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Annual Report 2018

Year Ended 31st March, 2018

G U N M A B A N K R E P O R T

Message from the Management



I would like to express our sincere appreciation for your continued patronage towards the Gunma Bank. Since our establishment in 1932, we have been acting as a leading bank in the region where our customers are located, always wishing to contribute to the development of the regional communities, throughout so many social and economic changes. In the meantime, we have strengthened the management structure and successfully established today's business foundations. This could not have been possible without your warm support, which we are very thankful for.

Although Japan's economy has been turning toward a moderate expansion, financially, the Bank of Japan continues to adopt the Negative Interest Rate Policy, while the business environment surrounding the banking industries is becoming much more severe. Additionally, the financial environment has seen increasingly rapid and diverse changes, including the progress of digital technology and the increase of new payment methods. On the other hand, with regard to the regional economy, more activities to support regional revitalization are expected from regional financial institutions, as the lack of successors and labor shortage are becoming huge issues in the growth of regional businesses, leading to great potential demand for business successions, M&As, dispatch

of experts and an increase in operational efficiency.

In such a business environment, in the final year of the Group's "2016 Mid-term Business Plan 'Value for Tomorrow,' or value-added proposals for tomorrow," we are striving to present "value-added proposals" as solutions for various needs and issues, such as management issues and asset management of customers.

As part of initiatives aimed at regional revitalization, we are working toward regional reactivation by supporting commercialization of applicants' business of the Gungin Business Support Grand Award and handling of the "Gunma Bank Private Placement Bond for the Revitalization of Regional Economies." In addition, we strengthened our partnership with local governments and Gunma University. In this way, we are actively participating in regional revitalization.

As part of our initiative towards our corporate customers, we are focusing our efforts on business evaluations, in order to more deeply and accurately grasp management issues. Moreover, for sales branch offices to further contribute to the growth of customers, we have introduced an evaluation process in the business performance evaluation of sales branch offices, and are working to build mid- to long-term relations.

As for our individual customers, we have newly established the "Asset Management Support Department," which manages business operations with focus on the customer. We have also held seminars on asset management for customers, commenced the handling of living trusts, and are working on product enhancement of housing loans and unsecured consumer loans, alongside improving our consulting function with regard to the management of financial assets and inheritance-related operations.

As an initiative towards market expansion, we opened up new customer foundations, such as the "Adachi Branch" established last year, to cultivate new customer bases. Additionally, for non-face-to-face channels, we are planning to expand points of contact with customers, such as establishing the "Privilege Page for Employees," after opening our first online branch.

As an initiative towards improving the Group's comprehensive strength, we continue to offer highly-specialized asset management consultations and securities businesses through the alliance with Gungin Securities Co., Ltd. Furthermore, in alliance with the newly established Gungin Consulting Co., Ltd., we are planning to have even more highly-specialized consulting services.

Furthermore, in an effort to utilize digital technology, we have newly established the "Digitalization Promotion Office," and worked on enhancing the efficiency of operations through the utilization of AI and RPA. Alongside these, we established "FinX DIGITAL Co., Ltd.," a joint venture among seven regional banks, in order to increase customer convenience and quality of banking services.

Through the above initiatives, as well as efforts in opening up more opportunities for profit, we aim to build a business model that can grow sustainably with regional customers.

We will continue to face a wide range of needs from the regional community and customers, provide truly helpful solutions, be worthy of the trust, and live up to the expectations of all of our stakeholders as a regional financial group.

Again, I would like to express our sincere gratitude for your continued support throughout the years and we look forward to your support in the future as well.

July 2018

A handwritten signature in dark ink, appearing to read "K. Saito".

Kazuo Saito
President

Consolidated Financial Review

Performance

The Group consists of five consolidated subsidiaries, two non-consolidated subsidiaries accounted for using the equity method and one affiliate accounted for using the equity method. Consolidated results for the fiscal year under review are as follows.

The balance of total assets as of the consolidated fiscal year-end under review came to ¥8,004.7 billion, an increase of ¥18.1 billion compared to the previous fiscal year. The balance of total liabilities as of the fiscal year-end came to ¥7,468.1 billion, an increase of ¥7.7 billion compared to the previous fiscal year. Furthermore, the balance of total net assets as of the fiscal year-end came to ¥536.6 billion, an increase of ¥10.4 billion compared to the previous fiscal year.

As for the major accounts, loans and bills discounted stood at ¥5,473.4 billion overall, an increase of ¥292.1 billion compared to the previous fiscal year due to the continued increase in retail loans consisting of SME loans and personal loans. Securities stood at ¥1,763.1 billion, a decrease of ¥326.5 billion. Deposits stood at ¥6,661.9 billion, a stable increase of ¥172.7 billion compared to the previous fiscal year, which mainly came from personal deposits.

Total income amounted to ¥150,386 million, an increase of ¥6,255 million from the previous consolidated fiscal year mainly due to an increase in fees and

commissions.

Total expenses amounted to ¥107,977 million, an increase of ¥368 million from the previous consolidated fiscal year mainly due to an increase in financing expenses and other ordinary expenses, despite a decrease in provision of allowance for loan losses.

As a result, ordinary profit came to ¥42,409 million, an increase of ¥5,887 million from the previous consolidated fiscal year. Furthermore, profit attributable to owners of parent companies came to ¥28,366 million, an increase of ¥2,061 million from the previous consolidated fiscal year.

Consolidated total capital ratio remained high at 12.41%.

The Bank (in accordance with the uniform international standard) calculated the total capital ratio based on Basel III. Under this standard, the Bank is required to ensure a Common Equity Tier 1 ratio of over 4.5%, a Tier 1 ratio of over 6%, and a total capital ratio of over 8%.

Consolidated Capital Adequacy Ratio (BIS Standards)

	As at March 31, 2017	As at March 31, 2018
1. Consolidated total capital ratio (4/7)	12.58%	12.41%
2. Consolidated Tier 1 ratio (5/7)	11.94%	11.90%
3. Consolidated Common Equity Tier 1 ratio (6/7)	11.93%	11.83%
4. Total capital (consolidated)	498.7	522
5. Tier 1 capital (consolidated)	473.5	500.5
6. Common Equity Tier 1 capital (consolidated)	472.7	497.6
7. Risk weighted assets	3,962.8	4,205.5

Billions of yen

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Assets			
Cash and due from banks (Note 15)	¥ 539,879	¥ 573,973	\$ 5,402,610
Call loans and bills bought	2,243		
Monetary claims bought	10,891	10,353	97,457
Trading account securities	1,028	384	3,623
Money held in trust (Note 7)	4,429	6,629	62,405
Securities (Note 6 and 12)	2,089,768	1,763,176	16,596,167
Loans and bills discounted (Note 3)	5,181,288	5,473,444	51,519,617
Foreign exchanges	6,852	4,580	43,118
Lease receivables and investment assets	47,126	50,390	474,309
Other assets	48,188	67,277	633,261
Property, plant and equipment (Note 11)	68,655	67,841	638,564
Intangible assets	10,094	10,988	103,428
Net defined benefit asset	335	770	7,257
Deferred tax assets (Note 17)	1,459	1,390	13,085
Customers' liabilities for acceptances and guarantees	13,376	12,284	115,633
Allowance for loan losses	(39,019)	(38,697)	(364,242)
Total assets	<u>¥ 7,986,598</u>	<u>¥ 8,004,790</u>	<u>\$ 75,346,293</u>
Liabilities			
Deposits (Note 12)	¥ 6,652,907	¥ 6,840,005	\$ 64,382,578
Call money and bills sold	12,259	67	637
Payable under securities lending transactions (Note 12)	329,844	142,784	1,343,982
Borrowed money	326,833	343,133	3,229,796
Foreign exchanges	405	183	1,730
Bonds payable (Note 23)	10,000	20,000	188,253
Bonds with subscription rights	22,438	21,248	200,000
Borrowed money from trust account	—	13	122
Other liabilities	49,467	51,589	485,592
Provision for directors' bonuses	57	51	480
Net defined benefit liability	3,207	2,295	21,611
Provision for directors' retirement benefits	518	459	4,330
Provision for reimbursement of deposits	1,056	1,120	10,545
Provision for point loyalty programs	132	123	1,167
Provision for contingent loss	991	922	8,686
Reserves under special laws	0	0	1
Deferred tax liabilities	28,840	23,947	225,413
Deferred tax liabilities for land revaluation (Note 13)	8,081	7,944	74,778
Acceptances and guarantees	13,376	12,284	115,633
Total liabilities	<u>7,460,416</u>	<u>7,468,176</u>	<u>70,295,336</u>
Net assets			
Capital stock	48,652	48,652	457,947
Capital surplus	29,140	29,140	274,292
Retained earnings	346,848	363,708	3,423,459
Treasury shares	(21,276)	(17,538)	(165,080)
Total shareholders' equity	<u>403,365</u>	<u>423,963</u>	<u>3,990,618</u>
Valuation difference on available-for-sale securities	107,251	94,695	891,339
Deferred gains or losses on hedges	(140)	(122)	(1,157)
Revaluation reserve for land (Note 13)	14,287	13,990	131,692
Foreign currency translation adjustment	303	165	1,561
Remeasurements of defined benefit plans	(4,995)	(2,663)	(25,069)
Total accumulated other comprehensive income	<u>116,704</u>	<u>106,066</u>	<u>998,366</u>
Share subscription rights	413	460	4,332
Non-controlling interests	5,697	6,123	57,641
Total net assets	<u>526,181</u>	<u>536,613</u>	<u>5,050,957</u>
Total liabilities and net assets	<u>¥ 7,986,598</u>	<u>¥ 8,004,790</u>	<u>\$ 75,346,293</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	2017	2018	2018
Income			
Interest income:			
Interest on loans and discounts	¥ 56,904	¥ 56,082	\$ 527,882
Interest and dividends on securities	26,913	27,768	261,376
Other interest income	898	988	9,302
Trust fees	—	0	2
Fees and commissions	18,690	21,248	200,008
Other ordinary income	25,562	27,621	259,990
Other income	15,161	16,698	157,174
Total income	144,130	150,407	1,415,734
Expenses			
Interest expenses:			
Interest on deposits	1,781	2,146	20,204
Interest on call money and borrowing	604	374	3,521
Other interest expenses	3,400	5,073	47,759
Fees and commissions payments	7,467	7,462	70,246
Other ordinary expenses	25,880	27,817	261,834
General and administrative expenses	61,672	60,969	573,887
Other expenses	7,076	5,178	48,747
Total expenses	107,883	109,023	1,026,198
Profit before income taxes	36,247	41,384	389,536
Income taxes:			
Current	14,344	13,069	123,015
Deferred	(4,477)	(440)	(4,146)
Profit	26,380	28,755	270,667
Profit attributable to non-controlling interests	75	389	3,665
Profit attributable to owners of parent	¥ 26,304	¥ 28,366	\$ 267,002
	Yen		U.S. dollars
Per share amounts			
Profit – primary	¥ 59.46	¥ 65.27	\$ 0.61
Profit – fully diluted	59.36	65.14	0.61

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31,	millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Profit	¥ 26,380	¥ 28,755	\$ 270,667
Other comprehensive income (Note 10)			
Valuation difference on available-for-sale securities	(5,495)	(12,649)	(119,066)
Deferred gains or losses on hedges	(6)	17	169
Foreign currency translation adjustment	(160)	(137)	(1,292)
Remeasurements of defined benefit plans, net of tax	7,200	2,332	21,955
Share of other comprehensive income of entities accounted for the using equity method	69	141	1,329
Total other comprehensive income	1,607	(10,295)	(96,906)
Comprehensive income	27,988	18,460	173,761
(Details)			
Comprehensive income attributable to owners of parent	27,844	18,024	169,654
Comprehensive income attributable to non-controlling interests	¥ 143	¥ 436	\$ 4,107

