

A stylized red '140' logo with a decorative, calligraphic font.

140年分の「ありがとう」を未来へ

A large, abstract graphic consisting of multiple overlapping, curved bands of red and pink, sweeping from the bottom left towards the top right, creating a sense of motion and depth.

# Annual Report 2018

Year ended March 31, 2018

The Hyakujushi Bank, Ltd.

# History of the Hyakujushi Bank

## Founded in 1878 as the Hyakujushi National Bank

The Hyakujushi Bank was founded as Japan's 114th national bank under the name of "the Hyakujushi National Bank" on November 1, 1878 with the mission of issuing banknotes. The Hyakujushi Bank is a bank with tradition that has remained steadfast for many years as a leader of Kagawa Prefecture's economy, and it is one of a few banks with numbers\* in their names.

\*Banks using the order in which they were approved at the time of foundation as bank names



Building used at the time of the establishment (around 1887) "View of prosperous Hyakujushi Bank" by Mitsui Atsuo



Former Head Office damaged by air raids in World War II (rightmost building) (1945)



The Bank's first ATM was installed at the Head Office



The four regional banks in Shikoku concluded a comprehensive partnership agreement for revitalization of Shikoku (Shikoku Alliance)

140  
140年分の「ありがとう」を未来へ

We are deeply grateful for your continued support during the 140 years of our development together with the region, and are committed to creating a bright future together with you.

Launched the medium-term management plan "Challenge Value Plus" (covering from April 2017 to March 2020)  
Transitioned to a Company with Audit and Supervisory Committee

2018

## Principal 140th anniversary commemorative events

- 140th anniversary commemorative forest matching (scheduled for October 2018)  
We will expand the target region and the number of participants for the "Forest Matching -Collaboration of Forest Creation," a forest conservation activity based on agreements with Kagawa Prefecture and other government organizations.
- Customer Appreciation Day (scheduled for November 2018)  
On the Bank's foundation day, we will hold an event at all branches to express our appreciation to customers who visit the Bank.
- 140th anniversary commemorative campaigns and events  
We will hold various campaigns and events to commemorate the Bank's 140th anniversary.
- Donation of dodgeballs to elementary schools in Kagawa Prefecture (scheduled for November 2018)  
We will donate dodgeballs to 159 elementary schools in Kagawa Prefecture as part of our efforts to support sound development of children who will lead the next generation.
- Debuted "Hyakujushi Bank 140th Anniversary Barbapapa Train" for operation (April 2018 onward)  
A train running on the Kotohira Line, operated by TAKAMATSU-KOTOHIRA ELECTRIC RAILROAD Co., Ltd., is wrapped with images of Barbapapa, the Bank's character.

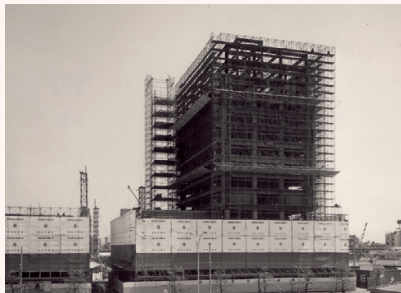
## Founded as the Hyakujushi National Bank



Former Head Office (currently Takamatsu Branch) (1926)

The Takamatsu Hyakujushi Bank, Ltd. was established through the merger with the Takamatsu Bank

Reorganized as The Takamatsu Hyakujushi Bank, Ltd.



Relocated to the newly-constructed Head Office at the current location (Kamei-cho, Takamatsu)

The trade name was changed to The Hyakujushi Bank, Ltd.

1966

1973

Was listed on the First Section of Tokyo and Osaka Stock Exchanges

1980

Opened Singapore Representative Office

Opened Shanghai Representative Office

2005

2007

Started the cooperation on mainframe system for regional bank project, named "Chance"



2013

2016

2017

1878

1882 The Bank of Japan established in accordance with the Bank of Japan Act

1929  
Great Depression

1941  
Pacific War

1970  
Japan World Exposition, Osaka

1988  
Great Seto Bridge opened

1991 Collapse of the bubble economy  
1998 Akashi-Kaikyo Bridge opened  
1999 Setouchi Shimanami Kaido Expressway opened

2005 Removal of the full deposit pay-off guarantee  
2008 Collapse of Lehman Brothers

2013 The Bank of Japan introduced quantitative and qualitative monetary easing  
2016 The Bank of Japan introduced a negative interest rate policy  
The UK voted to leave the EU







The Hyakujushi Bank will celebrate its 140th anniversary on 1 November 2018.

