The Awa Bank, Ltd.

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years Ended March 31, 2017 and 2018

KPMG

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

January 31, 2019 KPMG AZSA LLC
Osaka, Japan

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Assets			
Cash and due from banks (Notes 3 and 4)	¥ 165,384	¥ 256,640	$ 2,415,663
Call loans and bills purchased (Note 4)	86,686	2,656	25,000
Commercial paper and other debt purchased (Notes 4 and 5)	1,607	1,885	17,743
Trading account securities (Notes 4 and 5)	353	315	2,965
Securities (Notes 4, 5 and 9)	1,099,989	1,069,732	10,069,014
Loans and bills discounted (Notes 4, 6, 7 and 8)	1,760,619	1,836,056	17,282,154
Foreign exchange (Note 7)	4,888	5,230	49,228
Lease receivables and investment assets (Notes 4 and 6)	28,002	27,852	262,161
Other assets (Note 9)	25,119	46,464	437,349
Tangible fixed assets (Notes 10 and 11)	33,424	34,123	321,188
Intangible fixed assets	3,184	3,453	32,501
Net defined benefit asset (Note 20)	6,496	7,468	70,294
Deferred tax assets (Note 16)	146	19	179
Customers' liabilities for acceptances and guarantees (Note 17)	7,325	8,837	83,180
Reserve for possible loan losses	(17,293)	(16,119)	(151,723)
Total assets	¥ 3,205,929	¥ 3,284,611	$ 30,916,896
Liabilities			
Deposits (Notes 4 and 9)	¥ 2,671,687	¥ 2,721,003	$ 25,611,851
Negotiable certificates of deposit (Note 4)	101,757	139,300	1,311,182
Call money and bills sold (Note 4)	23,037	21,248	200,000
Payables under securities lending transactions (Notes 4 and 9)	34,270	28,170	265,154
Borrowed money (Notes 4, 9 and 18)	34,813	33,908	319,164
Foreign exchange	481	372	3,502
Bonds (Notes 4 and 19)	10,000	-	-
Other liabilities (Note 18)	20,169	18,562	174,718
Accrued employees' bonuses	28	27	254
Accrued directors' bonuses	69	60	565
Net defined benefit liability (Note 20)	5,381	5,402	50,847
Accrued directors' retirement benefits	514	477	4,490
Reserve for reimbursement of deposits	544	539	5,073
Reserve for contingent liabilities	920	841	7,916
Reserve for asset demolition costs	447	447	4,207
Deferred tax liabilities (Note 16)	18,976	20,679	194,644
Deferred tax liabilities for land revaluation account (Note 11)	2,826	2,734	25,734
Acceptances and guarantees (Note 17)	7,325	8,837	83,180
Total liabilities	2,933,244	3,002,606	28,262,481
Net Assets			
Common stock			
Authorized - 500,000,000 shares			
Issued - 226,200,000 shares in 2018 and 2017	23,453	23,453	220,755
Capital surplus	16,232	16,232	152,786
Retained earnings	148,086	158,144	1,488,554
Treasury stock	(2,815)	(5,313)	(50,009)
— Issued 7,405,523 shares in 2018 and 3,984,576 shares in 2017			
Total shareholders' equity	184,956	192,516	1,812,086
Net unrealized holding gains on securities (Note 5)	72,139	71,624	674,172
Net deferred gains (losses) on derivatives under hedge accounting	(2,644)	(2,447)	(23,033)
Land revaluation account (Note 11)	5,327	5,138	48,362
Remeasurements of defined benefit plans (Note 20)	76	1,220	11,484
Total accumulated other comprehensive income	74,898	75,535	710,985
Noncontrolling interests	12,831	13,954	131,344
Total net assets	272,685	282,005	2,654,415
Total liabilities and net assets	¥ 3,205,929	¥ 3,284,611	$ 30,916,896

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2017 and 2018

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2018
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 25,866	¥ 24,474	$ 230,365
Interest and dividends on securities	15,335	15,546	146,329
Other interest income	796	530	4,989
Trust fees	0	0	0
Fees and commissions	8,826	8,527	80,262
Other operating income	14,297	14,773	139,053
Other income (Note 13)	4,009	4,271	40,201
Total income	69,129	68,121	641,199
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	667	731	6,881
Interest on borrowings, rediscounts and bonds	629	966	9,092
Other interest expense	2,064	2,096	19,729
Fees and commissions	1,555	1,519	14,298
Other operating expenses	12,142	12,876	121,197
General and administrative expenses (Note 12)	29,507	28,622	269,409
Other expenses:			
Provision for loan losses	1,578	1,177	11,079
Other expenses (Note 14)	2,163	844	7,944
Total expenses	50,305	48,831	459,629
Income before income taxes	18,824	19,290	181,570
Income taxes (Note 16):			
Current	5,514	5,448	51,280
Deferred	40	1,200	11,295
Net income	13,270	12,642	118,995
Net income attributable to noncontrolling interests in income of consolidated subsidiaries	796	779	7,333
Net income attributable to owners of the parent company	¥ 12,474	¥ 11,863	$ 111,662

Per share of common stock	Yen 2017	Yen 2018	U.S. dollars (Note 1) 2018
Net income per share – basic	¥ 55.55	¥ 53.68	$ 0.505
Dividends	9.00	9.00	0.085

For the years ended March 31, 2017 and 2018, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Net income	¥ 13,270	¥ 12,642	$ 118,995
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	4,916	(175)	(1,647)
Net deferred gains (losses) on derivatives under hedge accounting	570	197	1,854
Remeasurements of defined benefit plans	1,105	1,164	10,956
Total other comprehensive income (Note 15)	6,591	1,186	11,163
Comprehensive income	¥ 19,861	¥ 13,828	$ 130,158
Comprehensive income attributable to:			
Owners of the parent company	¥ 18,666	¥ 12,689	$ 119,437
Noncontrolling interests	1,195	1,139	10,721

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2017 and 2018

		Millions of yen				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	226,200,000	¥ 23,453	¥ 16,232	¥ 137,810	¥ (76)	¥ 177,419
Changes during the accounting period						
Dividends	–	–	–	(2,366)	–	(2,366)
Net income attributable to owners of the parent company	–	–	–	12,474	–	12,474
Purchase of treasury stock	–	–	–	–	(2,739)	(2,739)
Disposal of treasury stock	–	–	0	–	0	0
Reversal of land revaluation account	–	–	–	168	–	168
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	0	10,276	(2,739)	7,537
Balance at March 31, 2017	226,200,000	¥ 23,453	¥ 16,232	¥ 148,086	¥ (2,815)	¥ 184,956
Changes during the accounting period						
Dividends	–	–	–	(1,994)	–	(1,994)
Net income attributable to owners of the parent company	–	–	–	11,863	–	11,863
Purchase of treasury stock	–	–	–	–	(2,499)	(2,499)
Disposal of treasury stock	–	–	0	–	1	1
Reversal of land revaluation account	–	–	–	189	–	189
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	0	10,058	(2,498)	7,560
Balance at March 31, 2018	226,200,000	¥ 23,453	¥ 16,232	¥ 158,144	¥ (5,313)	¥ 192,516

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2016	¥ 67,604	¥ (3,214)	¥ 5,494	¥ (1,010)	¥ 68,874	¥ 11,653	¥ 257,946
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(2,366)
Net income attributable to owners of the parent company	–	–	–	–	–	–	12,474
Purchase of treasury stock	–	–	–	–	–	–	(2,739)
Disposal of treasury stock	–	–	–	–	–	–	0
Reversal of land revaluation account	–	–	–	–	–	–	168
Changes other than changes in stockholders' equity (net)	4,535	570	(167)	1,086	6,024	1,178	7,202
Total changes during the accounting period	4,535	570	(167)	1,086	6,024	1,178	14,739
Balance at March 31, 2017	¥ 72,139	¥ (2,644)	¥ 5,327	¥ 76	¥ 74,898	¥ 12,831	¥ 272,685
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(1,994)
Net income attributable to owners of the parent company	–	–	–	–	–	–	11,863
Purchase of treasury stock	–	–	–	–	–	–	(2,499)
Disposal of treasury stock	–	–	–	–	–	–	1
Reversal of land revaluation account	–	–	–	–	–	–	189
Changes other than changes in stockholders' equity (net)	(515)	197	(189)	1,144	637	1,123	1,760
Total changes during the accounting period	(515)	197	(189)	1,144	637	1,123	9,320
Balance at March 31, 2018	¥ 71,624	¥ (2,447)	¥ 5,138	¥ 1,220	¥ 75,535	¥ 13,954	¥ 282,005

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2017 and 2018

		Thousands of U.S. dollars (Note 1)				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	226,200,000	$ 220,755	$ 152,786	$ 1,393,882	$ (26,497)	$ 1,740,926
Changes during the accounting period						
Dividends	–	–	–	(18,769)	–	(18,769)
Net income attributable to owners of the parent company	–	–	–	111,662	–	111,662
Purchase of treasury stock	–	–	–	–	(23,522)	(23,522)
Disposal of treasury stock	–	–	0	–	10	10
Reversal of land revaluation account	–	–	–	1,779	–	1,779
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	0	94,672	(23,512)	71,160
Balance at March 31, 2018	226,200,000	$ 220,755	$ 152,786	$ 1,488,554	$ (50,009)	$ 1,812,086

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2017	$ 679,020	$ (24,887)	$ 50,141	$ 715	$ 704,989	$ 120,774	$ 2,566,689
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(18,769)
Net income attributable to owners of the parent company	–	–	–	–	–	–	111,662
Purchase of treasury stock	–	–	–	–	–	–	(23,522)
Disposal of treasury stock	–	–	–	–	–	–	10
Reversal of land revaluation account	–	–	–	–	–	–	1,779
Changes other than changes in stockholders' equity (net)	(4,848)	1,854	(1,779)	10,769	5,996	10,570	16,566
Total changes during the accounting period	(4,848)	1,854	(1,779)	10,769	5,996	10,570	87,726
Balance at March 31, 2018	$ 674,172	$ (23,033)	$ 48,362	$ 11,484	$ 710,985	$ 131,344	$ 2,654,415