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2016	¥48,652	¥29,140	¥326,122	¥(17,296)	¥386,619
Changes of items during period					
Dividends of surplus	—	—	(5,551)	—	(5,551)
Profit attributable to owners of parent	—	—	26,304	—	26,304
Purchase of treasury shares	—	—	—	(4,701)	(4,701)
Disposal of treasury shares	—	—	(28)	721	693
Retirement of treasury shares	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	0	—	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	20,726	(3,980)	16,746
Balance as of March 31, 2017	¥48,652	¥29,140	¥346,848	¥(21,276)	¥403,365

	Accumulated other comprehensive income								
	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Share subscripti- on rights	Non- controlling interests	Total net assets
Balance as of March 31, 2016	¥112,745	¥(134)	¥14,287	¥463	¥(12,196)	¥115,165	¥377	¥5,564	¥507,727
Changes of items during period									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,551)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	26,304
Purchase of treasury shares	—	—	—	—	—	—	—	—	(4,701)
Disposal of treasury shares	—	—	—	—	—	—	—	—	693
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(5,494)	(6)	(0)	(160)	7,200	1,538	35	133	1,708
Total changes of items during period	(5,494)	(6)	(0)	(160)	7,200	1,538	35	133	18,454
Balance as of March 31, 2017	¥107,251	¥(140)	¥14,287	¥303	¥(4,995)	¥116,704	¥413	¥5,697	¥526,181

The accompanying notes are an integral part of these statements.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2017	¥48,652	¥29,140	¥346,848	¥(21,276)	¥403,365
Changes of items during period					
Dividends of surplus	—	—	(5,235)	—	(5,235)
Profit attributable to owners of parent	—	—	28,366	—	28,366
Purchase of treasury shares	—	—	—	(3,891)	(3,891)
Disposal of treasury shares	—	—	(27)	1,089	1,061
Retirement of treasury shares	—	—	(6,540)	6,540	—
Reversal of revaluation reserve for land	—	—	296	—	296
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	16,859	3,737	20,597
Balance as of March 31, 2018	¥48,652	¥29,140	¥363,708	¥(17,538)	¥423,963

	Accumulated other comprehensive income								
	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Share subscripti- on rights	Non- controlling interests	Total net assets
Balance as of March 31, 2017	¥107,251	¥(140)	¥14,287	¥303	¥(4,995)	¥116,704	¥413	¥5,697	¥526,181
Changes of items during period									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,235)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	28,366
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3,891)
Disposal of treasury shares	—	—	—	—	—	—	—	—	1,061
Retirement of treasury shares	—	—							
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	296
Net changes of items other than shareholders' equity	(12,555)	17	(296)	(137)	2,332	(10,638)	47	425	(10,165)
Total changes of items during period	(12,555)	17	(296)	(137)	2,332	(10,638)	47	425	10,431
Balance as of March 31, 2018	¥ 94,695	¥(122)	¥13,990	¥165	¥(2,663)	¥106,066	¥460	¥6,123	¥536,613

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2017	\$457,947	\$274,292	\$3,264,768	\$(200,264)	\$3,796,742
Changes of items during period					
Dividends of surplus	—	—	(49,276)	—	(49,276)
Profit attributable to owners of parent	—	—	267,002	—	267,002
Purchase of treasury shares	—	—	—	(36,631)	(36,631)
Disposal of treasury shares	—	—	(259)	10,254	9,995
Retirement of treasury shares	—	—	(61,561)	61,561	0
Reversal of revaluation reserve for land	—	—	2,786	—	2,786
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	158,691	35,184	193,875
Balance as of March 31, 2018	\$457,947	\$274,292	\$3,423,459	\$(165,080)	\$3,990,618

	Accumulated other comprehensive income								
	Valuation difference On available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Share subscripti- on rights	Non- controlling interests	Total net assets
Balance as of March 31, 2017	\$1,009,518	\$(1,325)	\$134,479	\$2,853	\$(47,024)	\$1,098,500	\$3,889	\$53,633	\$4,952,764
Changes of items during period									
Dividends of surplus	—	—	—	—	—	—	—	—	(49,276)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	267,002
Purchase of treasury shares	—	—	—	—	—	—	—	—	(36,631)
Disposal of treasury shares	—	—	—	—	—	—	—	—	9,995
Retirement of treasury shares	—	—	—	—	—	—	—	—	0
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	2,786
Net changes of items other than shareholders' equity	(118,179)	169	(2,786)	(1,292)	21,955	(100,134)	443	4,008	(95,683)
Total changes of items during period	(118,179)	169	(2,786)	(1,292)	21,955	(100,134)	443	4,008	98,193
Balance as of March 31, 2018	\$ 891,339	\$(1,157)	\$131,692	\$1,561	\$(25,069)	\$ 998,366	\$4,332	\$57,641	\$5,050,957

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Cash flows from operating activities			
Profit before income taxes	¥ 36,247	¥ 41,384	\$ 389,536
Depreciation	5,876	6,325	59,539
Impairment loss	62	674	6,351
Share of (profit) loss of entities accounted for the using equity method	(35)	(84)	(799)
Increase (decrease) in allowance for loan losses	68	(322)	(3,039)
Increase (decrease) in provision for directors' bonuses	(5)	(6)	(56)
Increase (decrease) in net defined benefit asset	(335)	(435)	(4,103)
Increase (decrease) in net defined benefit liability	(14,682)	(911)	(8,581)
Increase (decrease) in provision for directors' retirement benefits	(53)	(58)	(548)
Increase (decrease) in provision for reimbursement of deposits	(13)	63	601
Increase (decrease) in provision for point loyalty programs	(18)	(8)	(83)
Increase (decrease) in provision for contingent loss	(17)	(68)	(648)
Gain on fund management	(84,716)	(84,838)	(798,560)
Financing expenses	5,786	7,594	71,484
Loss (gain) related to securities	(8,936)	(10,868)	(102,305)
Loss (gain) on money held in trust	24	(96)	(905)
Foreign exchange losses (gains)	(334)	(628)	(5,913)
Loss (gain) on disposal of non-current assets	211	350	3,296
Net decrease (increase) in trading account securities	11	643	6,054
Net decrease (increase) in loans and bills discounted	(170,870)	(292,155)	(2,749,957)
Net increase (decrease) in deposits	204,454	172,709	1,625,651
Net increase (decrease) in negotiable certificates of deposit	27,407	14,388	135,432
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	69,068	16,300	153,430
Net decrease (increase) in due from banks (excluding deposits placed with Bank of Japan)	5,041	2,531	23,825
Net decrease (increase) in call loans	(1,570)	2,781	26,177
Net increase (decrease) in call money	(17,037)	(12,191)	(114,753)
Net increase (decrease) in payables under securities lending transactions	59,269	(187,059)	(1,760,728)
Net decrease (increase) in foreign exchanges - assets	(3,655)	2,271	21,382
Net increase (decrease) in foreign exchanges - liabilities	112	(221)	(2,084)
Net decrease (increase) in lease receivables and investment assets	(3,227)	(3,264)	(30,726)
Net increase(decrease) in borrowed money from trust account	—	13	122
Proceeds from fund management	84,480	84,893	799,076
Payments for finance	(5,895)	(7,771)	(73,151)
Other-net	4,904	(5,126)	(48,255)
Subtotal	191,623	(253,195)	(2,383,236)
Income taxes paid	(14,479)	(13,097)	(123,286)
Net cash provided by (used in) operating activities	177,143	(266,292)	(2,506,523)
Cash flows from investing activities			
Purchases of securities	(564,597)	(388,691)	(3,658,618)
Proceeds from sales of securities	280,008	362,685	3,413,833
Proceeds from redemption of securities	324,477	336,619	3,168,485
Increase in money held in trust	—	(2,200)	(20,708)
Decrease in money held in trust	500	—	—
Purchase of property, plant and equipment	(4,359)	(3,272)	(30,804)
Purchase of intangible assets	(4,161)	(4,097)	(38,572)
Proceeds from sales of property, plant and equipment	0	93	881
Net cash provided by (used in) investing activities	31,866	301,136	2,834,497
Cash flows from financing activities			
Issuance of subordinated bonds	10,000	10,000	94,127
Cash dividends paid	(5,552)	(5,235)	(49,280)
Dividends paid to non-controlling interests	(10)	(10)	(99)
Purchase of treasury shares	(4,701)	(3,891)	(36,631)
Proceeds from sales of treasury shares	693	1,061	9,995
Net cash provided by (used in) financing activities	429	1,924	18,111
Effect of exchange rate change on cash and cash equivalents	(161)	(143)	(1,350)
Net increase (decrease) in cash and cash equivalents	209,277	36,624	344,736
Cash and cash equivalents at beginning of period	324,151	533,429	5,020,987
Cash and cash equivalents at end of period	¥ 533,429	¥ 570,054	\$ 5,365,723

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Gunma Bank, Ltd. (the "Bank") and consolidated subsidiaries (the "Group") have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Banking Law, the Financial Instruments and Exchange Act of Japan and other applicable rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act for the convenience of readers outside Japan. Certain prior year amounts have been reclassified to comply with the current year presentation.

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2017 and 2018 was 5.

The remaining unconsolidated subsidiaries have been excluded from the scope of consolidation because, judging from their assets, ordinary profit, net income or loss (amounts corresponding to the Bank's equity interest), retained earnings (amounts corresponding to the Bank's equity interest) and accumulated other comprehensive income (amounts corresponding to the Bank's equity interest), they do not have a material effect on the accompanying consolidated financial statements.

As of March 31, 2017 and 2018, the Bank had 2 unconsolidated subsidiaries, which were accounted for by the equity method, and 1 affiliate, which was accounted for by the equity method.

In reference to the consolidated subsidiaries' closing dates, one company closes accounts at the end of December, while three others close at the end of March.

Consolidation is based on each subsidiary's respective financial statement on the respective closing dates.

For any significant transactions taking place between the consolidated closing date and each subsidiary's closing date, necessary adjustments are made.

c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the fiscal year end with its related cost of sales being determined mainly by the moving average method.

d. Securities

Securities are classified into four categories: trading, held-to-maturity bonds, equity of unconsolidated subsidiaries and affiliates or securities available for sale. Trading securities are carried at market value and held-to-maturity bonds are carried at amortized cost. Equity of unconsolidated subsidiaries and affiliates are stated at cost and accounted for by the equity method, respectively. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of net assets. Securities whose fair value is not readily determinable are stated at cost determined by the moving average method or amortized cost.

Securities comprising the trust asset in money held in trust which is solely managed primarily for the purpose of securities operations are stated at market value.

e. Derivatives

Derivatives are stated at market value.

f. Non-current assets

(1) Property, plant and equipment

Depreciation of Property, plant and equipment of the Bank are computed by the straight line method.

The estimated useful lives principally applied are as follows.

Buildings	6 to 50 years
Equipment and furniture	3 to 20 years

Depreciation of Property, plant and equipment of the consolidated subsidiaries are principally computed by the straight line method based on the estimated useful lives of the respective assets.

(2) Intangible assets

Intangible assets are depreciated using the straight line method. Software used internally is depreciated over its estimated useful life (mainly five years).

(3) Leased assets

Leased assets in "Property, plant and equipment" subject to finance lease transactions other than those under which the title of the leased equipment is transferred to the lessee are depreciated using the straight line method assuming that the lease period is equal to the useful life. If a guarantee for residual value is prescribed by the lease contract, the residual value is equal to such guaranteed residual value; otherwise, the residual value is zero.

g. Foreign Currency Translation

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

h. Allowance for loan losses

The reserve for possible loan losses is provided in accordance with the internal policies regarding write-offs and allowance for loan losses.