I am deeply grateful to everyone who has supported the Bank over the years and look forward to continuing to shape a new future together with you.

July, 2018

*Yujiro Ayada*

Yujiro Ayada, President

Foreword

I sincerely thank you for your continued patronage and support of the Hyakujushi Bank.

Since its founding in 1878, the Bank has devoted itself to building the strong business foundation it enjoys today by developing together with customers and local communities as the leading bank in the region we serve. We owe this success to the wholehearted support of our stakeholders.

In the domestic economy, corporate earnings are rising and capital investment is increasing due to active production and growing exports against a backdrop of economic expansion overseas. Also, the economy is on a recovery trend as consumer spending continues to pick up owing to improvements in

employment and income conditions. In Kagawa Prefecture, our home ground, although production activities are showing a certain lack of resilience, the economy has gradually recovered due to an increase in capital investment and recovery in personal spending.

Although economic situation is relatively stable, the business environment in which regional banks operate is becoming increasingly challenging. The banks embrace various problems such as the reduction of the profit margin by the prolongation of the ultra-low interest environment, progress of a declining population, low birth rate coupled with aging population, and the emergence of new competition using the ICT (information and communication technology).

To proactively address these issues, in April 2017 the Bank launched the medium-term management plan “Challenge Value Plus” (covering the period from April 2017 to March 2020). Under this plan, we intend to fulfill our mission as a regional financial institution by deepening dealings with local communities and contribute to the development of local communities and the regional economy.

Medium-term management plan

At the core of the medium-term management plan “Challenge Value Plus” are the “three challenges” to strengthen sales capabilities and “five pluses” to strengthen the business foundation.

With the “five pluses,” the Bank will foster sales personnel through channel reform and productivity improvement measures and establish a framework for supporting customers at any time through strengthening of organizational capabilities, greater sophistication in risk management, and utilization of alliances.

Under this framework, we will create a virtuous cycle in which customers, the region, and the Bank grow together by tackling the “three challenges”: creation of local value (for local communities), enhancement of business value (for corporate customers), and enhancement of lifetime value (for retail customers).

Furthermore, by “strengthening market operations capabilities” and “enhancing the management foundation,” including strengthening of governance and establishment of a

business continuity system, we aim to reinforce the Bank’s sustainability more than ever.

Offering customer-oriented services

Challenge to enhance business value

To provide solutions aligned with the life stages and needs of corporate customers, the Bank discloses to customers its evaluation of their business potential. The purpose of this initiative is not merely to convey to customers the Bank’s evaluation of their business environment and growth potential, but also to grapple with, consider, and resolve together with customers business issues and other concerns identified in that process. Two years have passed since we began this initiative, and it has been well received by customers, contributing to identification of new funding needs as well as earning of fees and commissions from the provision of solutions.

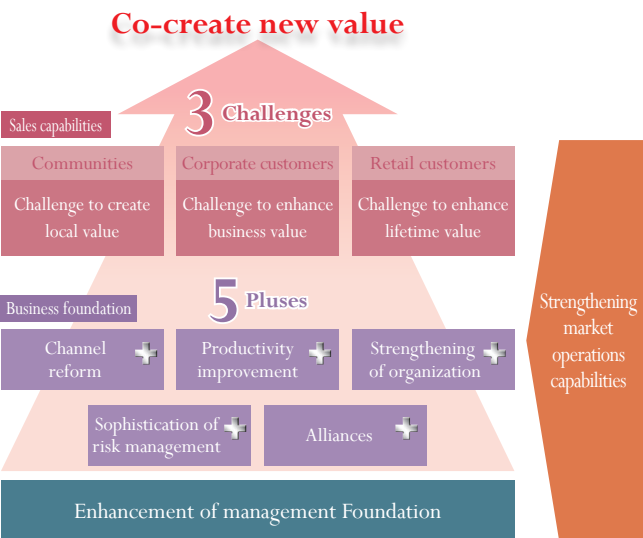
Also, accompanying the gradual economic recovery in Kagawa Prefecture, “labor shortages” are becoming increasingly serious. To solve this problem by improving productivity using IT, in April 2018 the Bank established the “Udon Prefecture IT Utilization Promotion Consortium” together with an organization comprised mainly of IT management specialists and IT vendors. The consortium is the first of its kind in Japan. Furthermore, anticipating the retirement of the cohort of business owners from Japan’s baby-boom generation, we are providing business succession support through measures concerning treasury stock and M&A, successor upbringing support by the study session enforcement with the young business owners and assisting sons of business owners seeking marriage partners at the *Konkatsu* Desk, established within the Regional Vitalization Division.

