Consolidated Balance Sheets
The Kiyo Bank, Ltd. and its consolidated subsidiaries
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets:			
Cash and due from banks (Note 3)	¥ 671,707	¥ 465,655	$ 5,987,227
Monetary claims bought (Note 4)	799	799	7,121
Trading account securities (Note 4)	123	243	1,096
Securities (Notes 4, 7, 12, 23 and 24)	1,305,660	1,172,316	11,637,935
Loans and bills discounted (Notes 5, 22, 23 and 26)	2,812,871	2,731,037	25,072,386
Foreign exchange	2,156	2,872	19,217
Other assets (Note 7)	39,140	31,623	348,872
Tangible fixed assets (Note 6)	36,224	36,843	322,880
Intangible fixed assets	5,262	5,295	46,902
Net defined benefit asset (Note 11)	12,769	13,710	113,815
Deferred tax assets (Note 19)	777	937	6,925
Customers' liabilities for acceptances and guarantees (Note 12)	9,062	10,062	80,773
Reserve for possible loan losses	(26,095)	(25,062)	(232,596)
Total assets	¥ 4,870,459	¥ 4,446,335	$ 43,412,594
Liabilities:			
Deposits (Notes 7, 8 and 23)	¥ 3,941,679	¥ 3,919,081	$ 35,133,960
Call money and bills sold (Note 23)	208,500	-	1,858,454
Payables under securities lending transactions (Notes 7 and 23)	180,206	93,367	1,606,257
Borrowed money (Notes 7, 9 and 23)	245,410	146,475	2,187,449
Foreign exchange	25	22	222
Bonds (Notes 10 and 23)	10,000	13,000	89,134
Other liabilities	50,018	38,896	445,832
Net defined benefit liability (Note 11)	20	22	178
Accrued directors' retirement benefits	32	32	285
Reserve for reimbursement of deposits	1,133	1,121	10,098
Provision for contingent losses	497	556	4,429
Deferred tax liabilities (Note 19)	5,895	8,845	52,544
Acceptances and guarantees (Note 12)	9,062	10,062	80,773
Total liabilities	4,652,481	4,231,483	41,469,658
Net assets (Notes 13 and 14):			
Common stock	80,096	80,096	713,931
Capital surplus	2,311	6,941	20,598
Retained earnings	100,802	92,260	898,493
Treasury stock	(881)	(4,406)	(7,852)
Total shareholders' equity	182,328	174,891	1,625,171
Net unrealized gains on available-for-sale securities (Note 4)	27,186	30,995	242,321
Net deferred gains (losses) on hedging instruments	(46)	-	(410)
Accumulated adjustments for retirement benefits	5,133	5,758	45,752
Total accumulated other comprehensive income	32,273	36,754	287,663
Subscription rights to shares (Notes 14 and 15)	52	21	463
Non-controlling interests	3,323	3,184	29,619
Total net assets	217,978	214,851	1,942,936
Total liabilities and net assets	¥ 4,870,459	¥ 4,446,335	$ 43,412,594

See accompanying notes.

Consolidated Income Statements
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income			
Interest income:			
Interest on loans and bills discounted	¥ 34,179	¥ 37,004	$ 304,652
Interest and dividends on securities	14,005	14,125	124,832
Other interest income	506	475	4,510
Fees and commissions	13,023	12,356	116,079
Other operating income	8,149	10,156	72,635
Other income (Note 16)	5,638	7,518	50,254
Total income	75,502	81,636	672,983
Expenses			
Interest expense:			
Interest on deposits	2,344	3,211	20,893
Interest on payables under securities lending transactions	947	479	8,441
Interest on borrowings	126	243	1,123
Other interest expense	86	315	766
Fees and commissions	4,250	4,270	37,882
Other operating expenses	8,655	5,447	77,145
General and administrative expenses (Note 17)	39,482	40,228	351,920
Provision for possible loan losses	2,022	471	18,022
Other expenses (Note 18)	4,333	5,842	38,621
Total expenses	62,249	60,509	554,853
Profit before income taxes	13,252	21,126	118,121
Income taxes (Note 19):			
Current	1,361	542	12,131
Deferred	734	3,425	6,542
Total income taxes	2,096	3,967	18,682
Profit	11,156	17,158	99,438
Profit attributable to non-controlling interests	127	135	1,132
Profit attributable to owners of parent	¥ 11,028	¥ 17,023	$ 98,297

	Yen		U.S. dollars
Per share of common stock:			
Basic earnings per share (Note 21)	¥ 157.77	¥ 239.62	$ 1.40
Diluted earnings per share (Note 21)	157.70	239.57	1.40
Dividends (Note 14)	35.00	35.00	0.31

See accompanying notes.

Consolidated Statements of Comprehensive Income
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Profit	¥ 11,156	¥ 17,158	$ 99,438
Other comprehensive income (loss) (Note 20):			
Net unrealized gains (losses) on available-for-sale securities	(3,792)	(9,685)	(33,799)
Net deferred gains (losses) on hedging instruments	(46)	410	(410)
Adjustments for retirement benefits	(624)	(3,511)	(5,561)
Total other comprehensive income (loss)	(4,464)	(12,786)	(39,789)
Comprehensive income	¥ 6,692	¥ 4,371	$ 59,648
Total comprehensive income attributable to:	¥ 6,692	¥ 4,371	$ 59,648
Comprehensive income attributable to owners of parent	6,548	4,226	58,365
Comprehensive income attributable to non-controlling interests	143	144	1,274

See accompanying notes.

Consolidated Statements of Changes in Net Assets
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 80,096	¥ 6,941	¥ 77,751	¥ (2,115)	¥ 162,674	¥ 40,691	¥ (410)	¥ 9,270	¥ 49,550	¥ -	¥ 3,044	¥ 215,269
Cash dividends	-	-	(2,515)	-	(2,515)	-	-	-	-	-	-	(2,515)
Profit attributable to owners of parent	-	-	17,023	-	17,023	-	-	-	-	-	-	17,023
Purchase of treasury stock	-	-	-	(2,482)	(2,482)	-	-	-	-	-	-	(2,482)
Disposal of treasury stock	-	0	-	191	191	-	-	-	-	-	-	191
Net changes in items other than shareholders' equity	-	-	-	-	-	(9,695)	410	(3,511)	(12,796)	21	139	(12,634)
Total changes during the year	-	0	14,508	(2,291)	12,217	(9,695)	410	(3,511)	(12,796)	21	139	(417)
Balance at March 31, 2016	80,096	6,941	92,260	(4,406)	174,891	30,995	-	5,758	36,754	21	3,184	214,851
Balance at April 1, 2016	80,096	6,941	92,260	(4,406)	174,891	30,995	-	5,758	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	-	398	399	-	-	-	-	-	-	399
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)
Total changes during the year	-	(4,630)	8,541	3,525	7,437	(3,809)	(46)	(624)	(4,480)	30	138	3,126
Balance at March 31, 2017	¥ 80,096	¥ 2,311	¥ 100,802	¥ (881)	¥ 182,328	¥ 27,186	¥ (46)	¥ 5,133	¥ 32,273	¥ 52	¥ 3,323	¥ 217,978