For credit extended to obligors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to obligors that are effectively in similar conditions, reserves are maintained at 100% of amounts of claims net of expected amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

For credit extended to obligors that are not yet legally or formally bankrupt but who are likely to be bankrupt, reserves are maintained at the amount deemed necessary based on overall solvency analyses of the amount of claims less expected amounts recoverable under guarantees.

For credit extended to obligors with Restructured Loan as defined in Note 5 below, reserves are maintained using Discounted Cash Flow Method ("the DCF Method") if i) the exposure to the obligor exceeds a certain threshold and ii) the future cash flow from the repayment of principal and interest can be reasonably estimated. Under the DCF Method, the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate before the loan was classified as a Restructured Loan.

For credit extended to all other obligors, reserves are maintained at rates derived from default experiences for a certain period in the past, etc.

The reserve for possible loan losses is provided based on the result of self assessment on quality of assets which is performed in accordance with the Bank's internal guidelines and is independently reviewed by the internal audit unit.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and the specific reserve for certain loans at the estimated uncollectible amount based on an assessment of each borrower's ability to repay.

i. Provision for directors' bonuses

A provision is provided for the payments of bonuses to directors and Audit & Supervisory Board Member at the amount of the estimated bonus payments corresponding to the end of the fiscal year.

j. Accounting method for retirement benefits

In calculating retirement benefit obligation, the Bank uses the benefit formula basis for the purpose of attributing expected retirement benefit payment to the period up to the end of the fiscal year. In addition, the accounting method for actuarial gain and loss is as follows:

Actuarial gain and loss

Actuarial gain and loss are amortized from the year following the occurrence primarily by the straight line method over a fixed period (mainly 10 years) that is shorter than the average remaining service years of the eligible employees.

Meanwhile, certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses by the simplified method, using the amount of retirement benefit required for voluntary resignations at the end of the fiscal year as retirement benefit obligation.

k. Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and Audit & Supervisory Board Member, a reserve is provided at the amount deemed to have accrued at the end of the fiscal year (the estimated amount payable on the balance sheet date based on the bylaws) out of the estimated amount payable as retirement benefits to directors and Audit & Supervisory Board Member.

l. Provision for reimbursement of deposits

Provision for reimbursement of deposits accounts is provided for the repayment of dormant deposits which are no longer recorded as liabilities, based on the estimated reimbursement losses that may be incurred should the deposits be withdrawn.

m. Provision for point loyalty programs

Provision for point loyalty programs is provided for the future usage of points granted to credit card members at the amount estimated to be used in the future periods.

n. Provision for Contingent Loss

The provision for contingent loss is provided for the payment of charges related to the responsibility-sharing system to Credit Guarantee Corporations at the amount expected to be paid based on the past payment experience.

o. Reserves under Special Laws

Reserves under the special laws represents a reserve for financial products transaction liabilities and is provided for compensation for losses from securities-related accidents in the amount computed in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

p. Income Taxes

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

q. Earnings Per Share

Earnings per share was computed based on the profit available for distribution to shareholders and the number of shares of common stock outstanding during the fiscal year.

r. Hedge Accounting

Hedge Accounting for Interest Rate Risks

The Bank adopted the standard treatment of the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" ("Report No. 24") issued by the JICPA on February 13, 2002. Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities. Hedge effectiveness is assessed for each designated group of hedged items (such as deposits) and the corresponding group of hedging instruments (such as interest rate swaps). Both of the hedged items and hedging instruments are grouped based on their durations and compared for the testing of effectiveness.

In addition to the above, the Bank applies exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis.

Hedge Accounting for Foreign Exchange Risks

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopted the standard treatment prescribed in the Report No. 25 issued by the JICPA on July 29, 2002. Under that treatment, the Bank applies the deferred method of hedge accounting. The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge's inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedging instruments that are designated to hedge foreign exchange risk of the foreign currency-denominated receivables and payables exceeds that of the hedged foreign currency-denominated receivables and payables.

In addition, for available-for-sale securities (except for bonds) denominated in foreign currencies, the Bank applies the fair value hedge accounting for a portfolio hedge on the conditions that the issues of foreign currency denominated securities as hedged items are designated in advance and that the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the amount of acquisition cost of the hedged items denominated in foreign currencies.

s. Recognition for Income and Expenses

Income and expenses associated with finance lease transactions are recognized when lease fees are received.

t. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash and deposit with the Bank of Japan which are included in "Cash and due from banks" on the consolidated balance sheets.

2. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, truncating amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements may not always add up to the sum of the respective account balances. “—” is used to denote nil and “0” is used to denote rounding down to zero.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥106.24 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2018, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Loans and Bills Discounted

- (1) Loans and bills discounted at March 31, 2017 and 2018 included the following items:

Balance of loans to borrowers under bankruptcy procedures as of March 31, 2017 and 2018 were ¥4,624 million and ¥6,499 million (U.S.\$ 61,175 thousand), respectively.

Balance of delinquent loans as of March 31, 2017 and 2018 were ¥56,960 million and ¥51,805 million (U.S.\$487,629 thousand), respectively.

Loans to borrowers under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

- (2) Balance of loans past due for 3 months or more as of March 31, 2017 and 2018 were ¥1,522 million and ¥1,732 million (U.S.\$16,311 thousand), respectively.

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to borrowers under bankruptcy procedures and the balance of delinquent loans are not included in this category.

- (3) Balance of restructured loans as of March 31, 2017 and 2018 were ¥41,857 million and ¥42,318 million (U.S.\$398,331 thousand), respectively.

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to borrowers under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

- (4) The total balance of loans to borrowers under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2017 and 2018 were ¥104,965 million and ¥102,356 million (U.S.\$963,446 thousand), respectively.

- (5) Bills discounted are accounted for as financial transactions in accordance with JICPA industry Audit Committee Report No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2017 and 2018 were ¥35,630 million and ¥36,818 million (U.S.\$346,560 thousand), respectively.

4. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts that require the Bank to extend credit to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount relating to these contracts within the limits was ¥1,341,515 million, ¥1,332,065 million (U.S.\$12,538,269 thousand), respectively at March 31, 2017 and 2018. ¥1,281,805 million, ¥1,271,171 million (U.S.\$ 11,965,094 thousand), respectively, at March 31, 2017 and 2018 out of these unused balances were for the contracts of which original contractual term are one year or less, or unconditionally cancelable at any time.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank can refuse customers' loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

5. Financial Instruments

- (1) The financial instruments and related disclosures

a. Policy for financial instruments

The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank's derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct ALM within the Bank.

There are the Bank's consolidated subsidiaries that engage in securities business or banking business.

Also leasing operation is conducted by a consolidated subsidiary.

b. Nature and extent of risks arising from financial instruments

Financial assets held by the Group comprise mainly loans to clients, which are exposed to credit risk. The Group's financial assets also include securities such as stocks and bonds, which are exposed to credit risk of the issuing entities as well as the risk of market price fluctuations.

Assets and liabilities in the forms of loans, bonds and deposits are exposed to interest rate risk, which is partially hedged by interest rate swap transactions. Likewise foreign currency denominated loans and bonds involve foreign currency exchange fluctuation risk, which is mitigated by making it a rule to match the currency of investment and financing, or hedged by the use of currency swap transactions.

Call money and borrowed money, etc. are exposed to cash flow risk, involving inability to settle payments on due dates as a result of the unavailability of market under certain circumstances.

The Bank conducts derivative transactions including interest rate swaps and currency-swaps in an effort to accommodate clients' financial needs, and as part of the Bank's ALM effort. Besides, the Bank engages in proprietary derivative trading with the purpose to earn short-term spread, subject to risk management including the setting of certain position limits and maximum allowable losses, in an effort to prevent losses in excess of certain threshold.

The Bank applies hedge accounting. The Bank confirms that for hedges of interest rate to which exceptional treatment of interest rate swap is applied, the conditions for exceptional treatment are met and that for hedges of the foreign currency exchange fluctuation risk, foreign currency position exceeds the hedged instruments.

c. Risk management for financial instruments

The Bank has formulated Basic Policies of Risk Management and ancillary rules concerning risks, along with the following structure to enforce adequate risk management.

1) Credit risk management

The Bank has established its credit management structure based on the internal rules concerning credit risks, including the Credit Policy and the Basic Rules for Credit Risk Management.

Provision of loans and other credit facilities involves credit risk management such as individual credit review, post-origination credit control including the utilization of Borrower Rating System and self assessment, handling of problem loans and monitoring of the credit concentration in particular sectors in loan portfolios.

Credit risks associated with securities investment and market transactions are managed by capturing fair value and credit rating.

Primary credit risk management tools such as credit rating system, self-assessment of the Bank's asset, write-off /reserve provisioning, are developed and examined by Risk Management Department which is independent of the business promotion division and the screening division, and checked by Inspection & Audit Department, for the purpose of proper check and balance. Executive Committee and the Board of Directors are updated on the latest risk situation regularly and as appropriate.

2) Market risk management

Risk management structure is in place, based on the internal rules concerning market risks including the Basic Rules of Market Risk Management.

For market transactions, the department in charge of market transactions is structured in such a way that they check each other: the Treasury & Securities Department serves as the front office department in charge of transactions, whereas the Financial Markets & International Department serves as the middle-office and back-office department in charge of risk management and administrative processing.

In addition, the Bank establishes the risk tolerance and the risk management criteria, conducts monitoring, and reports the monitored information to the ALM & Profit Management Committee via the Risk Management Department.

The principal financial instruments that expose the Bank to market risk include loans, deposits, securities and derivative transactions. In order to monitor the degree of market risk exposure of these financial instruments and financial obligations, the Bank employs the VaR technique as a uniform indicator tool.

It applies the historical-simulation method to the computation of VaR. Its VaR model uses a 99.9% confidence

level and a 5-year observation period, with various holding periods depending on the holding purposes.

The total amount of value at risk (VaR) for the Bank as of March 31, 2018 and 2017 was ¥105,600 million ¥108,700 million, respectively.

The Bank conducts back tests by comparing the VaR derived from its measuring model and actual gains or losses, in order to confirm that its measuring model captures the market risk with sufficient adequacy. It should be noted that the VaR represents the amount of market risk under the condition of a certain event probability which was statistically calculated based on historical market fluctuations; therefore the model may not be able to capture sufficiently the risk associated with financial instruments in market turmoil that exceeds historical levels of market fluctuations.

3) Liquidity risk management

Risk management structure is in place, based on the internal rules concerning liquidity risks including the Basic Rules of Liquidity Risk Management.

With respect to liquidity risk, the ALM & Profit Management Committee, which is convened each month, takes every precaution by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors. With respect to cash flow risk, the Bank determines the department in charge of cash flow management, which rigorously manages cash flow periodically (e.g., daily, weekly, monthly) including its overseas bases.

We have also prepared a Contingency Plan to prepare against emergencies, and are taking every precaution including developing systems that enable us to respond appropriately to a wide range of scenarios.

d. Supplementary explanations on fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if a quoted market price is available, or are measured based on the reasonably estimated value if a quoted market price is not available. Fair value of financial instruments whose quoted market price is not available is calculated based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2017 and 2018 as well as the differences between these values are described below. Financial instruments such as non-listed shares whose fair value is not readily determinable are not included in the table.