Challenge to enhance lifetime value

For retail customers, we are offering products and services suitable for customers based on the perspective of “what customers are seeking”. In the last fiscal year, we enhanced our offering of installment products, which are convenient for customers just beginning to accumulate assets, digitized investment trust sales, and introduced an investment trust Robot-advisor service.

We are also enhancing services centering on smartphones, the principal communication tool for retail customers. In January 2018 we introduced the Hyakujushi Bank App, a smartphone application with newly added features such as GPS search for branches and ATMs, and account opening and personal loan application services.

Medium-term management plan “Challenge Value Plus” conceptual diagram



Supporting the sustained growth of local communities

Challenge to create local value

Regional banks share the same fate as the regions where they are based and the customers who live there. For this reason, the Bank has positioned “creation of local value” as one of the growth strategies and actively promotes the initiative.

In collaboration with regional public organizations, we assist with new business startups and attraction of businesses to the region, popularization and promotion of rare sugar\*<sup>1</sup>, which is a new regional resource, promotion of sightseeing, etc. In addition, we have also entered into fee-based contracts with regional public organizations and undertake our own initiatives such as support for the creation of homepages, video clips and building a social media presence in each city town.

Under the “comprehensive partnership agreement for revitalization of Shikoku (Shikoku Alliance),” concluded in November 2016 by the four first-tier regional banks in Shikoku, various initiatives have launched since the announcement of key measures in April 2017. During the first year of business matching services, which started in May 2017 by the four partner banks, the number of agreements exceeded 300. In January 2018, Shikoku Alliance Capital Co., Ltd. was established, and also in March, two funds with a total amount of 7.0 billion yen (Shikoku Alliance Regional Revitalization Fund and Shikoku Small and Medium Enterprises Support Fund) were formed with a purpose of

supporting business succession, new business startups, and business revitalization in the region.

<sup>\*1</sup> The rare sugar that occurs only in trace amounts in natural world. It is effective in preventing obesity and diabetes

Preparation of a framework to support growth

The Bank is working on establishing a framework to support the growth of customers and local communities. We are pursuing greater efficiency in administrative processes and improving customer waiting time at service counters by introducing “semi-self-service counters\*<sup>2</sup>,” mainly at branches in Kagawa Prefecture, and gradually implementing “concentration of small-quantity multi-varieties administrative affairs at Headquarters”.

Also, in April 2018 we reorganized sales-related head office functions, changing from the previous structure organized by products and services to a structure organized by functions, namely, strategy, promotion, and back-office operations. Eliminating barriers between corporate and retail and between products will enable the Head Office and branches to offer seamless support for corporate and retail customers.

<sup>\*2</sup> A style of branch operation such that customers and bank staff jointly process tax payments and other transactions

Results in the first year of the medium-term management plan

The Bank achieved relatively strong results in the first year of the medium-term management plan, thanks in part to steady progress with the abovementioned initiatives.

Profit attributable to owners of parent in the fiscal year ended March 31, 2018 was 10.22 billion yen, compared with the target of 9.03 billion yen in the medium-term management plan. Consolidated ROE, an indicator of efficiency, was 3.58%, compared with the target of 3.14%. Meanwhile, the consolidated capital ratio, which indicates soundness, was 9.42%, 0.10% below the target. This is due to a greater-than-expected increase in loans to small- and medium-sized enterprises in Kagawa Prefecture and the Setouchi region.