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2016	$ 713,931	$ 61,868	$ 822,354	$ (39,272)	$ 1,558,882	$ 276,272	$ -	$ 51,323	$ 327,604	$ 187	$ 28,380	$ 1,915,063
Cash dividends	-	-	(22,158)	-	(22,158)	-	-	-	-	-	-	(22,158)
Profit attributable to owners of parent	-	-	98,297	-	98,297	-	-	-	-	-	-	98,297
Purchase of treasury stock	-	-	-	(13,405)	(13,405)	-	-	-	-	-	-	(13,405)
Disposal of treasury stock	-	0	-	3,547	3,556	-	-	-	-	-	-	3,556
Retirement of treasury stock	-	(41,269)	-	41,269	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	(33,951)	(410)	(5,561)	(39,932)	267	1,230	(38,416)
Total changes during the year	-	(41,269)	76,129	31,419	66,289	(33,951)	(410)	(5,561)	(39,932)	267	1,230	27,863
Balance at March 31, 2017	$ 713,931	$ 20,598	$ 898,493	$ (7,852)	$ 1,625,171	$ 242,321	$ (410)	$ 45,752	$ 287,663	$ 463	$ 29,619	$ 1,942,936

See accompanying notes.

Consolidated Statements of Cash Flows
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities:			
Profit before income taxes	¥ 13,252	¥ 21,126	$ 118,121
Depreciation	3,759	3,694	33,505
Impairment loss on fixed assets	214	255	1,907
Amortization of goodwill	-	1,399	-
Increase (decrease) in reserve for possible loan losses	1,032	(315)	9,198
(Increase) decrease in net defined benefit asset	43	5,420	383
Increase (decrease) in net defined benefit liability	(1)	(5)	(8)
Increase (decrease) in accrued directors' retirement benefits	-	(0)	-
Increase (decrease) in reserve for reimbursement of deposits	12	230	106
Increase (decrease) in provision for contingent losses	(59)	22	(525)
Interest income	(48,691)	(51,605)	(434,004)
Interest expense	3,504	4,249	31,232
(Gains) losses on securities transactions	(128)	(5,965)	(1,140)
(Gains) losses on foreign exchange transactions	(1,870)	8,799	(16,668)
(Gains) losses on sales and disposal of fixed assets	95	97	846
Net (increase) decrease in trading account securities	119	270	1,060
Net (increase) decrease in loans and bills discounted	(81,833)	(70,644)	(729,414)
Net increase (decrease) in deposits	22,597	93,853	201,417
Net increase (decrease) in borrowed money (excluding subordinated loans)	101,935	113,137	908,592
Net (increase) decrease in call loans	-	5,000	-
Net increase (decrease) in call money	208,500	-	1,858,454
Net increase (decrease) in payables under securities lending transactions	86,838	(23,246)	774,026
Net (increase) decrease in foreign exchange assets	716	343	6,382
Net increase (decrease) in foreign exchange liabilities	2	(74)	17
Interest received	45,775	54,921	408,013
Interest paid	(4,174)	(4,211)	(37,204)
Other, net	2,801	(6,834)	24,966
Subtotal	354,444	149,919	3,159,319
Income taxes paid	(1,004)	(481)	(8,949)
Net cash provided by (used in) operating activities	353,440	149,438	3,150,369
Cash flows from investing activities:			
Purchases of securities	(526,031)	(277,235)	(4,688,751)
Proceeds from sales of securities	149,153	237,251	1,329,467
Redemption of securities	242,486	124,325	2,161,386
Purchases of tangible fixed assets	(1,742)	(2,701)	(15,527)
Proceeds from sales of tangible fixed assets	81	111	721
Purchases of intangible fixed assets	(1,618)	(1,468)	(14,421)
Other, net	(17)	(48)	(151)
Net cash provided by (used in) investing activities	(137,688)	80,233	(1,227,275)
Cash flows from financing activities:			
Repayment of subordinated loans	(3,000)	(6,000)	(26,740)
Redemption of subordinated bonds	(3,000)	(7,000)	(26,740)
Purchase of treasury stock	(1,504)	(2,482)	(13,405)
Proceeds from sales of treasury stock	399	191	3,556
Payment of cash dividends	(2,486)	(2,515)	(22,158)
Payment of cash dividends to non-controlling shareholders	(4)	(4)	(35)
Other, net	(96)	(39)	(855)
Net cash provided by (used in) financing activities	(9,693)	(17,851)	(86,398)
Foreign currency translation adjustments of cash and cash equivalents	(7)	(20)	(62)
Net increase (decrease) in cash and cash equivalents	206,051	211,800	1,836,625
Cash and cash equivalents at beginning of year	465,655	253,855	4,150,592
Cash and cash equivalents at end of year (Note 3)	¥ 671,707	¥ 465,655	$ 5,987,227

See accompanying notes.

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, 2017, which was ¥112.19 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, 2017 and 2016. 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.

(Stock price fluctuation risk hedge)
To hedge risk arising from changes in stock prices of certain available-for-sale securities held by the Bank, the Bank applies the fair value hedge accounting method and assesses the effectiveness of the relevant individual hedges.

(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,” the amount exceeding the estimated value of collateral and guarantees deemed uncollectible is deducted directly from those claims. At March 31, 2017 and 2016, the deducted amounts were ¥15,352 million

($136,839 thousand) and ¥17,740 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 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) Accounting changes
(Adoption of "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016")
The Bank and its consolidated subsidiaries have applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force ("PITF") No. 32, June 17, 2016) from the fiscal year ended March 31, 2017 and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.
The impact on the consolidated financial statements for the year ended March 31, 2017 is immaterial.

(q) Additional information
(Adoption of "Revised Implementation Guidance on Recoverability of Deferred Tax Assets")
The Bank and its consolidated subsidiaries have applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

(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 ¥409 million ($3,645 thousand) and 224 thousand shares as of March 31, 2017 and ¥804 million and 440 thousand shares as of March 31, 2016, respectively.