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Cash flows from operating activities:			
Income before income taxes	¥ 18,824	¥ 19,290	$ 181,570
Depreciation	2,214	2,276	21,423
Impairment loss	1,260	410	3,859
Increase (decrease) in reserve for possible loan losses	(1,376)	(1,174)	(11,050)
Net change in provision for contingent liabilities	65	(78)	(734)
Increase (decrease) in accrued employees' bonuses	0	(1)	(9)
Increase (decrease) in accrued directors' bonuses	(0)	(9)	(85)
Decrease (increase) in net defined benefit asset	957	787	7,408
Increase (decrease) in net defined benefit liability	(130)	(79)	(744)
Net change in reserve for retirement payments to directors	11	(37)	(348)
Net change in reserve for claims on dormant accounts	(41)	(4)	(38)
Net change in reserve for asset demolition costs	447	–	–
Interest and dividend income	(41,997)	(40,550)	(381,683)
Interest expense	3,360	3,792	35,693
Securities losses (gains), net	(2,809)	(1,934)	(18,204)
Losses (gains) on investments in money held in trust, net	(0)	(0)	(0)
Foreign exchange losses (gains), net	1,600	6,173	58,104
Losses on disposal of tangible fixed assets, net	88	(24)	(226)
Net decrease (increase) in trading account securities	446	39	367
Net decrease (increase) in loans and bills discounted	(49,509)	(75,437)	(710,062)
Net increase (decrease) in deposits	65,464	49,316	464,194
Net increase (decrease) in certificates of deposit	754	37,543	353,379
Net increase (decrease) in borrowed money (except for subordinated borrowed money)	843	(905)	(8,518)
Net decrease (increase) in due from banks (except for deposits with the Bank of Japan)	98	(184)	(1,732)
Net decrease (increase) in call loans, bills purchased, commercial paper and other debt purchased	(36,244)	83,749	788,300
Net increase (decrease) in call money	10,492	(1,789)	(16,839)
Net increase (decrease) in payables under securities lending transactions	(5,658)	(6,101)	(57,427)
Net decrease (increase) in foreign exchange (assets)	(1,151)	(350)	(3,294)
Net increase (decrease) in foreign exchange (liabilities)	373	(108)	(1,017)
Net increase (decrease) in straight bond issuance and redemption	–	(10,000)	(94,127)
Interest and dividends received	40,480	39,166	368,656
Interest paid	(3,371)	(3,827)	(36,022)
Other	(13,049)	(21,631)	(203,605)
Subtotal	(7,559)	78,319	737,189
Income taxes paid	(6,613)	(5,272)	(49,623)
Net cash provided by (used in) operating activities	(14,172)	73,047	687,566
Cash flows from investing activities:			
Payments for purchases of securities	(231,290)	(179,486)	(1,689,439)
Proceeds from sales of securities	87,072	73,216	689,157
Proceeds from maturities of securities	115,924	132,301	1,245,303
Payments for increases in money held in trust	(2,802)	(2,600)	(24,473)
Proceeds from decreases in money held in trust	2,802	2,600	24,473
Payments for purchases of tangible fixed assets	(2,175)	(2,324)	(21,875)
Payments for disposals of tangible fixed assets	(59)	(38)	(358)
Proceeds from sales of tangible fixed assets	207	222	2,089
Purchases of intangible fixed assets	(1,426)	(1,355)	(12,754)
Net cash provided by (used in) investing activities	(31,747)	22,536	212,123
Cash flows from financing activities:			
Dividends paid	(2,366)	(1,994)	(18,769)
Dividends paid to noncontrolling interests stockholders	(16)	(16)	(151)
Payments for purchases of treasury stock	(2,739)	(2,499)	(23,522)
Proceeds from sales of treasury stock	0	1	10
Net cash used in financing activities	(5,121)	(4,508)	(42,432)
Foreign currency translation adjustments	6	(3)	(28)
Net increase (decrease) in cash and cash equivalents	(51,034)	91,072	857,229
Cash and cash equivalents at beginning of year	214,546	163,512	1,539,081
Cash and cash equivalents at end of year (Note 3)	¥ 163,512	¥ 254,584	$ 2,396,310

See Notes to Consolidated Financial Statements.

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Awa Bank, Ltd. (the "Bank") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and the Japanese Banking Law, generally conform with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and are in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), 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.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018, which was ¥106.24 to U.S.$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

(1) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2017 and 2018 include the accounts of the Bank and the following five subsidiaries:

The Awagin Business Service Company Limited
The Awagin Consulting Company Limited
The Awagin Guaranty Company Limited
The Awagin Card Company Limited
The Awagin Lease Company Limited

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to noncontrolling shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

One of the Bank's subsidiaries, the Awagin AFFrinnovation Investment Limited Partnership, was excluded from the scope of consolidation for the years ended March 31, 2017 and 2018 because the exclusion did not affect the reasonable interpretation of the financial condition and operating results of the enterprise group in terms of assets and the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

The Awagin AFFrinnovation Investment Limited Partnership was also not accounted for using the equity method for the years ended March 31, 2017 and 2018 because the exclusion did not have a material impact on the consolidated financial statements in terms of the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

The following affiliates of the Bank were not accounted for using the equity method because the exclusion did not have a material impact on the consolidated financial statements in terms of the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

Shikoku Alliance Capital Company Limited (in 2018)
The Awagin Regional Revitalization Investment Limited Partnership (in 2017 and 2018)

2. Significant Accounting Policies (cont'd)

(2) Trading account securities

Listed trading account securities of the Bank are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of the securities are recognized as gains and losses in the period of the change. Cost is calculated by the moving average method.

(3) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities of nonconsolidated subsidiaries and affiliates which are not accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value, which is the average for the last month of the fiscal year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity or net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. Debt securities with no available fair market values are stated at amortized cost, net of the amount considered not collectible.

(4) Depreciation method for fixed assets

① Tangible fixed assets (except for leased assets)

Tangible fixed assets are generally stated at cost, less accumulated depreciation and deferred gains on the sale of real estate. Depreciation of tangible fixed assets owned by the Bank and its consolidated subsidiaries is recorded using the straight-line method. At March 31, 2017 and 2018, the estimated useful life for buildings and equipment was 19 to 50 years and 4 to 8 years, respectively.

② Intangible fixed assets

Depreciation for intangible fixed assets of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of five years. Goodwill is expensed when incurred.

③ Leased assets

Leased assets are business equipment included in tangible fixed assets. Leased assets in tangible fixed assets capitalized under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated using the straight-line method over the lease period. The residual value of a leased asset with a residual value guarantee clause is the guaranteed amount. For a leased asset without such a clause, the residual value is zero.

2. Significant Accounting Policies (cont'd)

(5) Reserve for possible loan losses

The Bank writes off loans and makes provisions for possible loan losses based on the financial circumstances of the borrower and the status of the loan. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided in the full amount, excluding write-off amounts and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For loans to customers not presently in the above circumstances but who have a high probability of becoming insolvent, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided for in the amounts estimated to be unrecoverable after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications regarding possible loan losses are made by each business department and credit supervision department and are audited by the independent Credit Administration Department. The reserve for possible loan losses is provided based on the audit results. The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are estimated and a reserve for possible loan losses is provided based on the estimation.

For the fiscal years ended March 31, 2017 and 2018, the Bank wrote off portions of loans that were estimated to be unrecoverable from insolvent customers who were undergoing bankruptcy or other collection proceedings. The estimated unrecoverable amounts were determined after excluding estimated recoverable amounts due to the existence of security interests or guarantees. As of March 31, 2017 and 2018, the write-off of the estimated unrecoverable amounts was ¥21,047 million and ¥19,990 million ($188,159 thousand), respectively.

(6) Accrued employees' bonuses

Accrued employees' bonuses were recorded to pay bonuses to employees of the consolidated subsidiaries for the fiscal years ended March 31, 2017 and 2018.

(7) Accounting for retirement benefits

The benefit formula basis is used as a method of attributing expected benefits to the period through the end of the fiscal year in calculating projected benefit obligation. Prior service costs are recognized in the statements of income using the straight-line method within the average of the estimated remaining service years of employees (10 years). Actuarial differences are recognized in the statements of income using the straight-line method within the average of the estimated remaining service years (10 years) commencing with the following period.

Consolidated subsidiaries apply the simplified method for their unfunded lump-sum payment plans, which in calculating net defined benefit liability and retirement benefit expenses assumes the Bank's projected benefit obligation to be equal to the benefits payable and the voluntary retirement of all employees at the fiscal year-end.

(8) Accrued directors' bonuses

Accrued directors' bonuses were recorded to provide for payment of bonuses to directors in an estimated payment amount attributable to the current period.

(9) Accrued directors' retirement benefits

A provision is made for accrued retirement benefits of directors and corporate auditors in the amount deemed accrued at the end of the reporting period.

2. Significant Accounting Policies (cont'd)

(10) Reserve for reimbursement of deposits

A provision is made in an amount deemed necessary for losses on future reimbursements of deposits, taking into account the Bank's estimated refund amount.

(11) Reserve for contingent liabilities

A provision is made in an estimated amount for future payments to credit guarantee associations on loan-loss burden sharing.

(12) Reserve for asset demolition costs

A provision is made in an estimated amount for future payments for the demolition of buildings and other assets.

(13) Translation of foreign currencies

Foreign currency denominated assets and liabilities held by the Bank at the year end are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(14) Derivatives and hedge accounting

Derivative financial instruments are carried at market value.

① Hedge of interest rate risk

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

The effectiveness of hedging is assessed for each identified group of hedged deposits, loans and similar items and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket. In assessing the effectiveness of cash flow hedges, the correlation between the interest rate sensitivities of the hedged items and the hedging instruments is examined.

② Hedge of foreign currency risk

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Assessment of the effectiveness of these hedge transactions is conducted by confirming whether the notional amounts of the hedging foreign exchange swaps, etc., correspond to the hedged foreign currency denominated receivables or payables.

(15) Cash flow statements

In preparing consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(16) Income taxes

The tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. Significant Accounting Policies (cont'd)

(17) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

(18) Unapplied accounting standards

The following standard and guidance were issued but not yet adopted.
– "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 30, 2018)
– "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

① Overview
The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:
Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

② Effective date
The standard shall be effective from the beginning of the fiscal year ending March 31, 2022.

③ Effects of application of the standard
The Bank and its consolidated subsidiaries are in the process of determining the effects of the new standard on the consolidated financial statements.