	Millions of yen		
	2017		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 539,879	¥ 539,879	¥ —
2. Securities			
Held-to-maturity bonds	10,516	10,611	94
Available-for-sale	2,073,327	2,073,327	—
3. Loans and bills discounted	5,181,288		
Allowance for loan losses	(36,683)		
	5,144,605	5,182,029	37,423
Total asset	¥7,768,329	¥7,805,847	¥37,518
1. Deposits	¥6,489,290	¥6,489,560	¥ 269
2. Negotiable certificates of deposit	163,617	163,616	(0)
3. Payable under securities lending transaction	329,844	329,844	—
4. Borrowed money	326,833	326,833	—
Total liability	¥7,309,585	¥7,309,854	¥ 269
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 346	¥ 346	¥ —
Derivatives to which hedge accounting is applied	(521)	(521)	—
Total derivatives	¥ (175)	¥ (175)	¥ —
	Millions of yen		
	2018		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 573,973	¥ 573,973	¥ —
2. Securities			
Held-to-maturity bonds	10,481	10,548	66
Available-for-sale	1,746,547	1,746,547	—
3. Loans and bills discounted	5,473,444		
Allowance for loan losses	(36,288)		
	5,437,155	5,468,387	31,231
Total asset	¥7,768,157	¥7,799,456	¥31,298
1. Deposits	¥6,661,999	¥6,662,140	¥ 141
2. Negotiable certificates of deposit	178,005	178,005	(0)
3. Payable under securities lending transaction	142,784	142,784	—
4. Borrowed money	343,133	343,133	—
Total liability	¥7,325,923	¥7,326,064	¥ 140
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 394	¥ 394	¥ —
Derivatives to which hedge accounting is applied	3,499	3,499	—
Total derivatives	¥ 3,893	¥ 3,893	¥ —

Thousands of U.S. dollars			
2018			
	Carrying Value	Market Value	Differences
1. Due from Banks	\$ 5,402,610	\$ 5,402,610	—
2. Securities			
Held-to-maturity bonds	98,658	99,286	628
Available-for-sale	16,439,637	16,439,637	—
3. Loans and bills discounted	51,519,617		
Allowance for loan losses	(341,570)		
	51,178,047	51,472,022	293,976
Total asset	\$73,118,952	\$73,413,555	\$294,603
1. Deposits	\$62,707,076	\$62,708,404	\$ 1,327
2. Negotiable certificates of deposit	1,675,502	1,675,501	(1)
3. Payable under securities lending transaction	1,343,982	1,343,982	—
4. Borrowed money	3,229,796	3,229,796	—
Total liability	\$68,956,994	\$68,958,321	\$ 1,327
Derivative transaction			
Derivatives to which hedge accounting is not applied	\$ 3,712	\$ 3,712	—
Derivatives to which hedge accounting is applied	\$ 32,939	\$ 32,939	—
Total derivatives	\$ 36,650	\$ 36,650	—

(Note 1)

Method of estimating fair value

Assets

1) Cash and due from banks

For due from banks without maturity, book value is reported as their fair value. Due from banks with maturity has short-term maturity (1 year or less), and thus book value is recorded as its fair value because of the proximity between the two.

2) Securities

Stocks are stated at prices quoted on stock exchanges, while bonds are stated at the reference prices for over-the-counter bond transactions (average) published by Japan Securities Dealers Association. Investment trusts are stated at the official reference price.

Privately-placed bonds with the Bank's guarantee are stated at the fair value, calculated by discounting the expected cash flows estimated to reflect the issuing entity's credit risk as of the closing date, using the market interest rate. Notes to securities by holding purpose are stated in "Securities."

3) Loans and bills discounted

Interest rates of variable interest rate loans reflect market interest rate at short intervals, and thus their fair values are stated at book value because of their proximity to fair value, unless there are significant changes of the borrowers' credit conditions. Fixed interest rate loans are stated at their fair value as calculated by discounting their cash flows, of which those with OTC interest rate are stated at fair value as calculated by discounting their scheduled cash flow using the interest rate that would be applicable to similar new loans, and are determined by category and by term. Loans not with OTC interest rate are stated at fair value as calculated for each credit rating group, by discounting their future cash flow estimated to reflect the credit risk of each such group, using market interest rate. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

In addition, receivables to borrowers that are Bankrupt borrowers, virtually bankrupt borrowers, or at Borrowers threatened with bankruptcy are stated at book value which are deemed to approximate their fair values on the consolidated balance sheets as of the consolidated closing date, minus the current amount of estimated loan losses, which are estimated based upon the current values of estimated future cash flows, collateral, guarantees, or estimated collectible amounts.

Loans undated due to their specific attributes such as loan amount being limited within the value of collateral assets, are stated at book value which are deemed to approximate their fair value in consideration of factors including estimated payment periods and interest rates conditions.

Liabilities

1) Deposits and 2) Negotiable certificates of deposits

For demand deposit, fair value is deemed to be the amount payable on demand at year end date (book value). For time deposits and negotiable certificates of deposit, fair value is calculated by discounting future cash flows, using interest rates applicable to new deposits and market interest rate, respectively. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

3) Payable under securities lending transactions

As collateral related to securities lending has short-term contractual maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

4) Borrowed Money

The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that

would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivative Transaction

Derivative transactions are described in "Derivative Financial Instruments Transactions."

(Note 2)

Financial instruments whose fair value is not readily determinable are as follows: These are not included in "Assets 2) Securities" of the information on the fair values of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Non-listed stocks	¥2,637	¥2,594	\$24,417
Equity of subsidiaries and affiliates	¥3,286	¥3,554	\$33,455
Total	¥5,924	¥6,148	\$52,808

(Note 3)

Redemption schedules for monetary claims and securities with maturity after the fiscal year-end

	Millions of yen					
	2017					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 483,736	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	336,045	534,907	369,053	155,343	240,769	130,584
Held-to-maturity securities	894	5,167	716	2,257	1,514	—
National government bonds	—	3,200	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	778	1,268	716	43	—	—
Others	116	698	—	2,213	1,514	—
Available-for-sale securities with maturity	335,151	529,740	368,337	153,086	239,255	130,584
National government bonds	77,000	138,100	142,900	27,000	—	25,000
Local government bonds	62,928	133,676	146,999	109,809	110,252	—
Corporate bonds	112,425	84,859	24,147	13,641	34,266	—
Others	82,797	173,104	54,290	2,635	94,736	105,584
Loans and bills discounted	¥1,324,367	¥ 921,113	¥586,518	¥373,327	¥434,883	¥1,443,608
Total	¥2,144,149	¥1,456,020	¥955,572	¥528,670	¥675,652	¥1,574,193

	Millions of yen					
	2018					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 520,534	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	230,336	418,557	294,325	138,363	261,438	118,510
Held-to-maturity securities	2,734	3,941	1,011	1,774	1,017	—
National government bonds	1,500	1,700	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	895	1,337	672	79	—	—
Others	339	904	339	1,695	1,017	—
Available-for-sale securities with maturity	227,601	414,616	293,314	136,589	260,421	118,510
National government bonds	53,000	149,500	103,500	2,000	—	36,000
Local government bonds	83,502	147,097	116,627	103,314	134,776	—
Corporate bonds	48,108	60,441	27,684	10,195	63,372	—
Others	42,991	57,577	45,502	21,078	62,272	82,510
Loans and bills discounted	¥1,406,491	¥ 911,461	¥638,834	¥386,436	¥505,422	¥1,529,263
Total	¥2,157,362	¥1,330,019	¥933,159	¥524,799	¥766,860	¥1,647,773

Thousands of U.S. dollars						
2018						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	\$ 4,899,607	—	—	—	—	—
Securities	\$ 2,168,073	\$ 3,939,740	\$ 2,770,387	\$ 1,302,365	\$ 2,460,828	\$ 1,115,500
Held-to-maturity securities	25,736	37,104	9,522	16,699	9,573	—
National government bonds	14,119	16,002	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	8,426	12,593	6,331	745	—	—
Others	3,191	8,509	3,191	15,954	9,573	—
Available-for-sale securities with maturity	2,142,337	3,902,636	2,760,865	1,285,666	2,451,256	1,115,500
National government bonds	498,870	1,407,191	974,209	18,825	—	338,855
Local government bonds	785,976	1,384,580	1,097,776	972,467	1,268,604	—
Corporate bonds	452,824	568,910	260,583	95,966	596,504	—
Others	404,666	541,955	428,297	198,407	586,147	776,645
Loans and bills discounted	\$13,238,818	\$ 8,579,267	\$6,013,121	\$3,637,391	\$4,757,364	\$14,394,419
Total	<u>\$20,306,498</u>	<u>\$12,519,007</u>	<u>\$8,783,508</u>	<u>\$4,939,756</u>	<u>\$7,218,192</u>	<u>\$15,509,919</u>

(Note 4)

Repayment schedules for deposits and other interest-bearing debt after the fiscal year-end

Millions of yen						
2017						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥5,986,377	¥455,913	¥34,985	¥5,223	¥6,790	¥—
Negotiable certificates of deposit	163,417	200	—	—	—	—
Payable under securities lending transaction	329,844	—	—	—	—	—
Borrowed money	323,722	2,378	731	—	—	—
Total	<u>¥6,803,362</u>	<u>¥458,492</u>	<u>¥35,716</u>	<u>¥5,223</u>	<u>¥6,790</u>	<u>¥—</u>

Millions of yen						
2018						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥6,194,182	¥423,926	¥33,061	¥5,698	¥5,130	¥—
Negotiable certificates of deposit	177,934	70	—	—	—	—
Payable under securities lending transaction	142,784	—	—	—	—	—
Borrowed money	341,172	947	1,014	—	—	—
Total	<u>¥6,856,073</u>	<u>¥424,945</u>	<u>¥34,075</u>	<u>¥5,698</u>	<u>¥5,130</u>	<u>¥—</u>

Thousands of U.S. dollars						
2018						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	\$58,303,673	\$3,990,276	\$311,192	\$53,641	\$48,294	—
Negotiable certificates of deposit	1,674,834	668	—	—	—	—
Payable under securities lending transaction	1,343,982	—	—	—	—	—
Borrowed money	3,211,334	8,918	9,544	—	—	—
Total	<u>\$64,533,824</u>	<u>\$3,999,861</u>	<u>\$320,737</u>	<u>\$53,641</u>	<u>\$48,294</u>	<u>—</u>

6. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2017 and 2018 and other related information were as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposits classified as Cash and due from banks. The same definition was applied in the following tables (a) to (g).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Valuation gain included in income for the year	¥(12)	¥5	\$51

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2017 and 2018 were summarized as follows.