(3) The carrying amount of the borrowed money recorded by applying the gross amount method as of March 31, 2017 and 2016 was ¥489 million ($4,358 thousand) and ¥832 million, respectively.

3. Cash and cash equivalents

As of March 31, 2017 and 2016, 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, 2017 and 2016 amounted to ¥(2) million ($(17) thousand) and ¥(0) million, respectively.

Investments in an unconsolidated subsidiary and an affiliate in the amounts of ¥166 million ($1,479 thousand) and ¥133 million are included in "Securities" as of March 31, 2017 and 2016, respectively.

Among securities borrowed under unsecured securities lending 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, 2017 and 2016 amounted to nil and ¥544 million, 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, 2017 and 2016 were as follows:

(a) Held-to-maturity debt securities

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

	Millions of yen		
	2016		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	¥ -	¥ -	¥ -
Subtotal	¥ -	¥ -	¥ -
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	¥ 131,585	¥ 130,798	¥ (787)
Subtotal	¥ 131,585	¥ 130,798	¥ (787)
Total	¥ 131,585	¥ 130,798	¥ (787)

Type	Thousands of U.S. dollars 2017 Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	$ **343,453**	$ **343,961**	$ **508**
Subtotal	$ **343,453**	$ **343,961**	$ **508**
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	$ **591,808**	$ **587,218**	$ **(4,581)**
Subtotal	$ **591,808**	$ **587,218**	$ **(4,581)**
Total	$ **935,261**	$ **931,179**	$ **(4,073)**

(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 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	Millions of yen 2016 Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 29,814	¥ 13,980	¥ 15,834
Bonds	649,174	631,058	18,115
Japanese government bonds	301,330	291,309	10,020
Local government bonds	150,753	147,166	3,587
Corporate bonds	197,090	192,582	4,507
Other	253,622	241,350	12,272
Foreign bonds	187,171	181,565	5,606
Other	66,450	59,785	6,665
Subtotal	¥ 932,610	¥ 886,389	¥ 46,221
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 12,350	¥ 13,875	¥ (1,525)
Bonds	26,531	26,624	(93)
Japanese government bonds	-	-	-
Local government bonds	22,181	22,258	(76)
Corporate bonds	4,350	4,366	(16)
Other	67,780	71,095	(3,314)
Foreign bonds	21,181	21,359	(178)
Other	46,599	49,735	(3,136)
Subtotal	¥ 106,662	¥ 111,596	¥ (4,933)
Total	¥ 1,039,273	¥ 997,985	¥ 41,287

Type	Thousands of U.S. dollars **2017** Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	**$ 398,867**	**$ 206,711**	**$ 192,147**
Bonds	**4,948,925**	**4,848,319**	**100,597**
Japanese government bonds	**2,233,113**	**2,180,934**	**52,170**
Local government bonds	**1,268,553**	**1,246,367**	**22,176**
Corporate bonds	**1,447,250**	**1,421,009**	**26,241**
Other	**2,142,303**	**2,051,974**	**90,328**
Foreign bonds	**1,167,234**	**1,146,037**	**21,196**
Other	**975,069**	**905,936**	**69,132**
Subtotal	**$ 7,490,106**	**$ 7,107,014**	**$ 383,082**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	**$ 17,693**	**$ 19,137**	**$ (1,443)**
Bonds	**1,714,136**	**1,739,130**	**(24,993)**
Japanese government bonds	**351,100**	**364,551**	**(13,441)**
Local government bonds	**966,547**	**974,962**	**(8,414)**
Corporate bonds	**396,479**	**399,607**	**(3,119)**
Other	**1,465,852**	**1,511,418**	**(45,565)**
Foreign bonds	**1,000,320**	**1,027,301**	**(26,981)**
Other	**465,531**	**484,107**	**(18,575)**
Subtotal	**$ 3,197,691**	**$ 3,269,703**	**$ (72,002)**
Total	**$ 10,687,797**	**$ 10,376,726**	**$ 311,070**

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, 2017 and 2016 was ¥1 million ($8 thousand) and ¥0 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, 2017 and 2016.

(d) Total sales of available-for-sale securities in the years ended March 31, 2017 and 2016 amounted to ¥157,947 million ($1,407,852 thousand) and ¥245,532 million, respectively. The related gains and losses for the year ended March 31, 2017 amounted to ¥5,795 million ($51,653 thousand) and ¥5,665 million ($50,494 thousand), respectively. The related gains and losses for the year ended March 31, 2016 amounted to ¥9,572 million and ¥3,571 million, respectively.

(e) Net unrealized gains on available-for-sale securities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Difference between acquisition cost and fair value:			
Available-for-sale securities	**¥ 36,672**	¥ 43,697	**$ 326,874**
Deferred tax liabilities	**(9,293)**	(12,525)	**(82,832)**
Difference between acquisition cost and fair value (prior to adjustment for non-controlling interests)	**27,378**	31,171	**244,032**
Amount corresponding to non-controlling interests	**(191)**	(175)	**(1,702)**
Net unrealized gains on available-for-sale securities	**¥ 27,186**	¥ 30,995	**$ 242,321**

5. Loans and bills discounted

Loans and bills discounted at March 31, 2017 and 2016 included the following:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Loans to borrowers legally bankrupt	¥	**1,522**	¥	1,761	$	**13,566**
Other delinquent loans		**70,080**		69,878		**624,654**
Loans past due over 3 months		**-**		11		**-**
Restructured loans		**8,870**		10,946		**79,062**
Total	¥	**80,473**	¥	82,597	$	**717,292**

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 ¥20,311 million ($181,041 thousand) and ¥22,053 million at March 31, 2017 and 2016, respectively.

6. Tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2017 and 2016 was ¥46,687 million ($416,142 thousand) and ¥46,500 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets was ¥4,302 million ($38,345 thousand) and ¥4,295 million at March 31, 2017 and 2016, respectively.

7. Assets pledged as collateral

Assets pledged as collateral at March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Securities	¥	**460,994**	¥	**299,327**	$	**4,109,047**
Other assets		**293**		292		**2,611**
Total	¥	**461,288**	¥	299,619	$	**4,111,667**

The above pledged assets secured the following liabilities:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Deposits	¥	**24,470**	¥	32,548	$	**218,112**
Payables under securities lending transactions		**180,206**		93,367		**1,606,257**
Borrowed money		**239,426**		137,155		**2,134,111**
Total	¥	**444,102**	¥	263,070	$	**3,958,481**

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, 2017 and 2016 were ¥27,332 million ($243,622 thousand) and ¥27,516 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,302 million ($11,605 thousand) and ¥1,358 million at March 31, 2017 and 2016, respectively.