3. Cash and Cash Equivalents

The reconciliation between "Cash and due from banks" in the consolidated balance sheets and "Cash and cash equivalents at end of year" in the consolidated statements of cash flows at March 31, 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and due from banks	¥ 165,384	¥ 256,640	$ 2,415,663
Due from banks (excluding deposits with the Bank of Japan)	(1,872)	(2,056)	(19,353)
Cash and cash equivalents	¥ 163,512	¥ 254,584	$ 2,396,310

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") provide mainly banking services and other financial services, including leasing. The Group holds financial assets such as loans and securities raised by deposits. In order to effectively manage its assets and liabilities, the Bank works on asset and liability management (ALM) and conducts derivative transactions as part of this ALM.

② Descriptions and risks of financial instruments

The financial assets of the Bank consist mainly of loans to domestic customers. They are subject to credit risk arising from changes in the domestic economy and the financial status of the borrowers. The Group credits are hedged in small lots to diverse the risk and not concentrate it with certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment and trading purposes. They are subject to credit risk, interest rate risk and market price risk. The Group's portfolio consists mainly of government bonds and municipal bonds, which are very safe.

The financial liabilities of the Bank consist mainly of the deposits of domestic customers, which create liquidity risk in connection with the raising of necessary funds in case of unexpected capital outflows. To manage this risk, the Group tries to maintain and improve the soundness and reliability of its assets and ensure stable cash management.

Derivative transactions include interest rate swaps, currency swaps, forward foreign exchange contracts, currency options and bond futures contracts. The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest rates, market prices and exchange rates related to assets and liabilities. These transactions are also executed in order to provide various services to customers.

For interest rate risk, the Bank applies hedge accounting based on "Accounting Standards and Auditing Treatment for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying hedged items such as deposits and loans and hedging instruments such as interest rate swaps by incidence and remaining period. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest rate fluctuation between the hedged items and the hedging instruments.

For exchange rate risk, the Bank applies hedge accounting based on "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). The Bank uses currency swaps and other methods to hedge exchange rate risk and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign currency denominated monetary assets or liabilities being hedged.

Derivative transactions are subject to market risk and credit risk, but the Bank does not engage in complicated or speculative transactions.

③ Risk management systems for financial products

The Bank and its consolidated subsidiaries manage risk as follows:

4. Financial Instruments (cont'd)

(i) Credit risk management

The Bank prescribes "Credit Risk Management Standards" and carries out its credit risk management by division, maintains an appropriate portfolio and seeks to improve on the soundness of its assets. In addition, the Bank reviews the system for credit risk management periodically and works to improve it.

The Credit Division functions independently from the Business Promotion Division to maintain and improve the soundness of assets. The Risk Management Division verifies credit ratings, conducts self assessments, administers the credit portfolio and exerts influence on the system of internal checks to branches and the Credit Division while trying to further enhance the credit rating and self assessment.

(ii) Market risk management

(Management for interest rate risks, market price risks and foreign exchange risks)

The Bank has set its market risk policy "to take adequate market risk within the Bank's management vitality, assess market risk accurately and execute policy and controls that corresponds to that vitality and the scale and characteristic of the business to earn a profit." In this way, the Bank enhances the system of management and optimizes market risk.

The Trading Division of the Bank, in addition to maintaining the Trade Execution Section (front office) maintains the Market Risk Management Section (middle office) and the Administrative Processing Section (back office) to confirm and check the transactions of the Trade Execution Section, sets the tolerance levels for risk, measures profits and losses on market risks and reports risks to the Board of Directors regularly.

The Risk Management Division, which is independent from the divisions above, monitors risk and profit and loss and reports the information to the ALM Committee regularly. The Group strives to improve risk management, in part, by discussing future measures. The Bank uses the VaR (Value at Risk) method for calculations of interest rate risk, foreign exchange risk and market price risk. For interest rate risk denominated in Japanese yen, the Bank analyzes the gaps in risk, including the deposits and loans of the entire Bank, and uses the BPV (Basis Point Value) method and present value method for detailed management.

4. Financial Instruments (cont'd)

(Quantitative information on market risk)
The Bank measures market risk based on the VaR method. The variance co-variance model is applied in the measurement (holding period: 60 business days (cross-shareholdings: 120 business days), confidence interval: 99% and historical observation period: 250 business days). The amount of market risk (estimated amount of loss) of the Group as of March 31, 2017 and 2018 was ¥46,630 million and ¥33,753 million ($317,705 thousand), respectively.

The Bank identifies the interest rate risk sorted by an internal model for liquid deposits which have had no incoming or outgoing movement to or from the Bank for a considerable period of time as core deposits and categorizing these using maturity periods of up to 10 years.

The Bank periodically performs back-testing to compare VaR measured by the model with the hypothetical profit and loss which are assumed to have been incurred when the portfolio was fixed, as it was at the point the risk amount was measured. The bank believes that the model estimates market risk with sufficient accuracy. As VaR represents the market risk arising with a certain probability using a statistical methodology based on historical market volatilities, however, risks arising from drastic market movements beyond normal estimation may not be captured by this method.

(iii) Liquidity risk management related to fund procurement
The Bank maintains the soundness and reliability of its assets and makes daily analysis of fund procurement and asset management for the stable supply of funds, and maintains a sound level of highly negotiable debt securities such as government bonds. In addition, the Bank sets risk management policies and organizes liquidity risk management to maximize its assurance.

④ Supplementary explanation for the fair value of financial instruments
In addition to values based on market price, the fair value of financial instruments includes values reasonably calculated if no market price is available. Since certain assumptions are used in the calculation of such values, the results of such calculations may vary if different assumptions are used.

4. Financial Instruments (cont'd)

(2) Fair value of financial instruments

The following table summarizes book values, fair values and any differences between the book value and fair value as of March 31, 2017 and 2018. Unlisted stocks and others for which the fair value was deemed to be extremely difficult to determine were excluded from the table (see Note 2).

	Millions of yen		
	2017		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 165,384	¥ 165,384	¥ −
(2) Call loans and bills purchased	86,686	86,686	−
(3) Commercial paper and other debt purchased	1,607	1,607	−
(4) Trading account securities			
Trading securities	353	353	−
(5) Securities			
Held-to-maturity debt securities	−	−	−
Available-for-sale securities	1,090,848	1,090,848	−
(6) Loans and bills discounted	1,760,619		
Reserve for possible loan losses (*1)	(16,715)		
	1,743,904	1,753,899	9,995
(7) Lease receivables and investment assets	28,002		
Reserve for lease losses (*1)	(224)		
(*2)	27,778	29,850	2,072
Total assets:	¥ 3,116,560	¥3,128,627	¥ 12,067
(1) Deposits	¥ 2,671,687	¥2,671,871	¥ 184
(2) Negotiable certificates of deposit	101,757	101,762	5
(3) Call money and bills sold	23,037	23,037	−
(4) Payables under securities lending transactions	34,271	34,271	−
(5) Borrowed money	34,813	34,794	(19)
Total liabilities:	¥ 2,865,565	¥2,865,735	¥ 170
Derivative transactions (*3)			
Hedge accounting not applied	¥ (203)	¥ (203)	¥ −
Hedge accounting applied	(4,497)	(4,497)	−
Total derivative transactions:	¥ (4,700)	¥ (4,700)	¥ −

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.

(*2) The book value after deduction for uncollectible receivables of lease receivables and investment assets for which the fair value was calculated was ¥24,689 million.

(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

4. Financial Instruments (cont'd)

	Millions of yen			Thousands of U.S. dollars		
	2018			2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 256,640	¥ 256,640	¥ –	$ 2,415,663	$ 2,415,663	$ –
(2) Call loans and bills purchased	2,656	2,656	–	25,000	25,000	–
(3) Commercial paper and other debt purchased	1,885	1,885	–	17,743	17,743	–
(4) Trading account securities						
Trading securities	315	315	–	2,965	2,965	–
(5) Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Available-for-sale securities	1,059,465	1,059,465	–	9,972,374	9,972,374	–
(6) Loans and bills discounted	1,836,056			17,282,154		
Reserve for possible loan losses (*1)	(15,404)			(144,993)		
	1,820,652	1,828,506	7,854	17,137,161	17,211,088	73,927
(7) Lease receivables and investment assets	27,852			262,161		
Reserve for lease losses (*1)	(390)			(3,671)		
(*2)	27,462	29,450	1,988	258,490	277,203	18,713
Total assets:	¥3,169,075	¥3,178,917	¥ 9,842	$29,829,396	$29,922,036	$ 92,640
(1) Deposits	¥2,721,003	¥2,721,141	¥ 138	$25,611,851	$25,613,150	$ 1,299
(2) Negotiable certificates of deposit	139,300	139,302	2	1,311,182	1,311,201	19
(3) Call money and bills sold	21,248	21,248	–	200,000	200,000	–
(4) Payables under securities lending transactions	28,170	28,170	–	265,154	265,154	–
(5) Borrowed money	33,908	33,887	(21)	319,164	318,966	(198)
Total liabilities:	¥2,943,629	¥2,943,748	¥ 119	$27,707,351	$27,708,471	$ 1,120
Derivative transactions (*3)						
Hedge accounting not applied	¥ (195)	¥ (195)	¥ –	$ (1,836)	$ (1,836)	$ –
Hedge accounting applied	(1,193)	(1,193)	–	(11,229)	(11,229)	–
Total derivative transactions:	¥ (1,388)	¥ (1,388)	¥ –	$ (13,065)	$ (13,065)	$ –

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.

(*2) The book value after deduction for uncollectible receivables of lease receivables and investment assets for which the fair value was calculated was ¥24,033 million ($226,214 thousand).

(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(Note 1) Methods used to determine the fair value of financial instruments

<u>Assets</u>

(1) Cash and due from banks

The fair value of due from banks with no maturity is considered to be the book value because the fair value of these items approximates the book value.

4. Financial Instruments (cont'd)

(2) Call loans and bills purchased
The fair value of call loans and bills purchased is deemed to be the book value because these items have short contractual terms (within 1 year) and the fair value approximates the book value.

(3) Commercial paper and other debt purchased
The fair value of trust beneficial rights in other debt purchased is based on the price quoted for corresponding securities. For factoring, these have short contractual terms (within 1 year). Therefore, the fair value is considered to be the book value because the fair value of these items approximates the book value.

(4) Trading account securities
The fair value of securities such as bonds held for trading is based on the published market price or the price quoted by correspondent financial institutions.