		Millions of yen		
		2017		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ 3,202	¥ 3,225	¥ 23
	Local government bonds	—	—	—
	Corporate bonds	2,769	2,804	35
	Other securities	3,086	3,193	106
	Foreign bonds	3,026	3,133	106
	Other securities	60	60	0
	Sub total	¥ 9,058	¥ 9,224	¥ 165
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	0	0	—
	Other securities	6,018	5,947	(71)
	Foreign bonds	1,518	1,447	(71)
	Other securities	4,500	4,500	—
	Sub total	¥ 6,018	¥ 5,947	¥ (71)
Total		¥ 15,076	¥ 15,171	¥ 94

		Millions of yen		
		2018		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ 3,200	¥ 3,208	¥ 7
	Local government bonds	—	—	—
	Corporate bonds	2,979	3,015	35
	Other securities	3,277	3,343	66
	Foreign bonds	3,277	3,343	66
	Other securities	—	—	—
	Sub total	¥ 9,457	¥ 9,567	¥ 109
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	5	5	—
	Other securities	5,090	5,047	(43)
	Foreign bonds	1,018	975	(43)
	Other securities	4,071	4,071	—
	Sub total	¥ 5,095	¥ 5,052	¥ (43)
Total		¥ 14,552	¥ 14,619	¥ 66

		Thousands of U.S. dollars		
		2018		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	\$ 30,126	\$ 30,199	\$ 73
	Local government bonds	—	—	—
	Corporate bonds	28,048	28,384	336
	Other securities	30,847	31,473	626
	Foreign bonds	30,847	31,473	626
	Other securities	—	—	—
	Sub total	\$ 89,021	\$ 90,055	\$ 1,034
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	0	0	—
	Other securities	47,912	47,506	(406)
	Foreign bonds	9,589	9,183	(406)
	Other securities	38,323	38,323	—
	Sub total	\$ 47,959	\$ 47,553	\$ (406)
Total		\$ 136,981	\$ 137,609	\$ 628

(c) Available-for-sale securities

		Millions of yen		
		2017		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 200,562	¥ 87,129	¥113,433
	Bonds	1,177,609	1,150,424	27,184
	National government bonds	410,998	399,531	11,467
	Local government bonds	535,888	522,225	13,662
	Corporate bonds	230,722	228,667	2,054
	Other securities	443,469	427,361	16,107
	Foreign bonds	303,376	300,084	3,291
	Other securities	140,093	127,276	12,816
	Sub total	¥1,821,641	¥1,664,915	¥156,725
Securities of which market value does not exceed cost	Stocks	¥ 7,170	¥ 7,609	¥ (438)
	Bonds	91,410	91,889	(478)
	National government bonds	9,793	9,807	(14)
	Local government bonds	41,291	41,430	(139)
	Corporate bonds	40,325	40,650	(325)
	Other securities	153,604	155,745	(2,140)
	Foreign bonds	133,146	134,001	(854)
	Other securities	20,457	21,744	(1,286)
	Sub total	¥ 252,185	¥ 255,243	¥ (3,058)
Total		¥2,073,826	¥1,920,159	¥153,667

		Millions of yen		
		2018		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 191,938	¥ 77,085	¥114,853
	Bonds	1,060,462	1,040,658	19,803
	National government bonds	351,960	343,530	8,430
	Local government bonds	529,698	519,928	9,770
	Corporate bonds	178,802	177,200	1,602
	Other securities	205,057	198,461	6,596
	Foreign bonds	128,168	127,135	1,033
	Other securities	76,889	71,326	5,562
	Sub total	¥1,457,458	¥1,316,205	¥141,253
Securities of which market value does not exceed cost	Stocks	¥ 7,098	¥ 7,598	¥ (500)
	Bonds	97,701	97,990	(288)
	National government bonds	—	—	—
	Local government bonds	65,258	65,387	(128)
	Corporate bonds	32,443	32,603	(160)
	Other securities	184,648	189,646	(4,998)
	Foreign bonds	119,462	121,022	(1,560)
	Other securities	65,185	68,623	(3,437)
	Sub total	¥ 289,448	¥ 295,235	¥ (5,787)
Total		¥1,746,907	¥1,611,440	¥135,466

		Thousands of U.S. dollars		
		2018		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	\$ 1,806,654	\$ 725,578	\$1,081,076
	Bonds	9,981,759	9,795,356	186,403
	National government bonds	3,312,881	3,233,529	79,352
	Local government bonds	4,985,871	4,893,903	91,968
	Corporate bonds	1,683,006	1,667,924	15,083
	Other securities	1,930,137	1,868,049	62,088
	Foreign bonds	1,206,405	1,196,678	9,727
	Other securities	723,732	671,371	52,361
	Sub total	\$13,718,550	\$12,388,982	\$1,329,568
Securities of which market value does not exceed cost	Stocks	\$ 66,812	\$71,520	\$ (4,708)
	Bonds	919,633	922,352	(2,719)
	National government bonds	—	—	—
	Local government bonds	614,257	615,466	(1,209)
	Corporate bonds	305,376	306,886	(1,510)
	Other securities	1,738,030	1,785,076	(47,046)
	Foreign bonds	1,124,460	1,139,146	(14,686)
	Other securities	613,570	645,929	(32,359)
	Sub total	\$ 2,724,475	\$ 2,778,948	\$ (54,473)
Total		\$16,443,025	\$15,167,930	\$1,275,095

(d) Held-to-maturity bonds sold

		Millions of yen		
		2017		
		Cost of sales	Proceeds from sales	Gains (Losses)
Bonds				
Corporate bonds		¥30	¥30	¥0
Total		¥30	¥30	¥0

		Millions of yen		
		2018		
		Cost of sales	Proceeds from sales	Gains (Losses)
Bonds				
Corporate bonds		¥80	¥80	¥0
Total		¥80	¥80	¥0

		Thousands of U.S. dollars		
		2018		
		Cost of sales	Proceeds from sales	Gains (Losses)
Bonds				
Corporate bonds		\$753	\$753	\$0
Total		\$753	\$753	\$0

These bonds were canceled by purchase.

(e) Available-for-sale securities sold

Millions of yen			
2017			
	Proceeds from sales	Gains	Losses
Stocks	¥ 18,397	¥ 3,985	¥ 38
Bonds	19,880	253	329
National government bonds	17,852	251	314
Local government bonds	—	—	—
Corporate bonds	2,028	1	14
Other securities	227,871	9,451	4,386
Foreign bonds	187,183	210	4,371
Other securities	40,688	9,240	14
Total	¥266,149	¥13,690	¥4,754

Millions of yen			
2018			
	Proceeds from sales	Gains	Losses
Stocks	¥ 33,933	¥11,003	¥ 218
Bonds	10,549	79	44
National government bonds	5,058	73	—
Local government bonds	2,678	—	21
Corporate bonds	2,811	6	23
Other securities	251,057	4,559	4,449
Foreign bonds	225,060	68	3,890
Other securities	25,997	4,490	558
Total	¥295,540	¥15,642	¥4,713

Thousands of U.S. dollars			
2018			
	Proceeds from sales	Gains	Losses
Stocks	\$ 319,403	\$103,570	\$ 2,061
Bonds	99,295	752	423
National government bonds	47,617	695	—
Local government bonds	25,216	—	199
Corporate bonds	26,463	57	224
Other securities	2,363,119	42,919	41,878
Foreign bonds	2,118,414	649	36,617
Other securities	244,705	42,270	5,262
Total	\$2,781,816	\$147,241	\$44,362

(f) Securities whose holding purpose was reclassified Nil

(g) Guarantee obligations for bonds in private placement

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in Corporate Bonds were ¥49,051 million and ¥55,219 million (U.S.\$519,765 thousand) as of March 31, 2017 and 2018, respectively.

7. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Consolidated Balance Sheet Amount	¥4,429	¥4,429	\$41,697
Unrealized Gains Included in the Consolidated Statements of Income	3	(10)	(100)

Money Held in Trust for Holding Purposes..... Nil (as of March, 2017 and 2018)

Money Held in Trust for Other Purposes

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Consolidated Balance Sheet Amount	—	¥2,200	\$20,708
Cost	—	2,200	20,708
Differences	—	—	—
Gains	—	—	—
Losses	—	—	—

8. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2017 and 2018 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Valuation Difference	¥153,667	¥135,466	\$1,275,095
Available-for-sale Securities	153,667	135,466	1,275,095
Other Purposes	—	—	—
Deferred Tax Liabilities	46,654	41,103	386,890
Valuation Difference, Net of Taxes	107,012	94,362	888,205
Amount Attributable to Non-controlling interests	75	122	1,157
Net Unrealized Gains on Available-for-sale Securities Owned by Affiliates, which is Attributable to the Parent	314	455	4,290
Valuation Difference on Available-for-sale Securities	107,251	94,695	891,339

9. Derivative Financial Instruments Transactions

(1) Derivatives to which hedge accounting is not applied

With respects to the derivatives to which hedge accounting is not applied, contract amount or notional amount set out in the contract, fair value, valuation gain or loss and calculation method of such fair value, by class of underlying asset at the end of the year are as described below. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

	Millions of yen							
	2017				2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
As of March 31,								
Interest rate futures:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Thousands of U.S. dollars				2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
As of March 31,								
Interest rate futures:								
Written	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—	—	—	—	—
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Millions of yen								
As of March 31,	2017				2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:								
Receipt fixed								
payments floating ..	¥45,250	¥35,638	¥461	¥469	¥37,221	¥30,396	¥ 335	¥ 340
Receipt floating								
payments fixed	45,250	35,638	(298)	(298)	37,221	30,396	(178)	(178)
	<u>¥90,501</u>	<u>¥71,277</u>	<u>¥163</u>	<u>¥171</u>	<u>¥74,442</u>	<u>¥60,792</u>	<u>¥ 156</u>	<u>¥ 161</u>

					Thousands of U.S. dollars			
					2018			
As of March 31,	Contract amounts	Due after 1 year	Fair Value	Valuation profit				
Interest rate swaps:								
Receipt fixed								
payments floating					\$350,351	\$286,110	\$ 3,159	\$ 3,205
Receipt floating								
payments fixed					350,351	286,110	(1,684)	(1,684)
	<u>\$700,703</u>	<u>\$572,220</u>	<u>\$ 1,475</u>	<u>\$ 1,521</u>				

Millions of yen								
For the years ended March 31,	2017				2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

					Thousands of U.S. dollars			
					2018			
For the year ended March 31,	Contract amounts	Due after 1 year	Fair Value	Valuation profit				
Interest cap trading:								
Written					\$ —	\$ —	\$ —	\$ —
Purchased					—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>				

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

Millions of yen								
As of March 31,	2017				2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	¥107,072	¥92,686	¥155	¥262	¥128,371	¥119,978	¥201	¥388
					Thousands of U.S. dollars			
					2018			
As of March 31,	Contract amounts	Due after 1 year	Fair Value	Valuation profit				
Currency swaps					\$1,208,319	\$1,129,317	\$1,892	\$3,658

Millions of yen								
For the years ended March 31,	2017				2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥ 6,816	¥ —	¥ (3)	¥ (3)	¥ 6,660	¥ —	¥110	¥110
Purchased	4,547	—	30	30	6,859	—	(74)	(74)
	<u>¥11,364</u>	<u>¥—</u>	<u>¥27</u>	<u>¥27</u>	<u>¥13,519</u>	<u>¥—</u>	<u>¥ 36</u>	<u>¥ 36</u>
Currency options:								
Written	¥ 67,553	¥ 56,411	¥(3,437)	¥1,592	¥ 98,793	¥ 84,022	¥(5,403)	¥2,123
Purchased	67,553	56,411	3,437	(907)	98,793	84,022	5,403	(988)
	<u>¥135,107</u>	<u>¥112,823</u>	<u>¥ —</u>	<u>¥ 684</u>	<u>¥197,586</u>	<u>¥168,045</u>	<u>¥ —</u>	<u>¥1,134</u>

Thousands of U.S. dollars				
For the year ended March 31,	2018			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$ 62,690	\$ —	\$1,043	\$1,043
Purchased	64,564	—	(699)	(699)
	<u>\$127,254</u>	<u>\$—</u>	<u>\$ 344</u>	<u>\$ 344</u>
Currency options:				
Written	\$ 929,905	\$ 790,875	\$(50,861)	\$19,989
Purchased	929,905	790,875	50,861	(9,307)
	<u>\$1,859,810</u>	<u>\$1,581,750</u>	<u>\$ —</u>	<u>\$10,682</u>

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

2. Calculations of fair value

The fair values are based on factors such as the discounted present value.

(c) Equity Related Transactions Nil

(d) Bond Related Transactions Nil

(e) Commodity Related Transactions . Nil

(f) Credit Derivatives Nil .

(2) Derivatives to which hedge accounting is applied

With respects to the derivatives to which hedge accounting is applied, contract amount or notional amount set out in the contract and the fair value at the end of the year along with the calculation method of such fair value, by class of underlying asset and by method of hedge accounting, are as follows. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

Millions of yen								
As of March 31,	Hedged items	2017			2018			
		Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value	
Standard treatment:	Interest rate swaps:	—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Interest rate futures:	—	—	—	—	—	—	—
	Interest rate options:	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—
		<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars				
As of March 31,	Hedged items	2018		
		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	\$ —	\$ —	\$ —
	Interest rate futures:	—	—	—
	Interest rate options:	—	—	—
	Others	—	—	—
		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

		Millions of yen						
		Hedged items	2017			2018		
As of March 31,			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	¥21,673	¥20,473		¥21,573	¥17,942	
	Receipt fixed payments floating		—	—	*note	—	—	*note
	Receipt floating payments fixed		21,673	20,473		21,573	17,942	
	Total		—	—	—	—	—	—

(Note) As the swaps that qualify for exceptional treatment for interest rate swaps are treated as one combined with hedged loans, fair value of the former is included in that of the latter in the "Financial Instruments".