8. Deposits

Deposits at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Liquid deposits	¥ **1,935,535**	¥ 1,818,101	$ **17,252,295**
Fixed-term deposits	**1,807,705**	1,951,803	**16,112,888**
Other deposits	**79,672**	83,269	**710,152**
Negotiable certificates of deposit	**118,766**	65,907	**1,058,614**
Total	¥ **3,941,679**	¥ 3,919,081	$ **35,133,960**

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, 2017 and 2016, subordinated loans in the amount of ¥5,000 million ($44,567 thousand) and ¥8,000 million were included in borrowed money, respectively. Annual maturities of borrowed money and lease obligations as of March 31, 2017 were as follows:

	Borrowed money		Lease obligations	
Years ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2018	¥ **239,602**	$ **2,135,680**	¥ **132**	$ **1,176**
2019	**628**	**5,597**	**131**	**1,167**
2020	**100**	**891**	**126**	**1,123**
2021	**60**	**534**	**122**	**1,087**
2022	**20**	**178**	**113**	**1,007**
2023 and thereafter	**5,000**	**44,567**	**154**	**1,372**
Total	¥ **245,410**	$ **2,187,449**	¥ **780**	$ **6,952**

10. Bonds

As of March 31, 2017, 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**	$ **89,134**
Total	-	-	¥ **10,000**	$ **89,134**

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. 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 31,844**	¥ 28,303	**$ 283,839**
Service cost	**1,124**	916	**10,018**
Interest cost	**108**	341	**962**
Actuarial differences	**50**	3,673	**445**
Benefits paid	**(1,690)**	(1,390)	**(15,063)**
Balance at end of year	**¥ 31,437**	¥ 31,844	**$ 280,212**

2. The changes in plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 45,533**	¥ 47,406	**$ 405,856**
Expected return on plan assets	**388**	278	**3,458**
Actuarial differences	**(225)**	(768)	**(2,005)**
Benefits paid	**(1,511)**	(1,383)	**(13,468)**
Balance at end of year	**¥ 44,185**	¥ 45,533	**$ 393,840**

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	
	2017		2016		**2017**	
Funded benefit obligation	**¥**	**31,416**	¥	31,822	**$**	**280,024**
Plan assets		**(44,185)**		(45,533)		**(393,840)**
		(12,769)		(13,710)		**(113,815)**
Unfunded benefit obligation		**20**		22		**178**
Net liability (asset)	**¥**	**(12,748)**	¥	(13,688)	**$**	**(113,628)**

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Net defined benefit liability	**¥**	**20**	¥	22	**$**	**178**
Net defined benefit asset		**(12,769)**		(13,710)		**(113,815)**
Net liability (asset)	**¥**	**(12,748)**	¥	(13,688)	**$**	**(113,628)**

4. The components of severance and retirement benefit expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Service cost	**¥**	**1,124**	¥	916	**$**	**10,018**
Interest cost		**108**		341		**962**
Expected return on plan assets		**(388)**		(278)		**(3,458)**
Recognized actuarial differences		**(622)**		(923)		**(5,544)**
Other		**23**		36		**205**
Severance and retirement benefit expenses	**¥**	**244**	¥	93	**$**	**2,174**

5. The components of adjustments for retirement benefits (before tax effect) for the years ended March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Actuarial differences	**¥**	**(898)**	¥	(5,364)	**$**	**(8,004)**
Total	**¥**	**(898)**	¥	(5,364)	**$**	**(8,004)**

6. The components of accumulated adjustments for retirement benefits (before tax effect) as of March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
Unrecognized actuarial differences	**¥**	**7,380**	¥	8,278	**$**	**65,781**
Total	**¥**	**7,380**	¥	8,278	**$**	**65,781**

7. Plan assets

(1) Components of plan assets as of March 31, 2017 and 2016

Plan assets consisted of the following:

	2017	2016
Stocks	**60%**	58%
Bonds	**16%**	21%
General accounts	**12%**	8%
Cash and deposits	**4%**	7%
Other	**8%**	6%
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 53% and 62% of total assets as of March 31, 2017 and 2016, 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, 2017 and 2016 were as follows (presented at weighted average rates):

	2017	2016
Discount rate	**0.3%**	1.2%
Long-term expected rate of return on plan assets	**0.8%**	0.5%
Expected rate of salary increase	**4.2%**	4.2%

(c) Defined contribution plans

The required contribution to the defined contribution plans of the consolidated subsidiaries was ¥32 million ($285 thousand) and ¥36 million for the years ended March 31, 2017 and 2016, 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
	2017	2016	**2017**
Amount of plan assets	**¥ 737,151**	¥ 744,963	**$ 6,570,558**
Total amount of actuarial obligations for pension financing calculation purposes and the minimum actuarial reserve	**715,710**	737,816	**6,379,445**
Net amount	**¥ 21,440**	¥ 7,147	**$ 191,104**

Notes: 1. The latest funding status as of March 31, 2017 is based on the information available as of March 31, 2016.
2. The latest funding status as of March 31, 2016 is based on the information available as of March 31, 2015.

(2) The share of contribution of pension premiums of the Group against the whole plan for the years ended March 31, 2017 and 2016 (based on the information for the periods from March 1, 2016 through March 31, 2016 and from March 1, 2015 through March 31, 2015) 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 ¥54 million ($481 thousand) and ¥88 million and surplus brought forward of ¥21,495 million ($191,594 thousand) and ¥7,236 million as of March 31, 2017 (based on information as of March 31, 2016) and 2016 (based on information as of March 31, 2015), 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 ¥17,954 million ($160,032 thousand) and ¥11,384 million as of March 31, 2017 and 2016, respectively.

13. Shareholders' equity

(a) Capital stock

The number of shares of the Bank's capital stock as of March 31, 2017 and 2016 was as follows:

	Thousands of shares	
	2017	2016
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, 2017 and 2016, the number of shares was as follows:

	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 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 Kiyo Financial Group Employee Stock Ownership Association Trust (hereinafter referred to as 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 retirement of treasury stock based on the resolution at the Board of Directors' meeting (3,099 thousand shares), transfers resulting from execution of stock options (2 thousand shares), 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).