(5) Securities
The fair value of stocks is based on the market price. The fair value of bonds is determined by the over-the-counter market value or amounts quoted by correspondent financial institutions. The fair value of investment trusts is based on the publicly disclosed net asset value. The fair value of private placement bonds is calculated based on loans and bills discounted. Investments in partnerships are evaluated if the partnership assets can be quoted at fair value and the posted equivalent value of net assets is the fair value of the investment in the partnership.

Information on securities classified by the purpose for which they are held is disclosed in Note 5, "Securities."

(6) Loans and bills discounted
The fair value of loans and bills discounted with floating rates is considered to be equal to the book value since the rate reflects the market rate in a short period and the fair value of these items approximates the book value, unless the creditworthiness of the borrower changes significantly from the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

The fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

(7) Lease receivables and investment assets
The fair value of lease receivables and investment assets takes into consideration the loan loss ratio of each borrower's category and the discounted market interest rate on the consolidated balance sheet date. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

4. Financial Instruments (cont’d)

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit
The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a rate that reflects when the Bank received the new deposit. The fair value of floating interest-rate deposits, time deposits (matured), nonresident Japanese yen deposits and foreign currency time deposits is considered less important and is expected to approximate the book value.

(3) Call money and bills sold and (4) Payables under securities lending transactions
The fair value of call money and bills sold is deemed to be the book value because the contractual terms are within 1 year and the fair value of these items approximates the book value.

(5) Borrowed money
The fair value of borrowed money with floating rates is considered to be the book value since the rate reflects the market rate in a short period and the fair value of these items approximate the book value, unless the creditworthiness of the Bank and its consolidated subsidiaries changes significantly from the inception date. The fair value of borrowed money with a fixed rate is calculated as the present value by discounting the total amount of principal and interest at an assumed interest rate for similar new loans. The fair value of borrowed money with short contractual terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value.

Derivative Transactions
Derivative transactions consist of interest rate related contracts (interest rate futures, interest rate options, interest rate swaps, etc.), currency related contracts (currency futures, currency options, currency swaps, etc.) and bond related contracts (bond futures, bond futures options etc.). The fair value of these items is determined by market price, discounted present value, value calculated by option pricing models, etc.

(Note 2) Financial instruments whose fair value was deemed to be extremely difficult to determine were not included in fair value of financial instruments, “Assets (5) Available-for-sale securities.” These instruments were as follows:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2018	2018
Unlisted stocks (*1)(*2)	¥ 8,901	¥ 8,608	$ 81,024
Investments in partnerships (*3)	¥ 240	¥ 1,659	$ 15,616
Total	¥ 9,141	¥ 10,267	$ 96,640

(*1) Unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.
(*2) The amount of unlisted stocks impaired during the years ended March 31, 2017 and 2018 was nil and nil, respectively.
(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.

4. Financial Instruments (cont'd)

(Note 3) Expected collection of monetary claims and securities with maturities:

	Millions of yen					
	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥141,632	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	86,686	–	–	–	–	–
Commercial paper and other debt purchased	786	–	812	–	–	–
Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Available-for-sale securities with maturities	112,530	207,963	222,116	129,751	94,348	68,522
Japanese government bonds	31,500	73,700	117,000	62,800	25,200	21,300
Municipal bonds	29,477	47,075	24,405	22,700	32,022	24,343
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	35,703	39,951	25,773	19,215	13,935	18,238
Others	15,850	47,237	54,938	25,036	23,191	4,641
Loans and bills discounted (*1)	390,395	331,117	273,300	177,128	184,573	339,784
Lease receivables and investment assets (*2)	8,076	11,646	5,936	1,291	477	424
Total	¥740,105	¥550,726	¥502,164	¥308,170	¥279,398	¥408,730

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥38,605 million and those without terms in the amount of ¥25,717 million are not included.

(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥152 million are not included.

4. Financial Instruments (cont'd)

	Millions of yen					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥227,942	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	2,656	−	−	−	−	−
Commercial paper and other debt purchased	1,206	−	672	−	−	−
Securities						
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Available-for-sale securities with maturities	89,588	244,451	178,760	119,796	78,496	60,033
Japanese government bonds	24,500	124,700	76,600	49,100	6,000	18,800
Municipal bonds	25,696	36,384	27,069	26,269	39,142	18,912
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	21,997	37,520	23,872	13,324	15,500	17,303
Others	17,395	45,847	51,219	31,103	17,854	5,018
Loans and bills discounted (*1)	390,451	345,802	292,876	172,667	210,419	362,293
Lease receivables and investment assets (*2)	7,978	11,491	5,925	1,319	493	356
Total	¥719,821	¥601,744	¥478,233	¥293,782	¥289,408	¥422,682

4. Financial Instruments (cont'd)

	Thousands of U.S. dollars					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	$2,145,538	$ −	$ −	$ −	$ −	$ −
Call loans and bills purchased	25,000	−	−	−	−	−
Commercial paper and other debt purchased	11,352	−	6,325	−	−	−
Securities						
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Available-for-sale securities with maturities	843,261	2,300,932	1,682,605	1,127,598	738,855	565,070
Japanese government bonds	230,610	1,173,757	721,009	462,161	56,476	176,958
Municipal bonds	241,868	342,470	254,791	247,261	368,430	178,012
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	207,050	353,163	224,699	125,414	145,896	162,867
Others	163,733	431,542	482,106	292,762	168,053	47,233
Loans and bills discounted (*1)	3,675,179	3,254,913	2,756,740	1,625,254	1,980,601	3,410,137
Lease receivables and investment assets (*2)	75,094	108,161	55,770	12,415	4,640	3,351
Total	$6,775,424	$5,664,006	$4,501,440	$2,765,267	$2,724,096	$3,978,558

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥37,706 million ($354,913 thousand) and those without terms in the amount of ¥23,844 million ($224,435 thousand) are not included.

(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥290 million ($2,730 thousand) are not included.

4. Financial Instruments (cont'd)

(Note 4) Amount payable for borrowed money and other interest bearing liabilities:

	Millions of yen					
	2017					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,493,725	¥ 151,276	¥ 23,665	¥ 1,515	¥ 1,506	¥ –
Negotiable certificates of deposit	100,457	1,300	–	–	–	–
Call money and bills sold	23,037	–	–	–	–	–
Payables under securities lending transactions	34,270	–	–	–	–	–
Borrowed money	4,755	27,551	2,507	–	–	–
Bonds	10,000	–	–	–	–	–
Total	¥ 2,666,244	¥ 180,127	¥ 26,172	¥ 1,515	¥ 1,506	¥ –

	Millions of yen					
	2018					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,561,124	¥ 134,732	¥ 22,649	¥ 1,429	¥ 1,069	¥ –
Negotiable certificates of deposit	139,250	50	–	–	–	–
Call money and bills sold	21,248	–	–	–	–	–
Payables under securities lending transactions	28,170	–	–	–	–	–
Borrowed money	25,055	6,941	1,912	–	–	–
Total	¥ 2,774,847	¥ 141,723	¥ 24,561	¥ 1,429	¥ 1,069	¥ –

	Thousands of U.S. dollars					
	2018					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	$24,106,966	$1,268,185	$ 213,187	$ 13,451	$ 10,062	$ –
Negotiable certificates of deposit	1,310,711	471	–	–	–	–
Call money and bills sold	200,000	–	–	–	–	–
Payables under securities lending transactions	265,154	–	–	–	–	–
Borrowed money	235,834	65,333	17,997	–	–	–
Total	$26,118,665	$1,333,989	$ 231,184	$ 13,451	$ 10,062	$ –

(*) Demand deposits are included in "Within 1 year."

5. Securities

Unsecured securities that have been loaned and that allow the borrowers to sell the borrowed securities amounted to ¥85,509 million and ¥90,879 million ($855,412 thousand) as of March 31, 2017 and 2018, respectively, and are included in Japanese government bonds in Securities.

(1) Acquisition costs, book values and fair values of securities with available fair values

The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2017 and 2018. The amounts in the following tables include trading account securities and trust beneficiary interests in commercial paper and other debt purchased as well as securities

① Trading securities:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Amount of net unrealized gains (losses) included in statements of income	¥ (0)	¥ (3)	$ (28)

② Held-to-maturity debt securities for the years ended March 31, 2017 and 2018:

Not applicable.

5. Securities (cont'd)

③ Available-for-sale securities:
※Book value exceeded acquisition cost.

	Millions of yen		
	2017		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 130,565	¥ 46,633	¥ 83,932
Bonds:			
Japanese government bonds	311,028	300,073	10,955
Municipal bonds	139,353	135,812	3,541
Corporate bonds	134,149	130,398	3,751
Other	135,907	128,108	7,799
Total	¥ 851,002	¥ 741,024	¥ 109,978

※ Book value did not exceed acquisition cost.

	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 2,244	¥ 2,603	¥ (359)
Bonds:			
Japanese government bonds	34,979	35,429	(450)
Municipal bonds	46,645	47,128	(483)
Corporate bonds	23,392	23,666	(274)
Other	133,407	136,306	(2,899)
Total	¥ 240,667	¥ 245,132	¥ (4,465)
Grand total	¥ 1,091,669	¥ 986,156	¥ 105,513

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Millions of yen		
	2018		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 137,517	¥ 47,256	¥ 90,261
Bonds:			
Japanese government bonds	307,269	297,960	9,309
Municipal bonds	133,135	130,328	2,807
Corporate bonds	112,761	109,561	3,200
Other	90,732	83,765	6,967
Total	¥ 781,414	¥ 668,870	¥ 112,544

※ Book value did not exceed acquisition cost.

	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 3,544	¥ 4,006	¥ (462)
Bonds:			
Japanese government bonds	5,297	5,306	(9)
Municipal bonds	46,585	46,851	(266)
Corporate bonds	20,808	21,017	(209)
Other	202,496	208,799	(6,303)
Total	¥ 278,730	¥ 285,979	¥ (7,249)
Grand total	¥ 1,060,144	¥ 954,849	¥ 105,295

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Thousands of U.S. dollars		
	2018		
	Book (fair) value	Acquisition cost	Difference
Equity securities	$ 1,294,399	$ 444,804	$ 849,595
Bonds:			
Japanese government bonds	2,892,216	2,804,594	87,622
Municipal bonds	1,253,153	1,226,732	26,421
Corporate bonds	1,061,380	1,031,259	30,121
Other	854,029	788,451	65,578
Total	$ 7,355,177	$ 6,295,840	$ 1,059,337

※ Book value did not exceed acquisition cost.