In terms of operations, the total deposit balance was 4,066.2 billion yen, a decrease of 108.6 billion yen from the end of the previous fiscal year, partly as a result of curbing corporate deposits from clients outside Kagawa Prefecture in consideration of costs. However, retail deposits, which is emphasized in the management strategy, increased by 33.1 billion yen year on year. The loan balance was 2,837.8 billion yen, an increase of 57.1 billion yen from the end of the previous fiscal year, as a result of focusing on promotion of loans to small- and medium-sized enterprises in the Setouchi region, mainly in Kagawa Prefecture.

Strengthening of governance

Strengthening of governance is essential for the Hyakujushi Bank to continue its growth as a regional financial institution and develop into a more prominent stage.

The Bank is working to strengthen Group management. For instance, last year we raised the substantial interest in consolidated subsidiaries to 100%.

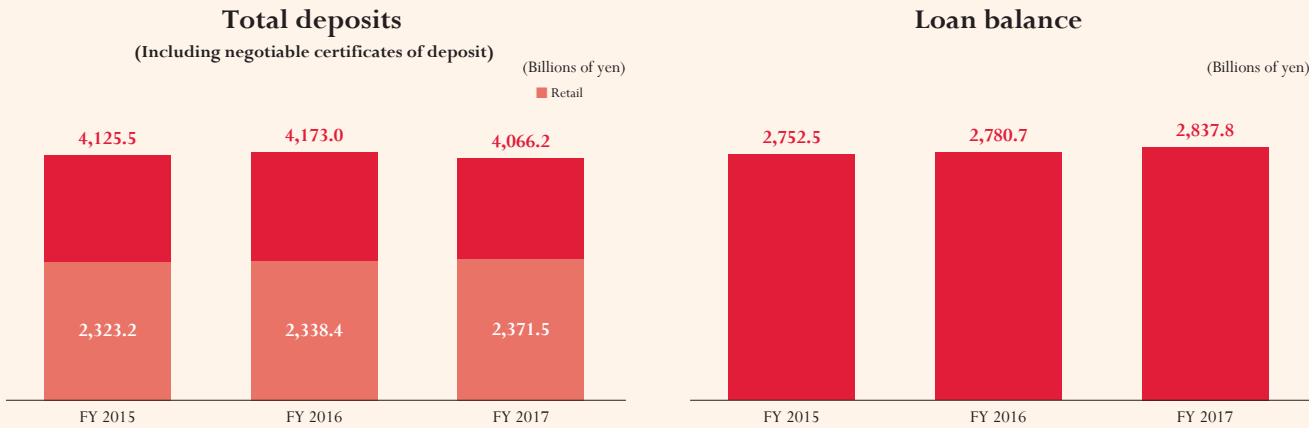
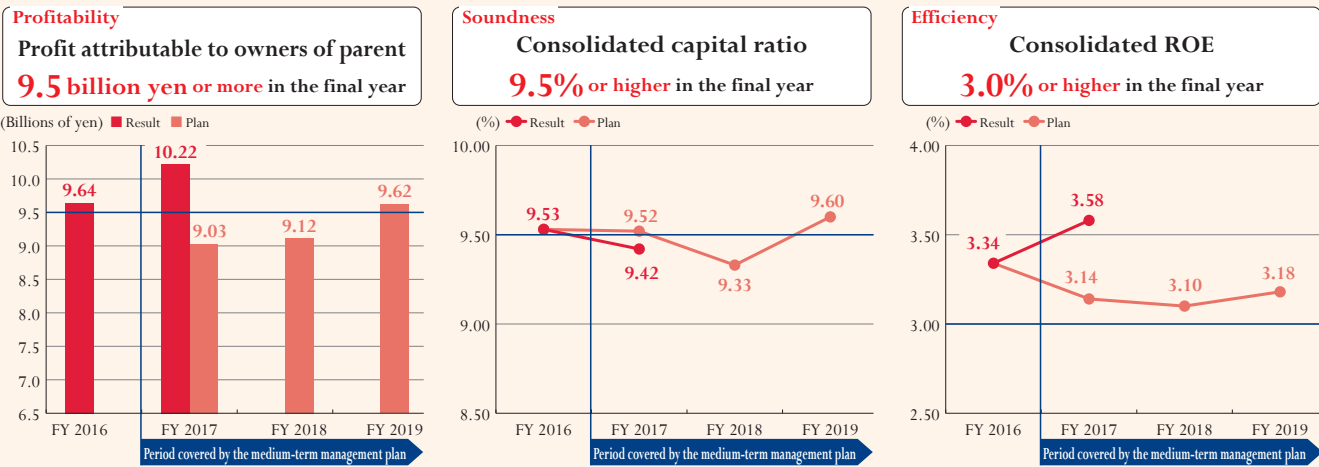
Also, the Bank has further strengthened the auditing and supervision by transitioning to a Company with Audit & Supervisory Committee, and increased the speed of decision-making by delegating part of the authority of the Board of Directors to the President and Representative Director. Furthermore, we have introduced a performance-linked stock compensation system in which a portion of executive compensation varies in accordance with business performance or other factors in order to motivate the directors to improve medium- to long-term business performance and increase corporate value.