	Thousands of shares			
	2015	Increase	Decrease	2016
Shares issued:				
Common	73,399	-	-	73,399
Total	73,399	-	-	73,399
Treasury stock:				
Common (*1 and *2)	1,539	1,348	104	2,783
Total	1,539	1,348	104	2,783

(*1) The number of shares of treasury stock at March 31, 2016 includes 440 thousand shares of the Bank held by Trust Exclusive for Employees Stock Ownership Group.

(*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 (800 thousand shares), the purchase of shares of less than one unit (3 thousand shares) and the acquisition by the Trust (545 thousand shares). The decrease in the number of common shares in treasury was due to requests for additional purchases of shares of less than one unit (0 thousand shares) and the sales by the Trust of common shares (104 thousand shares).

(b) Subscription rights to shares

The outstanding balance of subscription rights to shares of the Bank as of March 31, 2017 and 2016 was ¥52 million ($463 thousand) and ¥21 million, respectively.

(c) Information on dividends

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

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥ 2,486**	**¥ 35.00**	**$ 22,158**	**$ 0.31**

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 ($133 thousand) related to the Bank's shares held by the Trust.

Dividends applicable to the year ended March 31, 2017 and whose effective date (i.e. initial payment date) falls after March 31, 2017 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥ 2,449**	**¥ 35.00**	**$ 21,829**	**$ 0.31**

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 ($62 thousand) related to the Bank's shares held by the Trust.

Dividends paid during the year ended March 31, 2016 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥ 2,515	¥ 35.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 26, 2015.
2. Record date for all types of shares was March 31, 2015.
3. Effective date for all types of shares was June 29, 2015.

15. Stock options

(1) Stock option expense

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
General and administrative expenses	**¥ 34**	¥ 21	**$ 303**

(2) Stock options outstanding at March 31, 2017 were as follows:

a. Outline of stock options

	1st Stock Options	2nd 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
Number of options granted	Common stock of the Bank 17,300 shares	Common stock of the Bank 26,600 shares
Date of grant	July 27, 2015	July 29, 2016
Vesting conditions	Not defined	Not defined
Applicable service period	Not defined	Not defined
Exercise period	From July 28, 2015 to July 27, 2045	From July 30, 2016 to July 29, 2046

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, 2017, 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
Non-vested:		
Outstanding as of March 31, 2016	-	-
Granted	-	**26,600**
Forfeited	-	**-**
Vested	-	**26,600**
Outstanding as of March 31, 2017	**-**	**-**
Vested:		
Outstanding as of March 31, 2016	**17,300**	**-**
Vested	-	**26,600**
Exercised	**2,500**	**-**
Forfeited	**-**	**-**
Outstanding as of March 31, 2017	**14,800**	**26,600**

(ii) Price information

	Yen	
	1st Stock Options	2nd Stock Options
Exercise price	**¥ 1**	**¥ 1**
Average stock price at exercise	**1,293**	**-**
Fair value at date of grant	**1,678**	**1,382**

	U.S. Dollars	
	1st Stock Options	2nd Stock Options
Exercise price	**$ 0.00**	**$ 0.00**
Average stock price at exercise	**11.52**	**-**
Fair value at date of grant	**14.95**	**12.31**

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

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

The 2nd subscription rights to shares granted during the year ended March 31, 2017 were valued using the Black-Scholes option pricing model with the following assumptions:

	2nd Stock Options
Volatility of stock price (*1)	32.588%
Expected remaining service period (*2)	3.7 years
Expected dividend (*3)	¥35 ($0.31) per share
Risk-free interest rate (*4)	(0.359)%

(*1) Stock price volatility is computed based on actual stock prices during the period corresponding to the expected remaining service period (from November 16, 2012 to July 29, 2016).

The Bank absorbed Kiyo Holdings, Inc. (hereinafter referred to as “Kiyo Holdings” on October 1, 2013 and allotted one share of common stock of the Bank for 10 shares of common stock of Kiyo Holdings. Accordingly, actual stock price prior to the merger is computed by regarding the stock price per 10 shares of common stock of Kiyo Holdings as the stock price per one share of common stock of the Bank.

(*2) Expected remaining service 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, 2016.

(*4) Risk-free interest rate refers to the yield of government bonds for the period corresponding to the expected remaining service 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, 2017 and 2016 included the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Recovery of written-off claims	¥ **1,272**	¥ 1,433	$ **11,337**
Gain on sales of stocks and other securities	**2,794**	4,646	**24,904**

17. General and administrative expenses

General and administrative expenses for the years ended March 31, 2017 and 2016 included the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Salaries and allowances	¥ **15,199**	¥ 14,984	$ **135,475**

18. Other expenses

Other expenses for the years ended March 31, 2017 and 2016 included the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Loss on the loans written-off	¥ **1,441**	¥ 2,236	$ **12,844**
Loss on sales of stock and other securities	**1,609**	2,265	**14,341**
Loss on the devaluation of stocks	**0**	34	**0**
Loss on the transfer/sale of loan obligations	**244**	194	**2,174**
Loss on forgiveness of receivables	**59**	-	**525**
Impairment loss on fixed assets	**214**	255	**1,907**

Impairment loss on fixed assets

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥214 million ($1,907 thousand) and ¥255 million for the years ended March 31, 2017 and 2016, respectively. Details are as follows:

			Impairment loss on fixed assets	
			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	**2017**	**2017**
Wakayama Prefecture	Operating offices	Land and buildings	¥ **183**	$ **1,631**
Wakayama Prefecture	Idle assets	Land and buildings	**6**	**53**
Osaka Prefecture	Operating offices	Buildings	**25**	**222**
Total	-	-	¥ **214**	$ **1,907**

			Impairment loss on fixed assets
			Millions of yen
Location	Major use	Asset category	2016
Wakayama Prefecture	Operating offices	Land and buildings, etc.	¥ 66
Wakayama Prefecture	Idle assets	Land and buildings	75
Osaka Prefecture	Operating offices	Land and buildings	110
Osaka Prefecture	Idle assets	Land	0
Nara Prefecture	Operating offices	Buildings	3
Total	-	-	¥ 255

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% and 32.8% for the years ended March 31, 2017 and 2016, respectively. 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 years ended March 31, 2017 and 2016.