		Thousands of U.S. dollars		
		2018		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	\$203,064	\$168,888	
	Receipt fixed payments floating	—	—	—
	Receipt floating payments fixed	203,064	168,888	—
	Total	\$203,064	\$168,888	—

1. The Bank adopted mainly the standard treatment of the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24 issued by the JICPA on February 13, 2002.). Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

			Millions of yen					
			2017			2018		
As of March 31,		Hedged items	Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	Call loans, Loans, Bonds and Foreign exchange	¥72,923	¥39,266	¥(481)	¥90,304	¥42,496	¥ 3,537
	Forward exchange contracts:		¥ 1,400	¥ —	¥ (40)	¥ 434	¥ —	¥ (38)
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total		—	—	¥(521)	—	—	¥ 3,499

		Thousands of U.S. dollars		
		2018		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	\$850,000	\$400,000	\$33,298
	Forward exchange contracts:	\$ 4,091	—	\$ (39)
Deferred method:	Currency swap:	—	—	—
	Forward exchange contracts:	—	—	—
	Total	\$ —	\$ —	\$32,939

1. The Bank adopted mainly the standard treatment of the "Treatment of Accounting and Auditing Relating to the Accounting of Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25 issued by the JICPA on July 29, 2002.). Under the standard treatment of the Report No. 25, the Bank applies the deferred method of hedge accounting.

2. Calculation of fair value

The fair values are based on the discounted present value or others.

- (c) Equity Related Transactions Nil
(d) Bond Related Transactions Nil
(e) Equity Related Transactions Nil (as of March 31, 2018)
(f) Bond Related Transactions Nil (as of March 31, 2018)

10. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥ 4,826	¥ (1,548)	\$ (14,579)
Amounts of recycling	(12,772)	(16,652)	(156,741)
Before tax effect adjustment	(7,946)	(18,200)	(171,320)
Tax effects	2,451	5,551	52,253
Net unrealized gains (losses) on securities, net of tax	(5,495)	(12,649)	(119,066)
Deferred hedge gains (losses):			0
Items recognized during the year	(1,089)	(1,690)	(15,909)
Amounts of recycling	1,084	1,715	16,152
Before tax effect adjustment	(4)	25	242
Tax effects	(1)	(7)	(74)
Deferred hedge gains (losses)	(6)	17	169
Foreign currency translation adjustments:			
Items recognized during the year	(160)	(137)	(1,293)
Amounts of recycling	—	—	—
Before tax effect adjustment	(160)	(137)	(1,293)
Tax effects	—	—	—
Foreign currency translation adjustments	(160)	(137)	(1,293)
Remeasurements of defined benefit plans			
Items recognized during the year	6,571	1,583	14,904
Amounts of recycling	3,789	1,772	16,686
Before tax effect adjustment	10,360	3,356	31,590
Tax effects	(3,160)	(1,023)	(9,635)
Remeasurements of defined benefit plans	7,200	2,332	21,955
Share of other comprehensive income of entities and affiliates accounted for using the equity method			
Items recognized during the year	69	141	1,329
Amounts of recycling	—	—	—
Before tax effect adjustment	69	141	1,329
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted for using the equity method	69	141	1,329
Total other comprehensive income	¥ 1,607	¥(10,295)	\$ (96,906)

11. Property, plant and equipment

Depreciation was computed using the declining-balance method. Property, plant and equipment as of March 31, 2017 and 2018 were expressed net of the following accumulated depreciation.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
	¥67,428	¥66,647	\$627,330

Deferred gain on real estate deductible for tax purposes amounted to ¥3,937 million and ¥3,897 million on March 31, 2017 and 2018, respectively.

12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Securities	¥793,588	¥593,824	\$5,589,467

Liabilities related to the above pledged assets as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deposits	¥ 42,705	¥ 77,501	\$ 729,495
Payables under securities lending transactions	329,844	142,784	1,343,982
Borrowed money	322,052	339,523	3,195,815
Other	116	170	1,604

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2017 and 2018.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Securities	¥26,841	¥ 5,300	\$ 49,894
Other	10,672	30,299	285,202

Guarantee deposits of ¥ 1,385 million were included in Other Assets as of March 31, 2018

13. Revaluation Reserve for Land

Pursuant to the Law concerning Land Revaluation, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included in Net Assets, net of income taxes.

Date of the revaluation: March 31, 1998

Revaluation method stipulated in paragraph 3, Article 3 of the Law concerning Land Revaluation Calculated by applying reasonable adjustments to the roadside values such as adjustments for the shape of the land, based on Item 4, Article 2 of the Enforcement Ordinance of the Law Concerning Land Revaluation (Enforcement Ordinance No. 119, effective March 31 1998).

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥20,012 million and ¥18,640 million (U.S.\$175,453 thousand) as of March 31, 2017 and 2018, respectively

14. Retirements Benefits

Retirement benefit plans

Retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank and its domestic consolidated subsidiaries have established defined benefit plans comprising a retirement lump-sum payment plan and defined benefit welfare pension plan (funded type), as well as defined contribution plan namely defined contribution pension plan. In addition, premium retirement benefits may be payable in certain circumstance at an employees' retirement. The Bank has a retirement benefit trust in place.

The changes in the retirement benefit obligation during the year ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at the beginning of the year	¥89,776	¥86,360	\$812,884
Service cost	2,326	2,099	19,765
Interest cost	411	588	5,539
Actuarial loss	(3,092)	1,559	14,679
Retirement benefits paid	(3,061)	(3,075)	(28,947)
Prior service cost	—	—	—
Other	—	1,583	14,904
Balance at the end of the year	¥86,360	¥89,116	\$838,824

(Note)

Consolidated subsidiaries use the simplified method in calculating retirement benefit obligations.

The changes in plan assets during the year ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at the beginning of the year	¥71,886	¥83,488	\$785,846
Expected return on plan assets	1,028	1,949	18,346
Actuarial loss	3,478	3,142	29,583
Contributions by the Bank	995	984	9,269
Retirement benefits paid	(1,901)	(1,973)	(18,574)
Other	8,000	0	—
Balance at the end of the year	<u>¥83,488</u>	<u>¥87,591</u>	<u>\$824,470</u>

Reconciliation of ending balances of retirement benefit obligations and plan assets, and net defined liability and net defined asset recorded on the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligation	¥86,360	¥89,116	\$ 838,824
Plan assets at fair value	<u>(83,488)</u>	<u>(87,591)</u>	<u>(824,470)</u>
	2,872	1,525	14,355
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	<u>2,872</u>	<u>1,525</u>	<u>14,355</u>
Net defined liability	¥ 3,207	¥ 2,295	\$ 21,611
Net defined asset	<u>(335)</u>	<u>(770)</u>	<u>(7,257)</u>
Net liability (asset) for retirement benefits in the balance sheets	<u>¥ 2,872</u>	<u>¥ 1,525</u>	<u>\$ 14,355</u>

Components of retirement benefit expense for the year ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥2,326	¥2,099	\$19,765
Interest cost	411	588	5,539
Expected return on plan assets	(1,028)	(1,949)	(18,346)
Amortization of actuarial loss	3,789	1,772	16,686
Amortization of prior service costs	—	—	—
Other	28	1,603	15,090
Retirement benefit expense associated with defined benefit plans	<u>¥5,527</u>	<u>¥4,115</u>	<u>\$38,734</u>

(Note)

Retirement benefit expense at consolidated subsidiaries using the simplified method is collectively included in "Service cost."

Remeasurements of defined benefit plans on other comprehensive income (before tax effect adjustment) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain	10,360	3,356	31,590
Other	—	—	—
Total	<u>¥10,360</u>	<u>¥3,356</u>	<u>31,590</u>

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	7,188	3,832	36,070
Other	—	—	—
Total	¥7,188	¥3,832	\$36,070

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2018 were as follows:

	2017	2018
Bonds	25.1%	18.7%
Stock	43.3%	45.3%
Life insurance company general accounts	19.7%	19.0%
Cash and due from banks	10.3%	1.0%
Other	1.6%	16.0%
Total	100.0%	100.0%

(Note)

Total plan assets included retirement benefit trust of 35.8% and 35.0% as of March 31, 2018 and 2017, respectively, which were set for corporate pension plans and retirement lump-sum payment plan.

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

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

	2017	2018
1) Discount rates		
Welfare pension plan	0.7%	0.6%
Retirement lump-sum payment plan	0.4%	0.3%
2) Expected long-term return on plan assets		
Welfare pension fund	1.2%	2.5%
Retirement benefit trust	1.8%	1.8%~2.5%
3) Other assumptions		
Expected rate of salary raises	4.2%	4.2%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries as of March 31, 2017 and 2018 is ¥11 million and ¥11 million (U.S.\$109 thousand), respectively.

15. Cash and Cash Equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to the cash and cash equivalents as of March 31 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and Due from Banks	¥539,879	¥573,973	\$5,402,610
Interest-bearing Deposits included in Due from Banks (excluding Due from BOJ)	(6,450)	(3,918)	(36,887)
Cash and Cash Equivalents	¥533,429	¥570,054	\$5,365,723

16. Lease Transactions

a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
With one year	¥ 55	¥ 75	\$ 711
Over one year	613	553	5,209
Total	¥ 668	¥ 628	\$ 5,920

b. Lessor

Leased investment asset at March 31, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Lease receivables	¥39,323	¥41,046	\$386,357
Estimated residual value	5,322	5,848	55,049
Interest income	(4,557)	(4,634)	(43,625)
Total	¥40,088	¥42,260	\$397,780

The lease receivable amount at March 31, 2017 and 2018, and the amount of lease fees receivable on investment assets, which is scheduled to be collected after the fiscal year-end, were summarized as follows:

	Lease receivables Millions of yen	Lease investment assets Millions of yen
	2017	2017
within 1 year	¥1,831	¥11,961
over 1 year and within 2 years	1,662	9,719
over 2 years and within 3 years	1,372	7,394
over 3 years and within 4 years	951	4,984
over 4 years and within 5 years	531	2,878
over 5 years	655	2,384

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2018	2018	2018	2018
within 1 year	¥2,253	\$21,209	¥12,447	\$117,167
over 1 year and within 2 years	1,964	18,491	10,066	94,753
over 2 years and within 3 years	1,523	14,339	7,601	71,547
over 3 years and within 4 years	1,074	10,115	5,429	51,111
over 4 years and within 5 years	598	5,629	3,023	28,458
over 5 years	553	5,210	2,477	23,321

17. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax.

Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. Deferred tax assets and liabilities as of March 31, 2017 and 2018 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Allowance for loan losses	¥ 10,866	¥ 10,411	\$ 98,003
Net defined benefit liability	4,756	4,803	45,210
Devaluation loss on securities	620	614	5,784
Depreciation	500	453	4,267
Other	7,507	7,176	67,546
Subtotal	24,251	23,458	220,811
Valuation allowance	(2,630)	(2,645)	(24,899)
Total: Deferred tax assets	21,620	20,813	195,912
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(46,654)	(41,103)	(386,890)
Retirement benefit trust	(1,884)	(1,805)	(16,992)
Other	(462)	(462)	(4,357)
Total: Deferred tax liabilities	(49,002)	(43,371)	(408,239)
Net: Deferred tax assets (liabilities)	¥ (27,381)	¥ (22,557)	\$ (212,328)

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2017 and 2018 is omitted since the difference between the Japanese statutory tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the Japanese statutory tax rate.

18. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2017 and 2018 is summarized as follows:

	Millions of yen						
Year ended or as of March 31, 2017	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Total income generated from businesses with							
External customers	¥ 118,891	¥ 22,837	¥ 141,728	¥ 2,402	¥ 144,130	¥ —	¥ 144,130
Internal units	414	383	797	1,182	1,980	(1,980)	—
	¥ 119,305	¥ 23,221	¥ 142,526	¥ 3,584	¥ 146,111	¥ (1,980)	¥ 144,130
Segment profit	¥ 34,594	¥ 287	¥ 34,882	¥ 1,644	¥ 36,526	¥ (5)	¥ 36,521
Segment assets	¥ 7,970,683	¥ 68,869	¥ 8,039,553	¥ 31,449	¥ 8,071,002	¥ (84,404)	¥ 7,986,598
Segment liabilities	¥ 7,464,094	¥ 57,208	¥ 7,521,302	¥ 17,077	¥ 7,538,380	¥ (77,964)	¥ 7,460,416
Others							
Depreciation	¥ 5,113	¥ 650	¥ 5,764	¥ 85	¥ 5,849	¥ 26	¥ 5,876
Interest and dividend income	¥ 84,944	¥ 15	¥ 84,960	¥ 32	¥ 84,992	¥ (276)	¥ 84,716
Interest expenses	¥ 5,766	¥ 287	¥ 6,053	¥ —	¥ 6,053	¥ (266)	¥ 5,786
Equity in earnings of unconsolidated subsidiaries and associated companies	¥ 36	¥ —	¥ 36	¥ —	¥ 36	¥ (1)	¥ 35
Extraordinary profit	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Extraordinary loss	¥ 273	¥ —	¥ 273	¥ 0	¥ 273	¥ —	¥ 273
(Loss on disposal of noncurrent assets)	¥ (211)	¥ (—)	¥ (211)	¥ (0)	¥ (211)	¥ (—)	¥ (211)
(Impairment loss of fixed assets)	¥ (62)	¥ (—)	¥ (62)	¥ (—)	¥ (62)	¥ (—)	¥ (62)
Tax	¥ 9,014	¥ 199	¥ 9,213	¥ 651	¥ 9,865	¥ 1	¥ 9,867
Investment of unconsolidated subsidiaries and associated companies	¥ 2,771	¥ —	¥ 2,771	¥ —	¥ 2,771	¥ —	¥ 2,771
Increase of property, plant and equipment and intangible assets	¥ 7,310	¥ 853	¥ 8,163	¥ 255	¥ 8,418	¥ 103	¥ 8,521

Year ended or as of March 31, 2018	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Total income generated from businesses with							
External customers	¥ 121,836	¥ 25,237	¥ 147,074	¥ 3,312	¥ 150,386	¥ —	¥ 150,386
Internal units	553	320	874	1,248	2,123	(2,123)	—
	¥ 122,390	¥ 25,558	¥ 147,948	¥ 4,561	¥ 152,509	¥ (2,123)	¥ 150,386
Segment profit	¥ 38,610	¥ 1,166	¥ 39,777	¥ 2,551	¥ 42,328	¥ 80	¥ 42,409
Segment assets	¥ 7,987,793	¥ 71,550	¥ 8,059,344	¥ 32,243	¥ 8,091,587	¥ (86,797)	¥ 8,004,790
Segment liabilities	¥ 7,473,452	¥ 59,013	¥ 7,532,466	¥ 16,128	¥ 7,548,595	¥ (80,418)	¥ 7,468,176
Others							
Depreciation	¥ 5,503	¥ 667	¥ 6,171	¥ 118	¥ 6,290	¥ 34	¥ 6,325
Interest and dividend income	¥ 85,057	¥ 14	¥ 85,071	¥ 28	¥ 85,100	¥ (261)	¥ 84,838
Interest expenses	¥ 7,576	¥ 269	¥ 7,846	¥ —	¥ 7,846	¥ (252)	¥ 7,594
Equity in earnings of unconsolidated subsidiaries and associated companies	¥ 86	¥ —	¥ 86	¥ —	¥ 86	¥ (1)	¥ 84
Extraordinary profit	¥ 20	¥ —	¥ 20	¥ —	¥ 20	¥ —	¥ 20
(Gain on disposal of noncurrent assets)	¥ (20)	¥ (—)	¥ (20)	¥ (—)	¥ (20)	¥ (—)	¥ (20)
Extraordinary loss	¥ 1,045	¥ —	¥ 1,045	¥ 0	¥ 1,045	¥ —	¥ 1,045
(Loss on disposal of noncurrent assets)	¥ (370)	¥ (—)	¥ (370)	¥ (0)	¥ (370)	¥ (—)	¥ (370)
(Impairment loss of fixed assets)	¥ (674)	¥ (—)	¥ (674)	¥ (—)	¥ (674)	¥ (—)	¥ (674)
Tax	¥ 11,425	¥ 365	¥ 11,790	¥ 807	¥ 12,598	¥ 30	¥ 12,628
Investment of unconsolidated subsidiaries and associated companies	¥ 2,996	¥ —	¥ 2,996	¥ —	¥ 2,996	¥ —	¥ 2,996
Increase of property, plant and equipment and intangible assets	¥ 6,297	¥ 759	¥ 7,057	¥ 162	¥ 7,220	¥ 149	¥ 7,370

Year ended or as of March 31, 2018	Thousands of U.S. dollars						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Total income generated from businesses with							
External customers	\$ 1,146,807	\$ 237,554	\$ 1,384,361	\$ 31,178	\$ 1,415,539	\$ —	\$ 1,415,539
Internal units	\$ 5,210	\$ 3,018	\$ 8,228	\$ 11,756	\$ 19,984	\$ (19,984)	\$ —
	\$ 1,152,017	\$ 240,571	\$ 1,392,589	\$ 42,934	\$ 1,435,522	\$ (19,984)	\$ 1,415,539
Segment profit	\$ 363,432	\$ 10,981	\$ 374,413	\$ 24,013	\$ 398,426	\$ 758	\$ 399,184
Segment assets	\$ 75,186,308	\$ 673,481	\$ 75,859,789	\$ 303,498	\$ 76,163,287	\$ (816,995)	\$ 75,346,293
Segment liabilities	\$ 70,345,002	\$ 555,477	\$ 70,900,478	\$ 151,813	\$ 71,052,292	\$ (756,956)	\$ 70,295,336
Others							
Depreciation	\$ 51,805	\$ 6,287	\$ 58,091	\$ 1,119	\$ 59,210	\$ 329	\$ 59,539
Interest and dividend income	\$ 800,619	\$ 134	\$ 800,753	\$ 272	\$ 801,025	\$ (2,465)	\$ 798,560
Interest expenses	\$ 71,319	\$ 2,538	\$ 73,857	\$ —	\$ 73,857	\$ (2,373)	\$ 71,484
Equity in earnings of unconsolidated subsidiaries and associated companies	\$ 811	\$ —	\$ 811	\$ —	\$ 811	\$ (12)	\$ 799
Extraordinary profit	\$ 195	\$ —	\$ 195	\$ —	\$ 195	\$ —	\$ 195
(Gain on disposal of noncurrent assets)	\$ (195)	\$ (—)	\$ (195)	\$ (—)	\$ (195)	\$ (—)	\$ (195)
Extraordinary loss	\$ 9,843	\$ —	\$ 9,843	\$ 1	\$ 9,843	\$ —	\$ 9,844
(Losses on disposal of noncurrent assets)	\$ (3,492)	\$ (—)	\$ (3,492)	\$ 0	\$ (3,492)	\$ (—)	\$ (3,492)
(Impairment loss of fixed assets)	\$ (6,351)	\$ (—)	\$ (6,351)	\$ (—)	\$ (6,351)	\$ (—)	\$ (6,351)
Tax	\$ 107,546	\$ 3,437	\$ 110,984	\$ 7,601	\$ 118,584	\$ 284	\$ 118,868
Investment of unconsolidated subsidiaries and associated companies	\$ 28,201	\$ —	\$ 28,201	\$ —	\$ 28,201	\$ —	\$ 28,201
Increase of property, plant and equipment and intangible assets	\$ 59,279	\$ 7,153	\$ 66,432	\$ 1,533	\$ 67,965	\$ 1,411	\$ 69,376

(Notes)

1. Total income is presented as a counterpart of sales of companies in other industries.
2. "Others" include business segments not included in the reportable segments, such as the delivery of goods, etc., the maintenance of ATMs and operations of securities and guarantees.
3. Adjustments are as follows:
 - (1) Adjustment for segment profit of ¥80 million (U.S.\$758 thousand) was elimination of intersegment transactions.
 - (2) Adjustment for segment assets of ¥(86,797) million (U.S.\$(816,995) thousand) was elimination of intersegment transactions.
 - (3) Adjustment for segment liabilities of ¥(80,418) million (U.S.\$(756,956) thousand) was elimination of intersegment transactions.
 - (4) Adjustment for depreciation of ¥34 million (U.S.\$329 thousand) was elimination of intersegment transactions and the depreciation related to lease investment assets classified as "property, plant and equipment" and "intangible assets" on a consolidated basis.
 - (5) Adjustment for interest and dividend income of ¥(261) million (U.S.\$(2,465) thousand), adjustment for interest expenses of ¥(252) million (U.S.\$(2,373) thousand), adjustment for equity in earnings of unconsolidated subsidiaries and associated companies of ¥(1) million (U.S.\$(12) thousand) and adjustment for tax of ¥30 million (U.S.\$284 thousand) were elimination of intersegment transactions.
 - (6) Adjustment for increase of tangible fixed asset and intangible fixed asset of ¥149 million (U.S.\$1,411 thousand) were transferred from lease investment assets.
4. Segment profit was adjusted with reference to ordinary profit as stated in the consolidated statements of income.

b. Segment information by geographical area

Segment information by geographical area has not been disclosed because the income and total assets of Japan area constituted more than 90% of the consolidated total.

c. Operating income from foreign operations

Operating income from foreign operations has not been disclosed because it constituted less than 10% of the consolidated income.

19. Earnings per Share

	Yen		U.S. Dollars
	2017	2018	2018
Net Assets per Share of Common Stock	¥1,187.51	¥1,221.04	\$11.49
Earnings per Share of Common Stock	59.46	65.27	0.61
Diluted Earnings per Share of Common Stock	59.36	65.14	0.61

1. Basis on calculating Net Assets per share was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Consolidated Net Assets	¥526,181	¥536,613	\$5,050,957.00
Deduction from nets assets	¥ 6,111	¥ 6,584	\$ 61,973.00
Less: Subscription Rights to Shares	413	460	4,332
Less: Non-controlling Interests	5,697	6,123	57,641
Consolidated Net Assets Attributable to Common Shareholders	520,070	530,029	4,988,984

	Thousands of Stocks	
	2017	2018
Number of Shares of Common Stock. Used for Calculating Net Assets per Share	437,949	434,082

*The Bank's shares held by the ESOP Trust are recognized as treasury shares, and are excluded from the number of shares of common stock at the fiscal year end used for calculating net assets per share.

The number of said treasury shares at the fiscal year end was 1,979 thousand as of March 31, 2017.

2. Basis of calculating Earnings per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31, 2018	Net income	Weighted average stocks	EPS	
Basic EPS				
Earnings available to Common shareholders	¥28,366	434,578	¥65.27	\$0.61
Effect of Dilutive warrants		863		
Diluted EPS	¥28,366		¥65.14	\$0.61

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31, 2017	Net income	Weighted average stocks	EPS	
Basic EPS				
Earnings available to Common shareholders	¥26,304	442,392	¥59.46	\$0.53
Effect of Dilutive warrants		781		
Diluted EPS	¥26,304		¥59.36	\$0.53

*The Bank's shares held by the ESOP Trust are recognized as treasury shares, and are excluded from the weighted average number of shares during the fiscal year. The weighted average number of said treasury shares was 2,531 thousand during the fiscal year ended March 31, 2017, and 1,288 thousand during the fiscal year ended March 31, 2018.