Conclusion

The Hyakujushi Bank is focusing on its proper role as a regional financial institution ten to twenty years from now, and is committed to continuing to meet the expectations of stakeholders. To that end, we intend to further increase our ability to adapt to changes and engage in highly expeditious management.

I sincerely thank you and humbly request your continued support of the Bank.

Medium-term management plan: Progress of management targets





# Business Model Pursued by the Hyakujushi Bank(Our Medium-Term Management Plan)

Against the backdrop of a business environment that remains challenging for regional financial institutions, the Bank is demonstrating financial intermediary functions by utilizing its organizations, human resources, and sales network to the maximum, and doing its utmost to support asset accumulation and such of customers and the region. The Bank pursues a business model designed to achieve a “virtuous cycle of the regional economy” by contributing to growth of customers and the region, leading to stronger competitiveness and stable performance of the Bank.

## Operating environment of banks

- Lackluster demand for funds
- Long-term low interest rate environment and reduced interest margin
- Declining and aging population with low birth rate
- The emergence of new competitors using FinTech
- Diversification of customer needs and change in lifestyles
- Financial deregulation

## The Hyakujushi Bank’s management resources

### ■ Management resources

Number of employees    Number of Group companies

**2,283**    **10\***

Number of offices    Number of overseas offices

**124**    **2**

\*9 companies after completion of liquidation of Hyakujushi Preferred Capital Cayman Limited, which was decided at the Board of Directors meeting held on April 27, 2018 (Liquidation is scheduled for completion by the end of December 2018.)

### ■ Strengths

- Growth potential of the Setouchi region and Shikoku
- Extensive, well-established network of offices
- Overwhelming share in Kagawa Prefecture where the Bank is based
- Extensive support from the Head Office
- Female advancement

## Current state of the regional economy (Kagawa Prefecture)

- Deposit balance (per household): **3rd in Japan**
- Jobs-to-applicants ratio: **8th in Japan**
- Industrial structure  
A balanced industrial structure centering on small and medium-sized enterprises without being overly dependent on any particular sectors. Therefore, while the regional economy of Kagawa Prefecture is resistant to change in the economic environment, the prefecture lacks a core industry or a group of companies that can serve as a powerful engine for the regional economy.
- A region showing advanced population decline  
After peaking in 1999 at 1.03 million, the population of Kagawa Prefecture was just under 960,000 as of October 1, 2017. Considering the fact that Japan’s population started to decrease seven years ago (2011), Kagawa Prefecture is a region showing advanced population decline.

### ■ Overview of the economy of Kagawa Prefecture

The economy of Kagawa Prefecture is gradually expanding as a result of increased capital investment and a recovery of consumer spending against the backdrop of a favorable labor market, despite a somewhat weak recovery of production activities.

### TOPICS

**9.46 million tourists visited Kagawa Prefecture, the second highest record ever**

The number of tourists visiting Kagawa Prefecture exceeded 9.46 million in 2017, the second highest record ever, exceeding 9 million for the fifth consecutive year. The number of foreign nationals entering Japan at Takamatsu Airport increased more than fivefold to 120,000 compared with five years ago, setting a new record. Setouchi Triennale, an international art festival, will be held in 2019 and the number of tourists is expected to further increase.