Equity securities	$ 33,358	$ 37,707	$ (4,349)
Bonds:			
Japanese government bonds	49,859	49,944	(85)
Municipal bonds	438,488	440,992	(2,504)
Corporate bonds	195,858	197,825	(1,967)
Other	1,906,025	1,965,352	(59,327)
Total	$ 2,623,588	$ 2,691,820	$ (68,232)
Grand total	$ 9,978,765	$ 8,987,660	$ 991,105

④ Held-to-maturity debt securities sold for the years ended March 31, 2017 and 2018:

Not applicable.

5. Securities (cont'd)

⑤ Available-for-sale securities sold in the years ended March 31, 2017 and 2018:

	Millions of yen		
	2017		
	Amount sold	Gains	Losses
Equity securities	¥ 5,320	¥ 2,322	¥ 39
Bonds:			
Japanese government bonds	14,930	396	33
Municipal bonds	25,237	52	−
Corporate bonds	4,899	15	−
Other	36,636	425	329
Total	¥ 87,022	¥ 3,210	¥ 401

	Millions of yen		
	2018		
	Amount sold	Gains	Losses
Equity securities	¥ 4,560	¥ 2,072	¥ 20
Bonds:			
Japanese government bonds	24,257	57	58
Municipal bonds	9,543	17	11
Corporate bonds	5,234	13	14
Other	29,622	489	559
Total	¥ 73,216	¥ 2,648	¥ 662

	Thousands of U.S. dollars		
	2018		
	Amount sold	Gains	Losses
Equity securities	$ 42,922	$ 19,503	$ 188
Bonds:			
Japanese government bonds	228,322	537	546
Municipal bonds	89,825	160	103
Corporate bonds	49,266	122	132
Other	278,822	4,603	5,262
Total	$ 689,157	$ 24,925	$ 6,231

5. Securities (cont'd)

⑥ Securities reclassified for the years ended March 31, 2017 and 2018:

Not applicable.

⑦ Available-for-sale securities with market values are considered impaired if the market value decreases materially below the acquisition cost and the decline is not considered recoverable. The market value is used for the balance sheet amount, and the amount of write-down is accounted for as an impairment loss for the fiscal year. No impairment loss was recorded for the year ended March 31, 2017. Impairment loss for the fiscal year ended March 31, 2018 was ¥53 million ($499 thousand), including ¥23 million ($217 thousand) of equity securities and ¥30 million ($282 thousand) of other.

The market value is deemed to have decreased materially when it has fallen by 50% or more from the acquisition cost. In such cases, impairment accounting is applied uniformly. In cases in which the market value has fallen by 30% or more but less than 50%, historical price trends over a specific period and the recent business performance of the issuing company are taken into account to determine whether or not the acquisition cost can be recovered. Securities whose acquisition costs are deemed not to be recoverable are written down to the current market value.

(2) Net unrealized holding gains on securities stated at market value

Net unrealized holding gains on securities stated at market value at March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Available-for-sale securities	¥ 105,513	¥ 105,295	$ 991,105
Deferred tax liabilities	(31,751)	(31,708)	(298,456)
Net unrealized holding gains on securities (before adjustment for noncontrolling interests)	73,762	73,587	692,649
Noncontrolling interests	(1,623)	(1,963)	(18,477)
Net unrealized holding gains on securities	¥ 72,139	¥ 71,624	$ 674,172

(3) Guarantee obligations for privately placed bonds

At March 31, 2017 and 2018, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥14,128 million and ¥16,511 million ($155,412 thousand), respectively.

6. Loans and Bills Discounted

At March 31, 2017 and 2018, loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Loans to bankrupt customers	¥ 1,825	¥ 1,811	$ 17,046
Nonaccrual loans	36,931	36,186	340,606
Loans past due three months or more	504	274	2,579
Restructured loans	10,943	6,515	61,324
Total	¥ 50,203	¥ 44,786	$ 421,555

The amounts above represent gross receivable amounts before deducting reserves for possible loan losses.

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest are uncollectible.

Nonaccrual loans are loans on which accrued interest income is not recognized, excluding “Bankrupt loans” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more but less than six months.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or the deferral or waiver of interest and/or principal payments to support customers in financial difficulties.

7. Commercial Bills

Discounts of commercial bills are accounted for as financing transactions as stipulated in “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24, February 13, 2002). The Bank has rights to use commercial bills discounted or foreign exchange purchased in the form of sale or use as (re)collateral. The total face value of commercial bills obtained as a result of discounting was ¥14,163 million and ¥15,616 million ($146,988 thousand) at March 31, 2017 and 2018, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit agreed to in advance. The Bank and its consolidated subsidiaries lend the funds upon the request of the borrower to draw down funds under the agreement as long as there is no breach of the various terms and conditions stipulated in the agreement. The unused commitment balances related to these agreements at March 31, 2017 and 2018 amounted to ¥371,680 million and ¥369,106 million ($3,474,266 thousand), respectively. Of these amounts, ¥366,181 million and ¥360,913 million ($3,397,148 thousand), respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement expires without the loan ever being drawn down. In these cases, the unused loan commitment does not necessarily affect future cash flows. Conditions are also included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan drawdown or to reduce the agreed to limit when there is cause to do so, such as when there is a change in financial condition of the borrower or when it is necessary to protect the Bank or its consolidated subsidiaries' credit.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral such as real estate or securities on signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

9. Assets Pledged

At March 31, 2017 and 2018, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Securities	¥ 69,120	¥ 61,829	$ 581,975

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deposits	¥ 11,370	¥ 11,388	$ 107,191
Payables under securities lending transactions	34,271	28,170	265,154
Borrowed money	20,000	20,000	188,253

At March 31, 2017 and 2018, certain investment securities amounting to ¥36,188 million and ¥6,523 million ($61,399 thousand), respectively, and other assets of ¥7,221 million including deposits with the central counterparty of ¥7,196 million and other of ¥25 million and other assets of ¥29,357 million ($276,327 thousand) including deposits with the central counterparty of ¥29,333 million ($276,101 thousand) and other of ¥24 million ($226 thousand), respectively, were pledged as collateral for exchange settlement and handling and others of government funds or in substitution for clearing margins on futures and others.

At March 31, 2017 and 2018, other assets included cash collateral paid for financial instruments of ¥9,948 million and ¥7,640 million ($71,913 thousand), respectively, and guarantee deposits of ¥320 million and ¥331 million ($3,116 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2017 and 2018 amounted to ¥33,223 million and ¥33,209 million ($312,585 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2017 and 2018 amounted to ¥827 million and ¥807 million ($7,596 thousand), respectively. No such offset was newly recorded for the years ended March 31, 2017 and 2018.

11. Land Revaluation Account

In accordance with the Land Revaluation Law, the Bank revalued land used in the ordinary course of business as of March 31, 1999. The revaluation excess, net of deferred taxes, is shown as land revaluation account, a separate component of shareholders' equity. At March 31, 2017 and 2018, the current market values of the revalued land decreased from the revalued amount by ¥8,777 million and ¥7,965 million ($74,972 thousand), respectively.

12. General and Administrative Expenses

For the years ended March 31, 2017 and 2018, general and administrative expenses included salaries and allowances of ¥10,425 million and ¥10,121 million ($95,265 thousand), respectively, and outsourcing expenses of ¥3,445 million and ¥3,559 million ($33,500 thousand), respectively.

13. Other Income

For the years ended March 31, 2017 and 2018, other income included gain on sale of securities of ¥2,603 million and ¥2,504 million ($23,569 thousand), respectively.

14. Other Expenses

(1) Loss on loans and securities

For the years ended March 31, 2017 and 2018, other expenses included loans written off of ¥18 million and ¥13 million ($122 thousand), respectively, loss on sale of securities of ¥39 million and ¥61 million ($574 thousand), respectively, and securities written off of nil and ¥23 million ($216 thousand), respectively.

14. Other Expenses (cont'd)

(2) Impairment loss

For the year ended March 31, 2017, the Bank reduced the book value of business use assets whose operating cash flows decreased and real estate values declined and assets that were to be disposed of due to relocation and rebuilding to the recoverable amounts and recognized impairment loss of ¥1,260 million.

	Area	Purpose of use		Type		Impairment loss Millions of yen 2017
Operating assets	Tokushima area	Branches and others	4 locations	Land and buildings	¥	552
				(Land)		10
				(Buildings)		542
	Other area	Branches	2 locations	Land and buildings		707
				(Land)		680
				(Buildings)		27
Idle assets	Tokushima area	Idle assets	2 locations	Land		1
Total					¥	1,260
				(Land)	¥	690
				(Buildings)		570

The Bank allocates its assets to each branch (or group of branches if the management is in a group), which is the smallest unit of an asset group, and the consolidated subsidiaries regard each entity as a unit in a group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on Real Estate Appraisal Standards less the expected disposal cost or zero for assets to be disposed of due to relocation or rebuilding.

(2) Impairment loss (cont'd)

For the year ended March 31, 2018, the Bank reduced the book value of business use assets whose operating cash flows decreased and real estate values declined and assets that were to be disposed of due to relocation and rebuilding to the recoverable amounts and recognized impairment loss of ¥410 million ($3,859 thousand).

					Impairment loss			
	Area	Purpose of use		Type		Millions of yen		Thousands of U.S. dollars
					2018			
Operating assets	Tokushima area	Branches and others	4 locations	Land and buildings	¥	75	$	706
				(Land)		48		452
				(Buildings)		27		254
	Other area	Branches and others	3 locations	Land and buildings		335		3,153
				(Land)		256		2,409
				(Buildings)		79		744
Idle assets	Tokushima area	Idle assets	2 locations	Land		0		0
Total					¥	410	$	3,859
				(Land)	¥	304	$	2,861
				(Buildings)		106		998

The Bank allocates its assets to each branch (or group of branches if the management is in a group), which is the smallest unit of an asset group, and the consolidated subsidiaries regard each entity as a unit in a group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on Real Estate Appraisal Standards less the expected disposal cost or zero for assets to be disposed of due to relocation or rebuilding.

15. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ 9,828	¥ 1,711	$ 16,105
Reclassification adjustments	(2,770)	(1,929)	(18,157)
Subtotal, before tax	7,058	(218)	(2,052)
Tax (expense) benefit	(2,142)	43	405
Subtotal, net of tax	4,916	(175)	(1,647)
Net deferred gains (losses) on derivatives under hedge accounting			
Increase (decrease) during the year	(1,244)	(1,812)	(17,056)
Reclassification adjustments	2,063	2,096	19,729
Subtotal, before tax	819	284	2,673
Tax (expense) benefit	(249)	(87)	(819)
Subtotal, net of tax	570	197	1,854
Remeasurements of defined benefit plans			
Increase (decrease) during the year	734	977	9,197
Reclassification adjustments	850	682	6,419
Subtotal, before tax	1,584	1,659	15,616
Tax (expense) benefit	(479)	(495)	(4,660)
Subtotal, net of tax	1,105	1,164	10,956
Total other comprehensive income	¥ 6,591	¥ 1,186	$ 11,163

16. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, including corporation tax, inhabitants tax and enterprise tax, which in the aggregate indicate a statutory rate of approximately 30.6% for the year ended March 31, 2018.

A reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2017 was not disclosed because the difference between the statutory tax rate and effective tax rate was less than 5% of the statutory tax rate.

The reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2018 was as follows:

	2018
Statutory tax rate	30.6%
(Adjustments)	
Items permanently excluded from expenses such as entertainment expenses	0.3
Items permanently excluded from income such as dividend income	(1.2)
Inhabitants tax on per capita basis	0.2
Increase (decrease) in valuation allowance	4.2
Others	0.3
Effective tax rate after application of deferred income tax accounting	34.4%

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 10,399	¥ 9,751	$ 91,783
Excess depreciation	699	714	6,721
Net defined benefit liability	513	114	1,073
Tax loss carryforwards	24	17	160
Net deferred gains (losses) on derivatives under hedge accounting	1,159	1,072	10,090
Others	2,227	2,274	21,404
Valuation allowance	(1,838)	(2,632)	(24,774)
Total deferred tax assets	13,183	11,310	106,457
Deferred tax liabilities:			
Deferred gains on real property	(244)	(244)	(2,296)
Unrealized gains on securities	(31,751)	(31,709)	(298,466)
Others	(17)	(17)	(160)
Total deferred tax liabilities	(32,012)	(31,970)	(300,922)
Net deferred tax liabilities	¥ (18,829)	¥ (20,660)	$ (194,465)

17. Acceptances and Guarantees

All commitments and contingent liabilities arising in connection with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees" in Liabilities in the Consolidated Balance Sheets. A contra account, "Customers' liabilities for acceptances and guarantees," representing the Bank's right of indemnity from customers is shown in Assets.

18. Borrowed Money

Borrowed money at March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Borrowings from banks and others	¥ 34,813	¥ 33,908	$ 319,164
Lease obligations (included in other liabilities)	¥ 362	¥ 305	$ 2,871

The following is a summary of aggregate annual maturities of borrowings from banks and others and lease obligations at March 31, 2018.

・Borrowings from banks and others:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2019	¥ 25,055	$ 235,834
2020	4,279	40,277
2021	2,662	25,056
2022	1,590	14,966
2023	322	3,031
2024 and thereafter	–	–
Total	¥ 33,908	$ 319,164

・Lease obligations:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2019	¥ 106	$ 998
2020	74	697
2021	61	574
2022	56	527
2023	8	75
2024 and thereafter	0	0
Total	¥ 305	$ 2,871

19. Bonds

Bonds at March 31, 2017 consisted of the following:

	Millions of yen
	2017
0.52% bonds, due December 21, 2017 *1, 2	¥ 10,000
Total	¥ 10,000

*1 Terms and conditions of the bonds contain interbond pari passu clauses.
*2 There is a fixed interest rate of 0.52% through December 21, 2017.

There was no bond at March 31, 2018.

20. Employees' Severance and Retirement Benefits

(1) Overview of retirement benefit plan

The Bank and its consolidated subsidiaries provide a funded contributory pension plan under the Defined Benefit Corporate Pension Law and a lump-sum payment plan as defined benefit plans. The funded contributory pension plans, which were transferred from the welfare pension fund with approval from the Minister of Health, Labour and Welfare, have been provided effective from September 1, 2004. Retirement benefit plans were revised on September 1, 2004, and a "Point system" was introduced in the calculation of retirement benefits. In addition, a portion of the lump-sum payment plans were transferred to defined contribution plans on December 1, 2004. The Bank also has established a retirement benefit trust.

Consolidated subsidiaries apply the simplified method for their lump-sum payment plans in the calculation of net defined benefit liability and retirement benefit expenses.

(2) Defined benefit plans

① Movement in projected benefit obligation (excluding plans to which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Projected benefit obligation at beginning of year	¥ 31,520	¥ 30,603	$ 288,055
Service cost	802	767	7,219
Interest cost	192	225	2,118
Actuarial differences	(447)	513	4,829
Retirement benefits paid	(1,464)	(1,430)	(13,460)
Projected benefit obligation at end of year	¥ 30,603	¥ 30,678	$ 288,761

20. Employees' Severance and Retirement Benefits (cont'd)

② Movement in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Plan assets at beginning of year	¥ 32,110	¥ 31,964	$ 300,866
Expected return on plan assets	580	584	5,497
Actuarial differences	287	1,491	14,034
Employer contribution	29	28	263
Employee contribution	33	33	311
Retirement benefits paid	(1,075)	(1,113)	(10,476)
Plan assets at end of year	¥ 31,964	¥ 32,987	$ 310,495

(*1) Plan assets include the assets of the retirement benefits trust.

③ Reconciliation of net defined benefit liability applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net defined benefit liability at beginning of year	¥ 233	¥ 246	$ 2,316
Net retirement benefit expenses	18	25	235
Retirement benefits paid	(5)	(28)	(264)
Net defined benefit liability at end of year	¥ 246	¥ 243	$ 2,287

20. Employees' Severance and Retirement Benefits (cont'd)

④ Reconciliation from the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded projected benefit obligation	¥ 25,468	¥ 25,519	$ 240,201
Plan assets	(31,964)	(32,987)	(310,495)
	(6,496)	(7,468)	(70,294)
Unfunded projected benefit obligation	5,381	5,402	50,847
Net liability and asset recorded on the consolidated balance sheet	¥ (1,115)	¥ (2,066)	$ (19,447)
Net defined benefit liability	¥ 5,381	¥ 5,402	$ 50,847
Net defined benefit asset	(6,496)	(7,468)	(70,294)
Net liability and asset recorded on the consolidated balance sheet	¥ (1,115)	¥ (2,066)	$ (19,447)

(*1) Plan assets include the assets of the retirement benefits trust.
(*2) The above table includes plans applying the simplified method.

⑤ Net retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 787	¥ 759	$ 7,144
Interest cost	192	225	2,118
Expected return on plan assets	(580)	(584)	(5,497)
Amortization of actuarial differences	956	788	7,417
Amortization of prior service costs	(106)	(106)	(998)
Net retirement benefit expenses	¥ 1,249	¥ 1,082	$ 10,184

(*1) Retirement benefit expenses of the consolidated subsidiaries applying the simplified method were included in "service cost."
(*2) Employee contributions to the funded contributory pension plan were not included in service cost.

20. Employees' Severance and Retirement Benefits (cont'd)

⑥ The components of remeasurements of defined benefit plans in other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Prior service costs	¥ (106)	¥ (106)	$ (998)
Actuarial differences	1,690	1,765	16,614
Total	¥ 1,584	¥ 1,659	$ 15,616

⑦ The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized prior service costs	¥ (309)	¥ (203)	$ (1,911)
Unrecognized actuarial differences	259	(1,506)	(14,175)
Total	¥ (50)	¥ (1,709)	$ (16,086)

⑧ Plan assets
(i) Plan assets comprise:

	2017	2018
Debt securities	53.9%	51.6%
Equity securities	31.2	34.0
Life insurance general accounts	10.9	10.5
Cash and due from banks and others	4.0	3.9
Total	100.0%	100.0%

(*1) As of March 31, 2017 and 2018, 8.5% and 7.2%, respectively, of plan assets consisted of assets of the retirement benefit trust established for the funded contributory pension plan.

(ii) Determination of expected long-term rate of plan assets
The expected long-term rate of return on plan assets is determined considering the current and future portfolio of plan assets and current and expected long-term rate of return generated from various components of the plan assets.

20. Employees' Severance and Retirement Benefits (cont'd)

⑨ Actuarial assumptions at end of year:

	2017	2018
Discount rate	0.7%	0.6%
Expected long-term rate of return on plan assets		
Funded contributory pension plan	2.0%	2.0%
Employee retirement benefit trust	0.0%	0.0%
Expected rate of salary increase		
Funded contributory pension plan	2.0%	2.0%
Lump-sum payment plan	2.3%	2.3%

(*1) The discount rate for the years ended March 31, 2017 and 2018 was presented using a weighted average rate.

(*2) The expected rate of salary increase is based on the expected rate of increase in points calculated for each plan as a point system is used to determine retirement benefits.

(3) Defined contribution plans

The amount of required contribution to the defined contribution plans was ¥131 million and ¥121 million ($1,139 thousand) as of March 31, 2017 and 2018, respectively.

21. Derivative Transactions

The Bank enters into various derivative contracts, including swaps, options, forwards and futures, that cover interest rates, foreign currencies and stocks and bonds in order to meet customers' needs and manage the risks of market fluctuations related to the assets, liabilities and interest rates of the Bank and its consolidated subsidiaries. In connection with these transactions, the Bank has established procedures and controls to minimize market and credit risk, including limits on transaction levels, hedging exposed positions, daily reporting to management and the outside review of trading department activities. At March 31, 2017 and 2018, outstanding derivatives were as follows:

(1) Interest related transactions:

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

21. Derivative Transactions (cont'd)

(2) Currency and foreign exchange transactions:

	Millions of yen			
	2017			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Forward exchange contracts				
Sell	¥ 24,910	¥ 149	¥ (216)	¥ (216)
Buy	10,902	185	13	13
Currency options				
Sell	33,295	–	(378)	(40)
Buy	33,295	–	378	216

	Millions of yen				Thousands of U.S. dollars
	2018				2018
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Forward exchange contracts					
Sell	¥ 24,262	¥ 2,175	¥ (133)	¥ (133)	$ (1,252)
Buy	3,044	73	(62)	(62)	(584)
Currency options					
Sell	30,329	–	(321)	(69)	(649)
Buy	30,329	–	321	180	1,694

The above transactions were recorded at market values, and recognized gains and losses were included in the consolidated statements of income. Market values for over-the-counter transactions are calculated at discounted present values or values based on option price calculation models and other methods for the balances at March 31, 2017 and 2018. Derivative transactions for which hedge accounting was applied were excluded from the above table.