	2017	2016
Statutory tax rate	**30.6%**	32.8%
Adjustments:		
Change in valuation allowance	**(13.8)**	(17.1)
Amortization of goodwill	**-**	2.1
Reduction of deferred tax assets due to tax rate changes	**-**	1.5
Dividend income that is not taxable for income tax purposes	**(2.6)**	(1.1)
Other	**1.6**	0.5
Effective income tax rate	**15.8%**	18.7%

Significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥ 8,938**	¥ 10,415	**$ 79,668**
Write-down of securities	**2,394**	2,822	**21,338**
Operating loss carryforwards	**57**	39	**508**
Other	**4,576**	4,902	**40,787**
Subtotal	**15,967**	18,179	**142,321**
Valuation allowance	**(9,453)**	(11,833)	**(84,258)**
Deferred tax assets	**6,513**	6,345	**58,053**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(9,298)**	(12,597)	**(82,877)**
Net defined benefit asset	**(911)**	(206)	**(8,120)**
Gain on retirement benefit trust	**(440)**	(440)	**(3,921)**
Other	**(980)**	(1,008)	**(8,735)**
Deferred tax liabilities	**(11,630)**	(14,253)	**(103,663)**
Net deferred tax assets	**¥ (5,117)**	¥ (7,908)	**$ (45,610)**

Net amounts recorded in the consolidated balance sheets after offsetting by each taxable entity at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets	**¥ 777**	¥ 937	**$ 6,925**
Deferred tax liabilities	**5,895**	8,845	**52,544**

20. Other comprehensive income (loss)

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net unrealized gains (losses) on available-for-sale securities:			
Increase during the year	**¥ (6,265)**	¥ (6,782)	**$ (55,842)**
Reclassification adjustments	**(759)**	(6,714)	**(6,765)**
Subtotal before tax	**(7,024)**	(13,497)	**(62,608)**
Tax benefit (expense)	**3,231**	3,812	**28,799**
Net unrealized gains (losses) on available-for-sale securities	**(3,792)**	(9,685)	**(33,799)**
Net deferred gains (losses) on hedging instruments:			
Decrease during the year	**(67)**	(28)	**(597)**
Reclassification adjustments	**0**	631	**0**
Subtotal before tax	**(67)**	603	**(597)**
Tax benefit (expense)	**20**	(193)	**178**
Net deferred gains (losses) on hedging instruments	**(46)**	410	**(410)**
Adjustments for retirement benefits:			
Increase during the year	**(276)**	(4,441)	**(2,460)**
Reclassification adjustments	**(622)**	(923)	**(5,544)**
Subtotal before tax	**(898)**	(5,364)	**(8,004)**
Tax benefit (expense)	**273**	1,853	**2,433**
Adjustments for retirement benefits	**(624)**	(3,511)	**(5,561)**
Total other comprehensive income (loss)	**¥ (4,464)**	¥ (12,786)	**$ (39,789)**

21. Per share information

	Yen		U.S. dollars
	2017	2016	**2017**
Net assets per share	**¥ 3,076.28**	¥ 2,997.11	**$ 27.42**
Basic earnings per share	**157.77**	239.62	**1.40**
Diluted earnings per share	**157.70**	239.57	**1.40**

(Note 1) The calculation of net assets per share as of March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Total net assets	**¥ 217,978**	¥ 214,851	**$ 1,942,936**
Amount to be deducted from total net assets:	**3,375**	3,205	**30,082**
Subscription rights to shares	**52**	21	**463**
Non-controlling interests	**3,323**	3,184	**29,619**
Net assets attributable to common stock	**214,602**	211,645	**1,912,844**
Number of shares of common stock as of the fiscal year end used in computing net assets per share (thousands of shares)	**69,760**	70,616	**-**

(Note 2) The calculation of earnings per share for the years ended March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Basic earnings per share:			
Profit attributable to owners of parent	**¥ 11,028**	¥ 17,023	**$ 98,297**
Amount not attributable to common shareholders	**-**	-	**-**
Profit attributable to common shareholders of parent	**11,028**	17,023	**98,297**
Average number of shares of common stock during the term (thousands of shares)	**69,905**	71,045	**-**
Diluted earnings per share:			
Adjustment to profit attributable to owners of parent	**-**	-	**-**
Increase in number of shares of common stock (thousands of shares)	**31**	12	**-**
Subscription rights to shares (thousands of shares)	**31**	12	**-**
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, 2017 and 2016 was 224 thousand shares and 440 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, 2017 and 2016 was 311 thousand shares and 422 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, 2017 and 2016 amounted to ¥421,635 million ($3,758,222 thousand) and ¥364,163 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 ¥387,494 million ($3,453,908 thousand) and ¥355,728 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 and forward agreements, 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, 2017 and 2016 was ¥10,438 million ($93,038 thousand) and ¥2,922 million, respectively, for interest rate risk and ¥20,224 million ($180,265 thousand) and ¥27,758 million, respectively, for price fluctuation risk.

For the fiscal year ended March 31, 2017, VaR of strategic equity investment 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 equity investment in the amount of ¥20,480 million ($182,547 thousand) exceeds VaR of the price fluctuation risk in the amount of ¥10,387 million ($92,584 thousand), the modified VaR of strategic equity investment is 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, 2017 and 2016 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		
	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.

	Millions of yen		
	2016		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 465,655	¥ 465,655	¥ -
Securities:			
Held-to-maturity securities	131,585	130,798	(787)
Available-for-sale securities	1,038,474	1,038,474	-
Loans and bills discounted	2,731,037		
Reserve for possible loan losses (*1)	(24,725)		
	2,706,312	2,727,922	21,610
Total assets	¥ 4,342,027	¥ 4,362,850	¥ 20,823
Deposits	¥ 3,919,081	¥ 3,919,213	¥ 131
Payables under securities lending transactions	93,367	93,367	-
Borrowed money	146,475	146,475	-
Bonds	13,000	13,182	182
Total liabilities	¥ 4,171,924	¥ 4,172,238	¥ 313
Derivative transactions (*2)			
Hedge accounting not applied	¥ 2,995	¥ 2,995	¥ -
Hedge accounting applied	-	-	-
Total derivative transactions	¥ 2,995	¥ 2,995	¥ -

(*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		
	2017		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	$ 5,987,227	$ 5,987,227	$ -
Securities:			
Held-to-maturity securities	935,261	931,179	(4,073)
Available-for-sale securities	10,680,675	10,680,675	-
Loans and bills discounted	25,072,386		
Reserve for possible loan losses (*1)	(230,947)		
	24,841,438	24,980,203	138,764
Total assets	$ 42,444,620	$ 42,579,302	$ 134,682
Deposits	$ 35,133,960	$ 35,135,448	$ 1,479
Call money and bills sold	1,858,454	1,858,454	-
Payables under securities lending transactions	1,606,257	1,606,257	-
Borrowed money	2,187,449	2,187,449	-
Bonds	89,134	89,740	606
Total liabilities	$ 40,875,265	$ 40,877,350	$ 2,085
Derivative transactions (*2)			
Hedge accounting not applied	$ 13,486	$ 13,486	$ -
Hedge accounting applied	(525)	(525)	-
Total derivative transactions	$ 12,960	$ 12,960	$ -