## Medium-Term Management Plan

# Challenge Value Plus

(From April 2017 to March 2020)

### Vision

**Grow together with the region by going beyond the financial sphere in providing whole-hearted support for the region’s aspirations.**

Final year (FY 2019)

### Profitability

Profit attributable to owners of parent

**9.5** billion yen or more

### Efficiency

Consolidated ROE

**3.0** % or higher

### Soundness

Consolidated capital ratio

**9.5** % or higher

### Strengthen sales capabilities

## 3 Challenges

Realizing a virtuous cycle of growth of customers and the region and the Bank’s growth

**Communities**

**Challenge**

to create local value

**Corporate customers**

**Challenge**

to enhance business value

**Retail customers**

**Challenge**

to enhance lifetime value

Action guideline

Provide thorough support to customers and communities at any time

### Strengthening market operations capabilities

Improve the investment system

Enhance investment

### Strengthen the business foundation

## 5 Pluses

Channel reform



Productivity improvement



Strengthening of organization



Sophistication of risk management



Alliances



### Enhance the management foundation

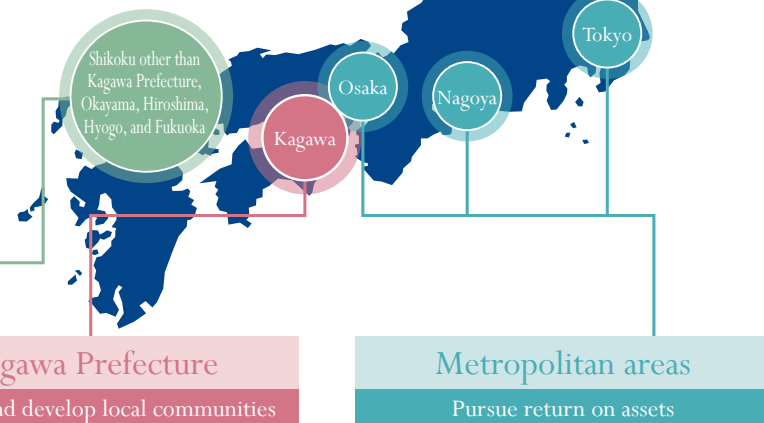
◆ICT strategy    ◆Business continuity plan (master plan)    ◆Governance    ◆Compliance    ◆Strategic CSR

# Growth Strategy (Three Challenges)

## Create local value – Initiatives for communities –

### Regional strategy

The Bank classifies its sales territories into three zones consisting of Kagawa Prefecture, the greater Setouchi region, and metropolitan areas. We are supporting invigoration of the areas by formulating and implementing strategies corresponding to each region.



#### Greater Setouchi region

Secure profitability of individual branches

In the greater Setouchi region covering Shikoku excluding Kagawa Prefecture, and the territory from Hyogo to Fukuoka, we will pursue efficiency and profitability of transactions by strengthening the earnings base through resolution of issues of customers whose main bank is the Bank.

#### Kagawa Prefecture

Protect and develop local communities

In Kagawa Prefecture, we will emphasize protection and development of communities and seek to resolve issues in the region through initiatives for regional revitalization. We will also implement a strategy emphasizing market share through efforts to become the main bank of customers for every transaction and proactively invest management resources.

#### Metropolitan areas

Pursue return on assets

In the metropolitan areas, namely, Tokyo, Nagoya, and Osaka as strategic operation base, we will put the highest priority on efficiency of transactions. We will also work on business matching between customers in the metropolitan areas and those in other regions.

### Regional revitalization

Centering on the Regional Vitalization Division established in April 2017, we are providing support that goes beyond the financial sphere for regional revitalization in collaboration with Kagawa Prefecture, local municipalities, external expert institutions, etc.

#### Holding of startup seminars



In cooperation with local municipalities and chambers of commerce, the Bank holds startup seminars for people who wish to launch businesses in local areas.

#### Establishment of "Udon Prefecture IT Utilization Promotion Consortium"

First in Japan



The consortium was established jointly with an organization of IT management specialists and others, with an aim to enhance productivity of small- and medium-sized enterprises through promoting utilization of IT. In April 2018, the consortium held a seminar on the topic of subsidies available for IT implementation.

#### Support for sales of local specialties



Having entered into a fee-based advisory contract with Manno-cho, Kagawa Prefecture, the Bank is supporting the town's development measures centering on the branding of local specialties. The Bank's support includes product planning, cultivation of customers, and creation of a promotional website and video clips.

