(55,908)	(81,833)	(526,242)
Net increase (decrease) in deposits	141	22,597	1,327
Net increase (decrease) in borrowed money (excluding subordinated loans)	17,171	101,935	161,624
Net increase (decrease) in call money	(190,979)	208,500	(1,797,618)
Net increase (decrease) in payables under securities lending transactions	(20,929)	86,838	(196,997)
Net (increase) decrease in foreign exchange assets	(1,825)	716	(17,178)
Net increase (decrease) in foreign exchange liabilities	3	2	28
Interest received	44,260	45,775	416,603
Interest paid	(3,152)	(4,174)	(29,668)
Other, net	(12,302)	2,801	(115,794)
Subtotal	(244,881)	354,444	(2,304,979)
Income taxes paid	(1,923)	(1,004)	(18,100)
Net cash provided by (used in) operating activities	(246,804)	353,440	(2,323,079)
Cash flows from investing activities:			
Purchases of securities	(326,195)	(526,031)	(3,070,359)
Proceeds from sales of securities	298,475	149,153	2,809,440
Redemption of securities	229,401	242,486	2,159,271
Purchases of tangible fixed assets	(1,137)	(1,742)	(10,702)
Proceeds from sales of tangible fixed assets	24	81	225
Purchases of intangible fixed assets	(859)	(1,618)	(8,085)
Other, net	-	(17)	-
Net cash provided by (used in) investing activities	199,709	(137,688)	1,879,791
Cash flows from financing activities:			
Repayment of subordinated loans	-	(3,000)	-
Redemption of subordinated bonds	-	(3,000)	-
Purchase of treasury stock	(1,004)	(1,504)	(9,450)
Proceeds from sales of treasury stock	363	399	3,416
Payment of cash dividends	(2,449)	(2,486)	(23,051)
Payment of cash dividends to non-controlling shareholders	(4)	(4)	(37)
Other, net	(139)	(96)	(1,308)
Net cash provided by (used in) financing activities	(3,234)	(9,693)	(30,440)
Foreign currency translation adjustments of cash and cash equivalents	(6)	(7)	(56)
Net increase (decrease) in cash and cash equivalents	(50,336)	206,051	(473,795)
Cash and cash equivalents at the beginning of year	671,707	465,655	6,322,543
Cash and cash equivalents at the end of year (Note 3)	¥ 621,370	¥ 671,707	\$ 5,848,738

See accompanying notes.

Notes to Consolidated Financial Statements

The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

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

Type	Millions of yen		
	2018		
	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)

Type	Millions of yen		
	2017		
	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
	2018	2017	U.S. dollars
Difference between acquisition cost and fair value:			2018
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
	2018	2017	U.S. dollars
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:

Years ending March 31	Borrowed money		Lease obligations	
	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
	2018	2017	U.S. dollars
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
	2018	2017	U.S. dollars
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
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
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
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)
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
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 Kiyō 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	Thousands of	U.S. dollars
	yen	Cash dividends	U.S. dollars	U.S. dollars
	Amount of	per share	Amount of	Cash dividends
	dividends		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	Thousands of	U.S. dollars
	yen	Cash dividends	U.S. dollars	U.S. dollars
	Amount of	per share	Amount of	Cash dividends
	dividends		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	Cash dividends
	Amount of	per share
	dividends	
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
	2018	2017	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
	2018	2017	U.S. dollars
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
	2018	2017	U.S. dollars
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
	2018	2017	U.S. dollars
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:

Location	Major use	Asset category	Impairment loss on fixed assets	
			Millions of yen	Thousands of U.S. dollars
			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

Location	Major use	Asset category	Impairment loss on
			fixed assets
			Millions of yen
			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
	2018	2017	U.S. dollars
Net unrealized gains (losses) on available-for-sale securities:			2018
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		U.S. dollars
	2018	2017	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		Thousands of U.S. dollars
	2018	2017	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		Thousands of U.S. dollars
	2018	2017	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		Fair value	Recognized gain (loss)	Contract amount		Fair value	Recognized gain (loss)
Total	Over one year	Total			Over one Year			
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		Fair value	Recognized gain (loss)
Total	Over one year	Total		
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:

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

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

Notes:

- 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).
- Fair value was determined using the value calculated by the discounted present value.

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

Notes:

- 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).
- 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.

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:

- 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.
- Mr. Ippei Uchita is a relative of Mr. Keiji Shima, a director and senior managing executive officer of the Bank.
- Ms. Kinuko Higuchi is a relative of Mr. Katsuji Higuchi, a former statutory auditor of the Bank.
- 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.
- 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.
- A relative of Mr. Kazuhiro Yasuyuki, a senior executive officer of the Bank, owns a majority of the voting rights of this company.
- The Bank took out a revolving mortgage on its real estate to secure the loans.
- 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

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 Kiyocard Co., Ltd. and The Kiyocard 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 Kiyocard Co., Ltd. (hereinafter referred to as “Kiyocard”) and The Kiyocard DC Co., Ltd. (hereinafter referred to as “Kiyocard 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
Kiyocard Co., Ltd.	Credit card operations
The Kiyocard 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)
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Acquisition cost	¥1,490 million (\$14,024 thousand)
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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.



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Kiyo Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Kiyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Dec 14, 2018
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.