(*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 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
	2017	2016	**2017**
Unlisted equity securities (*1) (*2)	**¥ 1,527**	¥ 1,514	**$ 13,610**
Investment in partnerships (*3)	**939**	742	**8,369**
Total	**¥ 2,467**	¥ 2,256	**$ 21,989**

(*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 ¥0 million ($0 thousand) and ¥34 million on unlisted equity securities for the years ended March 31, 2017 and 2016, 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					
	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						
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 ($873 thousand) whose repayment schedules cannot be estimated.
(*2) Loans and bills discounted at March 31, 2017 do not include ¥71,602 million ($638,220 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥25,099 million ($223,718 thousand) of those which have non-defined maturities.

	Millions of yen					
	2016					
	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	¥ 465,655	¥ -	¥ -	¥ -	¥ -	¥ -
Securities						
Held-to-maturity debt securities	26,354	33,599	45,998	25,632	-	-
Japanese government bonds	26,354	33,599	45,998	25,632	-	-
Available-for-sale securities with contract maturities	163,232	289,898	141,092	87,618	101,595	100,622
Japanese government bonds	49,295	112,426	27,365	69,222	14,738	28,281
Local government bonds	14,415	63,230	39,781	1,463	45,279	8,765
Corporate bonds	34,116	60,951	29,116	8,764	6,982	61,509
Other	65,405	53,289	44,828	8,168	34,595	2,065
Foreign bonds	65,405	53,289	44,828	8,168	34,595	2,065
Loans and bills discounted (*)	649,012	494,398	367,360	250,505	306,608	564,453
Total	¥ 1,304,255	¥ 817,896	¥ 554,451	¥ 363,756	¥ 408,203	¥ 665,075

(*) Loans and bills discounted at March 31, 2016 do not include ¥71,508 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥27,191 million of those which have non-defined maturities.

	Thousands of U.S. dollars					
	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	**$ 5,987,227**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Securities						
Held-to-maturity debt securities	**298,769**	**4,465**	**632,017**	**-**	**-**	**-**
Japanese government bonds	**298,769**	**4,465**	**632,017**	**-**	**-**	**-**
Available-for-sale securities with contract maturities(*1)	**1,438,933**	**1,768,250**	**1,045,200**	**639,299**	**2,558,195**	**1,379,837**
Japanese government bonds	**754,684**	**485,266**	**253,213**	**392,646**	**92,049**	**606,328**
Local government bonds	**229,592**	**541,759**	**123,023**	**5,561**	**1,263,543**	**71,583**
Corporate bonds	**331,767**	**348,542**	**288,804**	**45,414**	**139,138**	**689,170**
Other	**122,880**	**392,664**	**380,140**	**195,659**	**1,063,445**	**12,737**
Foreign bonds	**122,880**	**392,664**	**380,140**	**195,659**	**1,063,445**	**12,737**
Loans and bills discounted (*2)	**5,278,750**	**5,002,647**	**3,383,394**	**2,394,651**	**2,926,321**	**5,224,645**
Total	**$ 13,003,690**	**$ 6,775,372**	**$ 5,060,620**	**$ 3,033,960**	**$ 5,484,526**	**$ 6,604,492**

(*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 ($873 thousand) whose repayment schedules cannot be estimated.
(*2) Loans and bills discounted at March 31, 2017 do not include ¥71,602 million ($638,220 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥25,099 million ($223,718 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					
	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."

	Millions of yen					
	2016					
	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 (*)	¥ 3,542,841	¥ 309,321	¥ 66,919	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	93,367	-	-	-	-	-
Borrowed money	137,328	1,066	80	3,000	5,000	-
Bonds	-	-	-	3,000	10,000	-
Total	¥ 3,773,537	¥ 310,387	¥ 66,999	¥ 6,000	¥ 15,000	¥ -

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

	Thousands of U.S. dollars					
	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 (*)	**$ 32,221,276**	**$ 2,405,811**	**$ 506,863**	**$ -**	**$ -**	**$ -**
Call money and bills sold	**1,858,454**	**-**	**-**	**-**	**-**	**-**
Deposits received for securities lending transactions	**1,606,257**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**2,135,680**	**6,488**	**713**	**-**	**44,567**	**-**
Bonds	**-**	**-**	**-**	**89,134**	**-**	**-**
Total	**$ 37,821,677**	**$ 2,412,300**	**$ 507,576**	**$ 89,134**	**$ 44,567**	**$ -**

(*) 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, 2017 and 2016 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							
	2017				2016			
	Contract amount				Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:								
Currency swaps	**¥ 467,698**	**¥ 398,219**	**¥ 420**	**¥ 420**	¥ 422,135	¥ 358,089	¥ 354	¥ 354
Forward foreign exchanges:								
Sell	**95,647**	**-**	**1,094**	**1,094**	69,867	-	2,641	2,641
Buy	**3,423**	**-**	**(2)**	**(2)**	835	-	(0)	(0)
Total	**-**	**-**	**¥ 1,513**	**¥ 1,513**	-	-	¥ 2,995	¥ 2,995

	Thousands of U.S. dollars			
	2017			
	Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:				
Currency swaps	**$ 4,168,802**	**$ 3,549,505**	**$ 3,743**	**$ 3,743**
Forward foreign exchanges:				
Sell	**852,544**	**-**	**9,751**	**9,751**
Buy	**30,510**	**-**	**(17)**	**(17)**
Total	**-**	**-**	**$ 13,486**	**$ 13,486**

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, 2017 and 2016.

Currency related:

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

Hedge accounting method	Type	Major hedged items	Thousands of U.S. dollars 2017 Contract amount Total	Over one year	Fair value
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	**$ 20,073**	**$ 20,073**	**$ (525)**

Notes:

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

There were no currency related derivatives at March 31, 2016.

Stock or bond related:

There were no stock or bond related derivatives at March 31, 2017 and 2016.

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 and the executive committee which is the supreme consultative organization for the directors and president 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, 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.