#### Recommendations for measures to invigorate areas



We provided recommendations for promotion and invigoration of Tadotsu-cho, Kagawa Prefecture, including advice with regard to establishment of a destination management/marketing organization (DMO\*) for tourism promotion.

\*DMO (Destination Management/Marketing Organization)

An organization that invigorates tourist destinations and integrally manage the entire area.

## Enhance business value – Initiatives for corporate customers –

We offer strong support for our customers' growth by actively taking part in their overall business flows and stages as well providing appropriate financing and solutions through in-depth evaluation of business feasibility.

Startup stage

- Financing for supporting startups
- Support for subsidy applications
- Support for business planning

Growth stage

- Provision of new means for procuring funds
- Support for overseas business development
- Support for M&A (buy side)
- Business matching
- Support for subsidy applications
- Financing of funds for growth

Stable stage

Stagnation stage

- Support for business rehabilitation
- Support for business improvement
- Support for business succession
- Support for M&A (sell side)

Regeneration stage

Provide powerful support for growth of customers

### Evaluation of business potential (Hyakujushi Value-up Sheet)

- As an initiative launched in July 2016, the Bank discloses its evaluation of a customer's business potential to the customer and engages in future-oriented dialogues with the customer.
- We are supporting growth of customers through evaluation of their business potential from a wide, in-depth, long-term perspective.



Organization of information	Analysis	Proposal
<ul style="list-style-type: none"> <li>Basic information</li> <li>Products and services</li> <li>Financial information</li> </ul>	<ul style="list-style-type: none"> <li>Financial analysis</li> <li>Analysis of the external environment</li> <li>Analysis of the internal environment</li> </ul>	<ul style="list-style-type: none"> <li>Explanation of the evaluation results</li> <li>Proposal of solutions for issues etc.</li> </ul>

### FY 2017

Number of customers for which business feasibility evaluation was performed: 2,349 customers

(of whom 1,141 customers engaged in dialogues\* with the Bank)

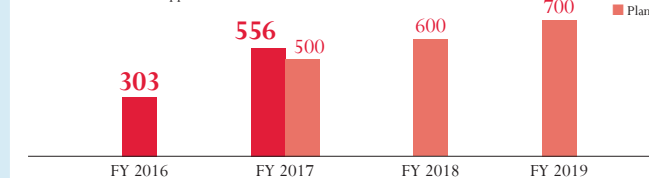
Number of customers to which solutions were offered: 686 customers

\*Number of customers with whom the Bank engaged in dialogues by presenting results of "Hyakujushi Value-up Sheet" business feasibility evaluation and local benchmarking

#### Proposals of solutions according to customers' lifestyles

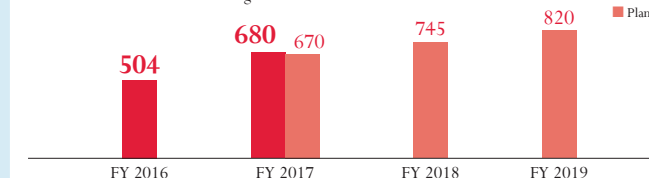
##### Business matching

Number of cases for support of market cultivation



##### Business succession

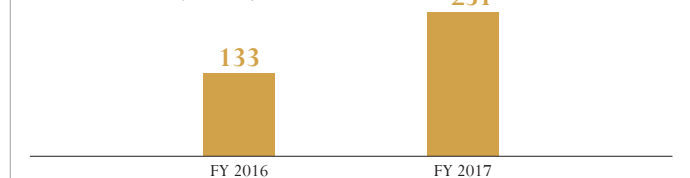
Number of cases of M&A consulting



#### Provision of funds according to customers' needs

##### Initiatives for loans utilizing current assets (Note)

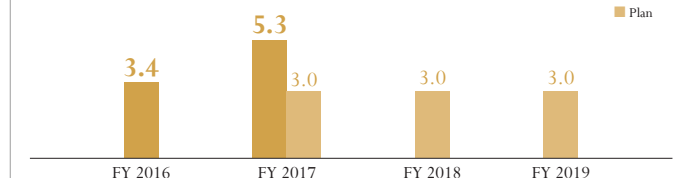
Number of transactions (cumulative)