20. Consumption tax

Consumption tax is excluded from transactions reported by Bank and its consolidated subsidiaries.

21. Changes in Net Assets

a. Information on type and number of shares issued and treasury shares

Type and number of shares issued and treasury shares in the year ended March 31, 2018 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	470,888	—	10,000	460,888
Total	470,888	—	10,000	460,888
Treasury shares				
Common stock	32,938	6,002	12,135	26,805
Total	32,938	6,002	12,135	26,805

Type and number of shares issued and treasury shares in the year ended March 31, 2017 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	470,888	—	—	470,888
Total	470,888	—	—	470,888
Treasury shares				
Common stock	25,427	8,892	1,380	32,938
Total	25,427	8,892	1,380	32,938

b. Information on dividends

The following dividends were paid in the 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 shareholders held on June 27, 2017	Common stock	¥2,639	\$24,845	¥6.0	\$0.06	March 31, 2017	June 28, 2017
Directors' meeting held on November 8, 2017	Common stock	¥2,616	\$24,628	¥6.0	\$0.06	September 30, 2017	December 6, 2017

The following dividends were paid in the 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 shareholders held on June 24, 2016	Common stock	¥2,916		¥6.5		March 31, 2016	June 27, 2016
Directors' meeting held on November 7, 2016	Common stock	¥2,670		¥6.0		September 30, 2016	December 6, 2016

Dividends whose record date is attributable to the year ended March 31, 2017 but which are 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 shareholders held on June 26, 2018	Common stock	¥3,038	\$28,601	Retained earnings	¥7.0	\$0.07	March 31, 2018	June 27, 2018

Dividends whose record date is attributable to the year ended March 31, 2017 but which are 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 shareholders held on June 27, 2017	Common stock	¥2,639		Retained earnings	¥6.0		March 31, 2017	June 28, 2017

22. Stock Options

1. Line item where Stock Options is presented and the amount

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
General and administrative expenses	¥117	¥120	\$1,138

2. Details of Stock Option

(1) Outline of the Stock Option

1st equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	11
Number of stock options	Common shares	290,900
Date of grant		July 26, 2012
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 27, 2012 to July 26, 2042

2nd equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common shares	217,000
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043

3rd equity warrant		
Title and numbers of grantees	Directors	11
Number of stock options	Common shares	59,900
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043

4th equity warrant		
Title and numbers of grantees	Directors	12
Number of stock options	Common shares	189,400
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044

5th equity warrant		
Title and numbers of grantees	Directors	9
Number of stock options	Common shares	38,700
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044

6th equity warrant			
Title and numbers of grantees	Directors		11
Number of stock options	Common shares		109,400
Date of grant			July 29, 2015
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 30, 2015 to July 29, 2045
7th equity warrant			
Title and numbers of grantees	Directors		10
Number of stock options	Common shares		27,000
Date of grant			July 29, 2015
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 30, 2015 to July 29, 2045
8th equity warrant			
Title and numbers of grantees	Directors		9
Number of stock options	Common shares		247,400
Date of grant			July 29, 2016
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 30, 2016 to July 29, 2046
9th equity warrant			
Title and numbers of grantees	Directors		11
Number of stock options	Common shares		69,300
Date of grant			July 29, 2016
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 30, 2016 to July 29, 2046
10th equity warrant			
Title and numbers of grantees	Executive Officers		7
Number of Stock Options	Capital stock		116,800
Date of grant			July 28, 2017
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 29, 2017 to July 28, 2047
11th equity warrant			
Title and numbers of grantees	Executive Officers		16
Number of Stock Options	Capital stock		78,800
Date of grant			July 28, 2017
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 29, 2017 to July 28, 2047

(2) Size and situation of the Stock Option

(a) The number of the Stock Option

	Number of Shares										
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant	11th equity warrant
Non-vested											
As of March 31, 2017	129,700	103,600	15,300	145,000	25,800	90,400	21,600	247,400	69,300	—	—
Granted	—	—	—	—	—	—	—	—	—	116,800	78,800
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Vested	35,400	25,200	—	30,400	—	19,000	—	45,300	—	—	—
Outstanding	94,300	78,400	15,300	114,600	25,800	71,400	21,600	202,100	69,300	116,800	78,800
Vested											
As of March 31, 2017	—	—	—	—	—	—	—	—	—	—	—
Vested	35,400	25,200	—	30,400	—	19,000	—	45,300	—	—	—
Exercised	35,400	25,200	—	30,400	—	19,000	—	45,300	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—	—	—	—	—

(b) Price information

	Yen										
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant	11th equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	¥678	¥678	—	¥678	—	¥678	—	678	—	—	—
Fair value at grant date	¥311	¥542	¥585	¥545	¥591	¥851	¥893	¥363	¥396	¥609	¥632
	U.S. dollars										
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant	11th equity warrant
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price at exercise	\$6.38	\$6.38	—	\$6.38	—	\$6.38	—	\$6.38	—	—	—
Fair value at grant date	\$2.93	\$5.10	\$5.51	\$5.13	\$5.56	\$8.01	\$8.41	\$3.42	\$3.73	\$5.73	\$5.95

3. The estimations used to measure fair value of Stock Option

(1) Valuation method

The Black-Scholes option pricing model

(2) Main figures and the way of estimation

	10th equity warrant	11th equity warrant
Volatility of stock price (*1)	33.428%	39.900%
Estimated remaining outstanding period (*2)	3.7	1.7
Estimated dividend (*3)	¥12.00 per share	¥12.00 per share
Risk-free interest rate (*4)	(0.070%)	(0.114%)

*1. Volatility of stock price is calculated based on the actual stock prices of estimated remaining outstanding period.

*2. Estimated remaining outstanding period is calculated based on the average term in office of resigned directors (Exclude non executive director.)

*3. Estimated dividend is based on the actual results of the fiscal year ended March 31, 2017.

*4. Risk-free interest rate is based on bonds' yields of the estimated remaining outstanding period.

4. Estimated number of Stock Options to be vested

The actual number of forfeited stock options alone is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.

23. Corporate bonds

Corporate bonds include subordinated corporate bonds in the amount of ¥10,000 million and ¥20,000 million (U.S.\$188,253 thousand) as of March 31, 2017 and 2018, respectively.

24. Subsequent events

1. Issuance of Basel III-compliant Subordinated Bonds

At the Board of Directors meeting held on March 28, 2018, the Bank resolved to issue unsecured corporate bonds and the payment was completed on April 27, 2018. The outline is as follows:

- (1) Name of the corporate bonds
JPY 10,000,000,000 Subordinated Unsecured Bond due 28 April 2028
- (2) Issue price
¥100 (U.S.\$0.94) per face value ¥100 of each bond
- (3) Total amount of issue
¥10 billion (U.S.\$94,126 thousand)
- (4) Interest rate
 - (a) For the first five years (until April 27, 2023): 0.40% per annum
 - (b) Thereafter, 6-month euro and Japanese yen LIBOR plus 0.29%
- (5) Collateral
These bonds are not secured by collateral or guarantee and there are no assets pledged for these bonds.
- (6) Maturity date
27 April, 2028
- (7) Use of fund raised
General working capital

2. Acquisition of treasury shares

At the Board of Directors meeting held on May 9, 2018, the Bank resolved to acquire its treasury shares and carried out the acquisition as follows:

- (1) Type of shares acquired: Common stock
- (2) Total number of shares acquired: 1,387,500 shares
- (3) Total cost of acquisition: ¥899 million (U.S.\$8,462 thousand)
- (4) Period of acquisition: May 11 to May 30, 2018

3. Retirement of treasury shares

At the Board of Directors' meeting held on May 9, 2018, the Bank has resolved to retire its treasury shares, as stipulated in Article 178 of the Companies Act.

- (1) Type of shares retired: Common stock
- (2) Total number of shares retired: 7,000,000 shares
- (3) Effective date (scheduled): July 3, 2018



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Independent Auditor's Report

The Board of Directors
The Gunma Bank, Ltd.

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

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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 referred to above present fairly, in all material respects, the consolidated financial position of The Gunma Bank, Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

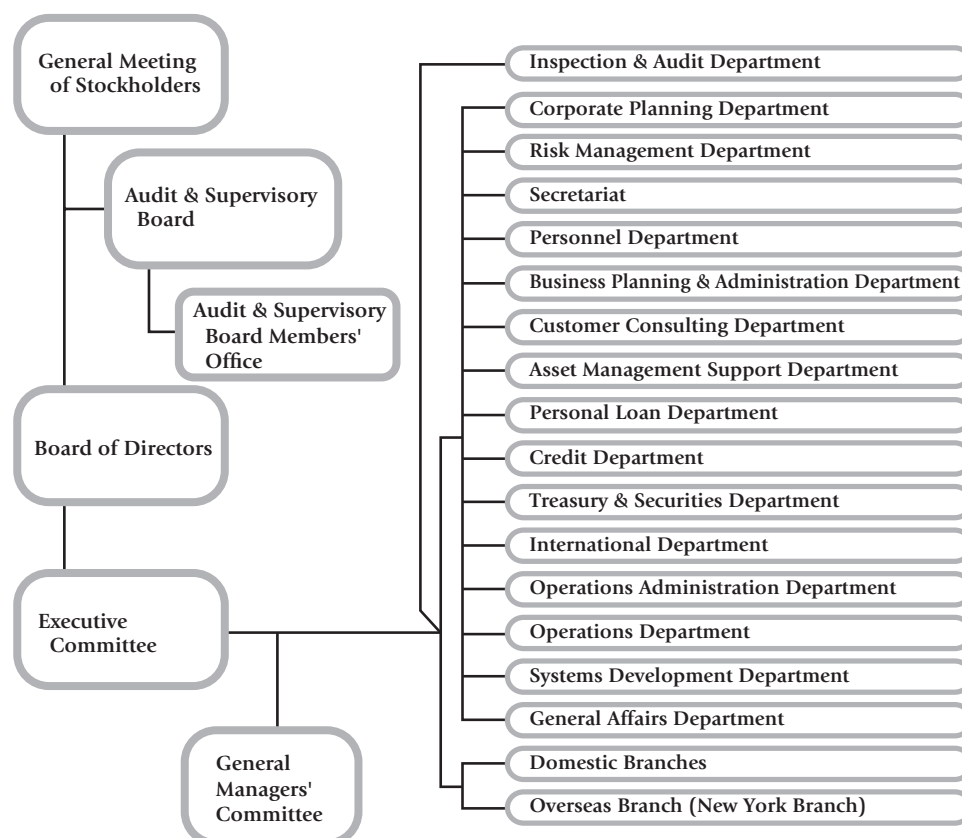
June 22, 2018

Major Shareholders

(As of 31st March, 2018)

	Number of shares held (in thousands)	%
Japan Trustee Services Bank, Ltd. (Trust Account)	19,337	4.45
Japan Trustee Services Bank, Ltd. (Trust Account 9)	18,862	4.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,986	3.91
Sumitomo Mitsui Banking Corporation	12,148	2.79
The Gunma Bank Employees' Stockholdings Association	11,961	2.75
Meiji Yasuda Life Insurance Company	11,056	2.54
Sumitomo Life Insurance Company	10,657	2.45
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,654	1.76
Nippon Life Insurance Company	7,608	1.75
Toyo Seikan Group Holdings, Ltd.	7,330	1.68
Total	123,603	28.47

Organization Chart



(As of 30th June, 2018)



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