Segment information as of and for the fiscal year ended March 31, 2016 was as follows:

	Millions of yen				
	2016				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ 73,036	¥ 8,563	¥ 81,599	¥ -	¥ 81,599
Intersegment	375	2,006	2,382	(2,382)	-
Total	73,411	10,569	83,981	(2,382)	81,599
Segment profit	20,268	1,156	21,425	54	21,479
Segment assets	4,443,722	28,911	4,472,633	(26,298)	4,446,335
Segment liabilities	4,237,368	17,869	4,255,238	(23,755)	4,231,483
Others					
Depreciation	¥ 3,300	¥ 394	¥ 3,694	¥ -	¥ 3,694
Interest income	51,589	126	51,716	(110)	51,605
Interest expense	4,250	107	4,357	(108)	4,249
Gain on disposal of fixed assets	36	0	37	-	37
Loss on disposal of fixed assets	134	0	134	-	134
Impairment loss on fixed assets	255	-	255	-	255
Income taxes	3,557	407	3,965	2	3,967
Increase in tangible and intangible fixed assets	4,562	307	4,870	-	4,870

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 ¥(2,382) million represents intersegment elimination.
(2) “Reconciliation” of “Segment profit” in the amount of ¥54 million represents intersegment elimination.
(3) “Reconciliation” of “Segment assets” in the amount of ¥(26,298) million represents intersegment elimination.
(4) “Reconciliation” of “Segment liabilities” in the amount of ¥(23,755) million represents intersegment elimination.
(5) “Reconciliation” of “Interest income” in the amount of ¥(110) million represents intersegment elimination.
(6) “Reconciliation” of “Interest expenses” in the amount of ¥(108) million represents intersegment elimination.
(7) “Reconciliation” of “Income taxes” in the amount of ¥2 million represents intersegment elimination.

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

	Thousands of U.S. dollars				
	2017				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	$ 597,673	$ 75,158	$ 672,831	$ -	$ 672,831
Intersegment	3,066	14,644	17,719	(17,719)	-
Total	600,739	89,811	690,551	(17,719)	672,831
Segment profit	108,485	11,739	120,224	650	120,884
Segment assets	43,390,712	267,902	43,658,623	(246,020)	43,412,594
Segment liabilities	41,530,965	162,447	41,693,421	(223,754)	41,469,658
Others					
Depreciation	$ 29,762	$ 3,743	$ 33,505	$ -	$ 33,505
Interest income	433,871	846	434,717	(713)	434,004
Interest expense	31,232	695	31,927	(686)	31,232
Gain on disposal of fixed assets	142	-	142	-	142
Loss on disposal of fixed assets	989	8	998	-	998
Impairment loss on fixed assets	1,907	-	1,907	-	1,907
Income taxes	13,521	4,884	18,406	267	18,682
Increase in tangible and intangible fixed assets	28,906	2,477	31,393	(0)	31,384

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 $(17,719) thousands represents intersegment elimination.
(2) “Reconciliation” of “Segment profit” in the amount of $650 thousand represents intersegment elimination.
(3) “Reconciliation” of “Segment assets” in the amount of $(246,020) thousand represents intersegment elimination.
(4) “Reconciliation” of “Segment liabilities” in the amount of $(223,754) thousand represents intersegment elimination.
(5) “Reconciliation” of “Interest income” in the amount of $(713) thousand represents intersegment elimination.
(6) “Reconciliation” of “Interest expenses” in the amount of $(686) thousand represents intersegment elimination.
(7) “Reconciliation” of “Income taxes” in the amount of $267 thousand represents intersegment elimination.
(8) “Reconciliation” of “Increase in tangible and intangible fixed assets” in the amount of $(0) thousand represents intersegment elimination.
4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

(d) Information about services

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

	Millions of yen			
	2016			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥ 37,957	¥ 23,720	¥ 19,921	¥ 81,599

	Thousands of U.S. dollars			
	2017			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**$ 318,281**	**$ 176,094**	**$ 178,447**	**$ 672,831**

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		
	2017		
	Banking business	Other business	Total
Impairment loss on fixed assets	**¥ 214**	**¥ -**	**¥ 214**

	Millions of yen		
	2016		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 255	¥ -	¥ 255

	Thousands of U.S. dollars		
	2017		
	Banking business	Other business	Total
Impairment loss on fixed assets	**$ 1,907**	**$ -**	**$ 1,907**

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

There was no applicable information for the year ended March 31, 2017.

	Millions of yen		
	2016		
	Banking business	Other business	Total
Amortization for the year	¥ 1,399	¥ -	¥ 1,399
Unamortized portion	-	-	-

26. Related party transactions

Significant transactions with the directors of the Bank or major shareholders for the years ended March 31, 2017 and 2016 were as follows:

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) Repayment of loan	**208** **61**	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) Repayment of loan	**-** **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, 2016

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Kinuko Higuchi (Notes 2 and 5)	Real estate leasing	-	Loans	Loan (Note 1)	¥ 59	Loans and bills discounted	¥ 59
	Hiroshi Nishi (Notes 3 and 6)	Real estate leasing	Non-controlled 0.01%, directly	Loans	Loan (Note 1)	-	Loans and bills discounted	33
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 4 and 5)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1) Repayment of loan	- 15	Loans and bills discounted	34

*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. Ms. Kinuko Higuchi is a relative of Mr. Katsuji Higuchi, a statutory auditor of the Bank.
3. Mr. Hiroshi Nishi is a relative of Mr. Minoru Masuo, a former external statutory auditor of the Bank.
4. A relative of Mr. Yasuhiko Akira, a director of the Bank, owns a majority of the voting rights of this company.
5. The Bank took out a revolving mortgage on its real estate to secure the loans.
6. Mr. Minoru Masuo retired from the position of an external statutory auditor of the Bank on June 26, 2015, and the outstanding balance as of that day is presented.

Year ended March 31, 2017

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)	**$ 178**	Loans and bills discounted	**$ 178**
	Kinuko Higuchi (Notes 3 and 6)	Real estate leasing	-	Loans	Loan (Note 1) Repayment of loan	**1,853** **543**	Loans and bills discounted	**1,827**
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 4 and 6)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1) Repayment of loan	**-** **133**	Loans and bills discounted	**160**
	MORI KEN CO., LTD. (Notes 5 and 6)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	**-**	Loans and bills discounted	**677**

*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.

Information about parent company or significant affiliates

Years ended March 31, 2017 and 2016

Not applicable

27. Subsequent events

There are no significant subsequent events to be noted.

KPMG

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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

Oct 30, 2017
Osaka, Japan