22. Segment Information

(1) General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information is provided to and used by the ALM Committee and Management Meeting periodically to determine the allocation of resources and assess performance.

The Group is engaged mainly in commercial banking and leasing services. Therefore, the Bank and its consolidated subsidiaries recognize reportable segments by the financial services provided: 'Commercial banking' and 'Leasing.'

'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking services and the consolidated subsidiaries' business support services, management consulting services, credit guarantee services and credit card services.

'Leasing' includes the leasing services of Awagin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Basis of measurement for reporting segment ordinary income, profit or loss, segment assets, segment liabilities and other material items

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2, "Significant Accounting Policies." Reportable segment profit is based on operating profit, and intersegment ordinary income is based on arm's length pricing.

22. Segment Information (cont'd)

(3) Information about reported segment ordinary income, profit or loss and amounts of assets, liabilities and other material items

Segment information as of and for the years ended March 31, 2017 and 2018 was as follows:

	Millions of yen				
	2017				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 55,569	¥ 13,560	¥ 69,129	¥ −	¥ 69,129
Intersegment	200	165	365	(365)	−
Total	¥ 55,769	¥ 13,725	¥ 69,494	¥ (365)	¥ 69,129
Segment profit	¥ 19,687	¥ 942	¥ 20,629	¥ (10)	¥ 20,619
Segment assets	¥ 3,173,816	¥ 43,254	¥ 3,217,070	¥ (11,141)	¥ 3,205,929
Segment liabilities	¥ 2,916,199	¥ 28,200	¥ 2,944,399	¥ (11,155)	¥ 2,933,244
Other items					
Depreciation	¥ 2,006	¥ 178	¥ 2,184	¥ 30	¥ 2,214
Interest income received	41,791	274	42,065	(68)	41,997
Interest expense paid	3,298	116	3,414	(54)	3,360
Extraordinary income	1	0	1	−	1
Gains on disposal of fixed assets	1	0	1	−	1
Extraordinary losses	1,794	1	1,795	0	1,795
Losses on disposal of fixed assets	88	0	88	0	88
Impairment loss	1,259	1	1,260	−	1,260
Provision for reserve for asset demolition costs	447	−	447	−	447
Tax expenses	5,282	272	5,554	0	(5,554)
Increase in tangible fixed assets and intangible fixed assets	3,563	14	3,577	24	3,601

(*1) Ordinary income is presented as the counterpart of sales of companies in other industries.
(*2) Adjustments are as below.

1. Adjustment of segment profit of negative ¥10 million is for the elimination of intersegment transactions.
2. Adjustment of segment assets of negative ¥11,141 million is for the elimination of intersegment transactions and others.
3. Adjustment of segment liabilities of negative ¥11,155 million is for the elimination of intersegment transactions and others.
4. Adjustment of depreciation of ¥30 million is due to intersegment transactions.
5. Adjustment of interest income received of negative ¥68 million is for the elimination of intersegment transactions.
6. Adjustment of interest expense paid of negative ¥54 million is for the elimination of intersegment transactions.
7. Adjustment of losses on disposal of fixed assets of ¥0 million is due to intersegment transactions.
8. Adjustment of tax expenses of ¥0 million is due to intersegment transactions.
9. Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥24 million is due to intersegment transactions.

(*3) Segment profit is reconciled to net income in the consolidated statements of income.

22. Segment Information (cont'd)

	Millions of yen				
	2018				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 54,004	¥ 14,048	¥ 68,052	¥ −	¥ 68,052
Intersegment	153	206	359	(359)	−
Total	¥ 54,157	¥ 14,254	¥ 68,411	¥ (359)	¥ 68,052
Segment profit	¥ 18,953	¥ 737	¥ 19,690	¥ (15)	¥ 19,675
Segment assets	¥ 3,250,888	¥ 43,832	¥ 3,294,720	¥ (10,109)	¥ 3,284,611
Segment liabilities	¥ 2,985,843	¥ 28,050	¥ 3,013,893	¥ (11,287)	¥ 3,002,606
Other items					
Depreciation	¥ 2,068	¥ 174	¥ 2,242	¥ 34	¥ 2,276
Interest income received	40,337	275	40,612	(62)	40,550
Interest expense paid	3,744	97	3,841	(48)	3,793
Extraordinary income	69	0	69	−	69
Gains on disposal of fixed assets	69	0	69	−	69
Extraordinary losses	455	0	455	0	455
Losses on disposal of fixed assets	45	0	45	0	45
Impairment loss	410	−	410	−	410
Tax expenses	6,433	215	6,648	(0)	6,648
Increase in tangible fixed assets and intangible fixed assets	3,581	43	3,624	55	3,679

22. Segment Information (cont'd)

	Thousands of U.S. dollars				
	2018				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	$ 508,321	$ 132,229	$ 640,550	$ –	$ 640,550
Intersegment	1,440	1,939	3,379	(3,379)	–
Total	$ 509,761	$ 134,168	$ 643,929	$ (3,379)	$ 640,550
Segment profit	$ 178,398	$ 6,937	$ 185,335	$ (141)	$ 185,194
Segment assets	$ 30,599,473	$ 412,575	$ 31,012,048	$ (95,152)	$ 30,916,896
Segment liabilities	$ 28,104,697	$ 264,025	$ 28,368,722	$ (106,241)	$ 28,262,481
Other items					
Depreciation	$ 19,465	$ 1,638	$ 21,103	$ 320	$ 21,423
Interest income received	379,678	2,589	382,267	(584)	381,683
Interest expense paid	35,241	913	36,154	(452)	35,702
Extraordinary income	649	0	649	–	649
Gains on disposal of fixed assets	649	0	649	–	649
Extraordinary losses	4,283	0	4,283	0	4,283
Losses on disposal of fixed assets	423	0	423	0	423
Impairment loss	3,859	–	3,859	–	3,859
Tax expenses	60,551	2,024	62,575	(0)	62,575
Increase in tangible fixed assets and intangible fixed assets	33,707	405	34,112	517	34,629

(*1) Ordinary income is presented as the counterpart of sales of companies in other industries.
(*2) Adjustments are as below.

1. Adjustment of segment profit of negative ¥15 million ($141 thousand) is for the elimination of intersegment transactions.
2. Adjustment of segment assets of negative ¥10,109 million ($95,152 thousand) is for the elimination of intersegment transactions and others.
3. Adjustment of segment liabilities of negative ¥11,287 million ($106,241 thousand) is for the elimination of intersegment transactions and others.
4. Adjustment of depreciation of ¥34 million ($320 thousand) is due to intersegment transactions.
5. Adjustment of interest income received of negative ¥62 million ($584 thousand) is for the elimination of intersegment transactions.
6. Adjustment of interest expense paid of negative ¥48 million ($452 thousand) is for the elimination of intersegment transactions.
7. Adjustment of losses on disposal of fixed assets of ¥0 million ($0 thousand) is due to intersegment transactions.
8. Adjustment of tax expenses of negative ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
9. Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥55 million ($517 thousand) is due to intersegment transactions.

(*3) Segment profit is reconciled to net income in the consolidated statements of income.

22. Segment Information (cont'd)

(4) Related information

For the years ended March 31, 2017 and 2018:
Information by service:

	Millions of yen 2017				
	Loans	Security investments	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 26,870	¥ 18,568	¥ 13,560	¥ 10,131	¥ 69,129

	Millions of yen 2018				
	Loans	Security investments	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 25,525	¥ 18,211	¥ 14,048	¥ 10,268	¥ 68,052

	Thousands of U.S. dollars 2018				
	Loans	Security investments	Lease	Other businesses	Total
Ordinary income					
Customers	$ 240,258	$ 171,414	$ 132,229	$ 96,649	$ 640,550

(5) Impairment loss on tangible fixed assets by reportable segment

For the years ended March 31, 2017 and 2018:

	Millions of yen 2017 Reportable segments		
	Commercial banking	Leasing	Total
Impairment loss	¥ 1,259	¥ 1	¥ 1,260

	Millions of yen 2018 Reportable segments		
	Commercial banking	Leasing	Total
Impairment loss	¥ 410	¥ -	¥ 410

	Thousands of U.S. dollars 2018 Reportable segments		
	Commercial banking	Leasing	Total
Impairment loss	$ 3,859	$ -	$ 3,859

23. Transactions with Related Parties

The Bank and related party transactions for the years ended March 31, 2017 and 2018 were as follows:

For the year ended March 31, 2017:

Related party	Transactions	Transaction amount	Account	Balance at end of year
		Millions of yen		Millions of yen
Kenzo Asaoka *1	Lending	¥(14)	Loans	¥49
	Interest received	¥1	Unearned income	¥0
Nishino Kinryo Co., Ltd. *2	Lending	¥(50)	Loans	¥3,399
	Interest received	¥36	Unearned income	¥2
	Guarantees of liabilities	−	Liabilities for acceptances and guarantees	¥15
	Guarantee deposits received	¥0	Unearned income	¥0
Kinryo Co., Ltd. *2	Lending	¥(10)	Loans	¥10
	Interest received	¥0	Unearned income	¥0
Kagawa Shurui Hanbai Co., Ltd. *3	Lending	−	Loans	¥770
	Interest received	¥11	Unearned income	¥0
Hasui Saketen Co., Ltd. *3	Lending	−	Loans	¥50
	Interest received	¥1	Unearned income	¥0

(*1) A director of the Bank
(*2) A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
(*3) Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

For the year ended March 31, 2018:

Related party	Transactions	Transaction amount		Account	Balance at end of year	
		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Nishino Kinryo Co., Ltd. *1	Lending	¥181	$1,704	Loans	¥3,580	$33,697
	Interest received	¥33	$311	Unearned income	¥1	$9
	Guarantees of liabilities	−	−	Liabilities for acceptances and guarantees	¥15	$141
	Guarantee deposits received	¥0	$0	Unearned income	¥0	$0
Kinryo Co., Ltd. *1	Lending	¥(10)	$(94)	Loans	−	−
	Interest received	¥0	$0	Unearned income	−	−
Kagawa Shurui Hanbai Co., Ltd. *2	Lending	¥(300)	$(2,824)	Loans	¥470	$4,424
	Interest received	¥5	$47	Unearned income	¥0	$0
Hasui Saketen Co., Ltd. *2	Lending	−	−	Loans	¥50	$471
	Interest received	¥1	$9	Unearned income	¥0	$0

(*1) A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
(*2) Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

23. Transactions with Related Parties (cont'd)

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2017 and 2018 were as follows:

Related party	Transactions	Transaction amount		
		Millions of yen		Thousands of U.S. dollars
		2017	2018	2018
Nishino Kinryo Co., Ltd.	Receiving lease payments	¥12	¥11	$104
	Lease commitments	¥18	¥20	$188

(*1) A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd.

24. Changes in Net Assets

(1) Type and number of shares

The type and number of shares issued and treasury stock for the years ended March 31, 2017 and 2018 were as follows:

For the year ended March 31, 2017:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	226,200	–	–	226,200
Total	226,200	–	–	226,200
Treasury stock				
Common stock	118	3,867	1	(*1) 3,984
Total	118	3,867	1	3,984

(*1) The 3,867 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (19 thousand shares) and acquisition through the market (3,848 thousand shares). The one thousand decrease in the number of shares of treasury stock was due to the sale of fractional shares (one thousand shares).

24. Changes in Net Assets (cont'd)

For the year ended March 31, 2018:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	226,200	–	–	226,200
Total	226,200	–	–	226,200
Treasury stock				
Common stock	3,984	3,422	1	(*1) 7,405
Total	3,984	3,422	1	7,405

(*1) The 3,422 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (22 thousand shares) and acquisition through the market (3,400 thousand shares). The one thousand decrease in the number of shares of treasury stock was due to the sale of fractional shares (one thousand shares).

(2) Dividends

The following dividends were paid in the years ended March 31, 2017 and 2018:

Year ended March 31, 2017:

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of stockholders held on June 29, 2016	Common stock	¥ 1,356	¥ 6.00	March 31, 2016	June 30, 2016
Directors' meeting held on November 11, 2016	Common stock	¥ 1,010	¥ 4.50	September 30, 2016	December 5, 2016

24. Changes in Net Assets (cont'd)

Year ended March 31, 2018:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of stockholders held on June 29, 2017	Common stock	¥ 1,000	$ 9,413	¥ 4.50	$ 0.04	March 31, 2017	June 30, 2017
Directors' meeting held on November 10, 2017	Common stock	¥ 994	$ 9,356	¥ 4.50	$ 0.04	September 30, 2017	December 5, 2017

The following dividends were recorded during the fiscal years ended March 31, 2017 and 2018 and became effective after March 31, 2017 and 2018:

For the fiscal year ended March 2017, the dividends became effective after March 31, 2017:

Date of resolution	Type of shares	Amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Annual meeting of stockholders held on June 29, 2017	Common stock	¥ 1,000	Retained earnings	¥ 4.50	March 31, 2017	June 30, 2017

For the fiscal year ended March 2018, the dividends became effective after March 31, 2018:

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of stockholders held on June 26, 2018	Common stock	¥ 985	$ 9,271	Retained earnings	¥ 4.50	$ 0.04	March 31, 2018	June 27, 2018

25. Subsequent Events

(1) Change in the number of shares constituting one trading unit and consolidation of shares

At the Directors' meeting held on April 25, 2018, the Bank resolved to submit a proposal for the consolidation of shares and partial amendments to the articles of incorporation (change in the number of shares constituting one trading unit and others) at the 206th annual meeting of shareholders held on June 26, 2018. The proposal was resolved as proposed at the annual meeting of shareholders.

1. Purpose of consolidation of shares and change in the number of shares constituting one trading unit

Japanese stock exchanges have been working to promote the standardization of trading units for domestic listed companies (number of shares constituting one trading unit) into units of 100 shares. The Bank decided to change its number of shares constituting one trading unit from 1,000 shares to 100 shares with respect to this plan. At the same time, the Bank decided to consolidate its shares at a ratio of one share for every five shares in order to adjust the level of investment unit to that regarded as appropriate by Japanese stock exchanges (between ¥50,000 ($471) and ¥500,000 ($4,706)).

2. Details of consolidation of shares

① Type of shares subject to consolidation of shares:

Common stock

② Method and ratio of consolidation of shares:

The consolidation of shares shall be executed as of October 1, 2018 at a ratio of one share for each five shares owned by shareholders recorded on the shareholder register as of the close of September 30, 2018 (effectively September 28, 2018).

③ Number of shares to be reduced due to consolidation of shares

Total number of shares issued before consolidation (as of March 31, 2018)	226,200,000 shares
Number of shares to be reduced due to consolidation	180,960,000 shares
Total number of shares issued after consolidation	45,240,000 shares

Note: Number of shares to be reduced due to the consolidation and total number of shares issued after the consolidation are theoretical numbers calculated using the total number of shares issued before the consolidation multiplied by the ratio of the consolidation of shares.

3. Details of partial amendments to the articles of incorporation

On October 1, 2018, in order to reduce the total number of shares authorized to be issued at the same ratio as that of the consolidation of shares, the total number of shares authorized to be issued shall be changed from 500,000,000 shares to 100,000,000 shares. At the same time, the number of shares constituting one trading unit shall be changed from 1,000 shares to 100 shares.

4. Effect on per share information

Assuming the consolidation of shares was made on April 1, 2016, per share information as of and for the years ended March 31, 2017 and 2018 is as follows:

	Yen		U.S. dollars
	2017	2018	2018
Net assets per share	¥ 5,846.89	¥ 6,125.63	$ 57.66
Net income per share - basic	277.77	268.44	2.53

Note: For the years ended March 31, 2017 and 2018, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

25. Subsequent Events (cont'd)

(2) Acquisition of treasury stock

Implementing its flexible financial management policy and furthering the return of profits to its shareholders in response to changes in the business environment, the Bank, at the Directors' meeting held on May 11, 2018 and pursuant to Article 156 of the Companies Act, which is applied by replacing Paragraph 3 of Article 165, resolved to acquire its own shares and then completed the acquisition during the acquisition period as follows:

Class of shares acquired:	Common stock of the Bank
Total numbers of shares acquired:	1,500,000 shares
Aggregate acquisition cost:	¥1,085 million ($10,213 thousand)
Acquisition period:	May 21, 2018 to June 19, 2018

(3) Introduction of stock remuneration plan for directors and others

At the Directors' meeting held on May 11, 2018, the Bank reviewed its remuneration system for directors and corporate auditors and resolved to abolish retirement benefits to the Bank's directors and corporate auditors and to introduce a performance linked stock compensation program. In connection with the abolition of retirement benefits for directors and corporate auditors, a proposal for payment of retirement benefits for the period of their services until the abolition was submitted to the 206th annual meeting of shareholders held on June 26, 2018, and the proposal was resolved as proposed.

1. Description of stock ownership plan for directors and employees

The Bank introduced a performance linked stock compensation program using a trust (the "Program") for directors of the Bank (excluding members of the Audit and Supervisory Committee and outside directors) and executive officers (the "Directors, etc.") to motivate them to contribute to the improvement of the Bank's mid- to long-term business performance and its corporate value.

2. Overview of the Program

The Program employs a scheme referred to as the "Executive Compensation BIP (Board Incentive Plan) Trust" (the "BIP"). Under the Program, the Bank's shares and the cash equivalent of the market value of the Bank's shares will be delivered and paid to the Directors, etc. for five fiscal years ending from March 31, 2019 to March 31, 2023 based on business performance and the individual's position among Directors, etc., at the time of retirement.

25. Subsequent Events (cont'd)

Details of the BIP trust agreement

Type of the trust	Cash trust other than individually operated designated trust of cash (third party benefit trust)
Objective of the trust	Providing incentives to the Directors, etc.
Settlor	The Bank
Trustee	Mitsubishi UFJ Trust and Banking Corp. (Co-trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Directors, etc., satisfying the beneficiary requirements
Trust administrator	A third party that does not have any interest in the Bank (certified public accountant)
Trust agreement date	August 1, 2018 (planned)
Trust period	From August 1, 2018 to August 31, 2023 (planned)
Start date of the Program	October 1, 2018 (planned)
Exercise of voting rights	No exercise
Type of acquired shares	Common stock of the Bank
Total acquisition cost of shares	¥782 million ($7,361 thousand)
Method of acquisition of shares	Acquisition on the stock market or from the Bank (disposal of treasury stock)

(4) Transaction under common control

Additional acquisition of subsidiary shares by the Bank

1. Outline of the transaction

(1) Name and business of the companies under the business combination

Name:	Business:
The Awagin Guaranty Company Limited	Credit guarantee business
The Awagin Card Company Limited	Credit card business
The Awagin Lease Company Limited	Leasing business

(2) Date of the business combination
September 25, 2018 and September 28, 2018

(3) Legal form of the business combination
Acquisition of shares from noncontrolling shareholders

(4) Company name after the business combination
Unchanged

(5) Other matters related to the outline of the transaction
The Bank has acquired the stock of noncontrolling shareholders in order to strengthen uniformed management of the Group.

25. Subsequent Events (cont'd)

2. Outline of accounting policy applied

The transaction is accounted for as a transaction with noncontrolling shareholders within a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

3. Information on the acquisition of additional shares of the subsidiary

Acquisition cost and its breakdown

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and due from banks	¥ 10,408	$ 97,967
Total acquisition cost		¥ 10,408	$ 97,967

4. Changes in the Bank's ownership interests in relation to transactions with noncontrolling shareholders

(1) Major reason for the change in capital surplus
Additional acquisition of subsidiary shares

(2) Amount of capital surplus increased due to the transactions with noncontrolling shareholders
¥3,837 million ($36,116 thousand)

(5) Acquisition of treasury stock

Implementing its flexible financial management policy and furthering the return of profits to its shareholders in response to changes in the business environment, the Bank, at the Directors' meeting held on January 29, 2019 and pursuant to Article 156 of the Companies Act, which is applied by replacing Paragraph 3 of Article 165, resolved to acquire its own shares as follows:

Class of shares acquired:	Common stock of the Bank
Total numbers of shares acquired:	300,000 shares
Aggregate acquisition cost:	¥1,000 million ($9,413 thousand)
Acquisition period:	February 6, 2019 to March 1, 2019

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