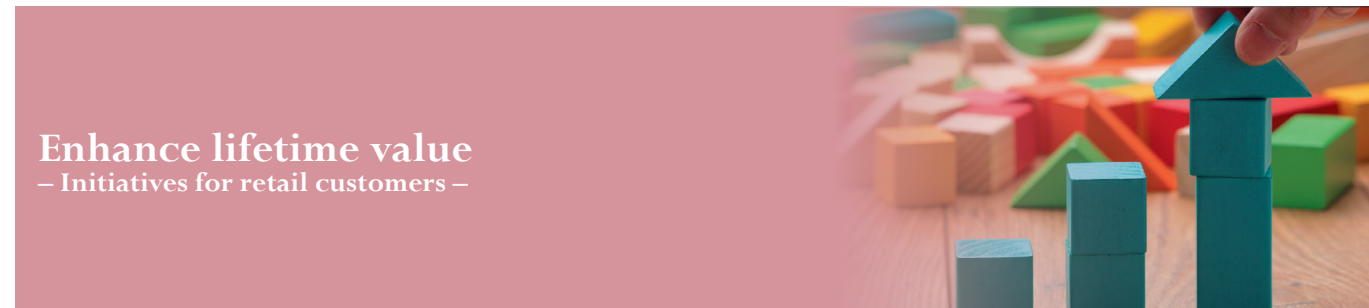
Note) Focusing on the value of assets held by customers, such as accounts receivable and other claims, merchandise inventories, and machinery and equipment, the Bank is strengthening initiatives for loans utilizing current assets based on the commercial distribution.

##### Agricultural field

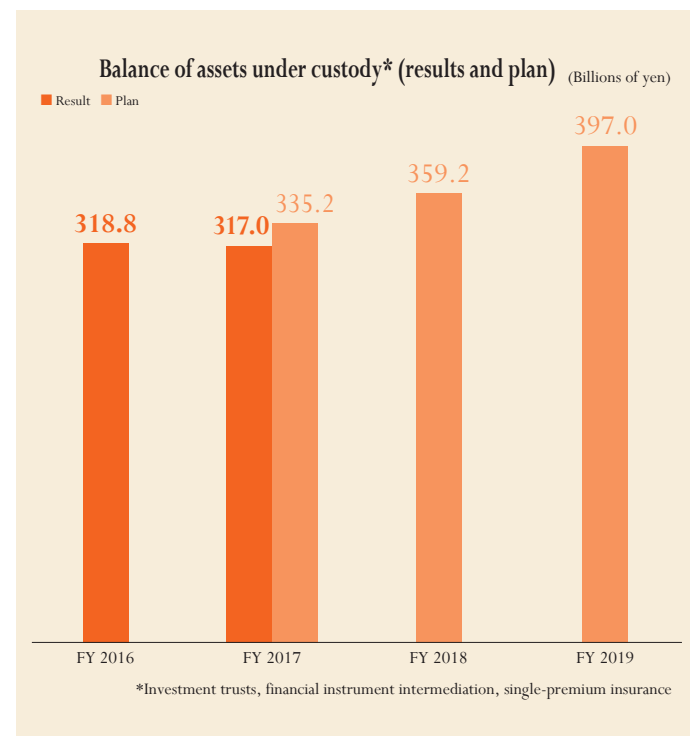
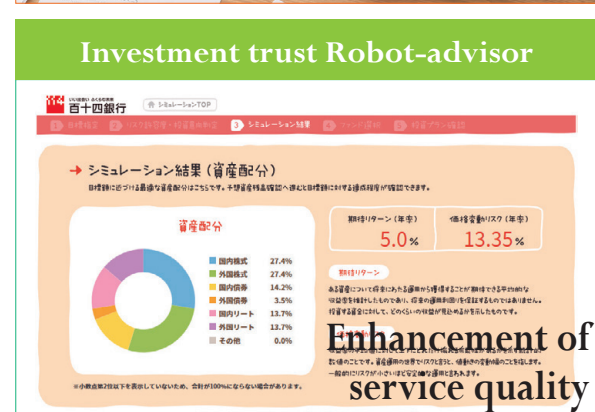
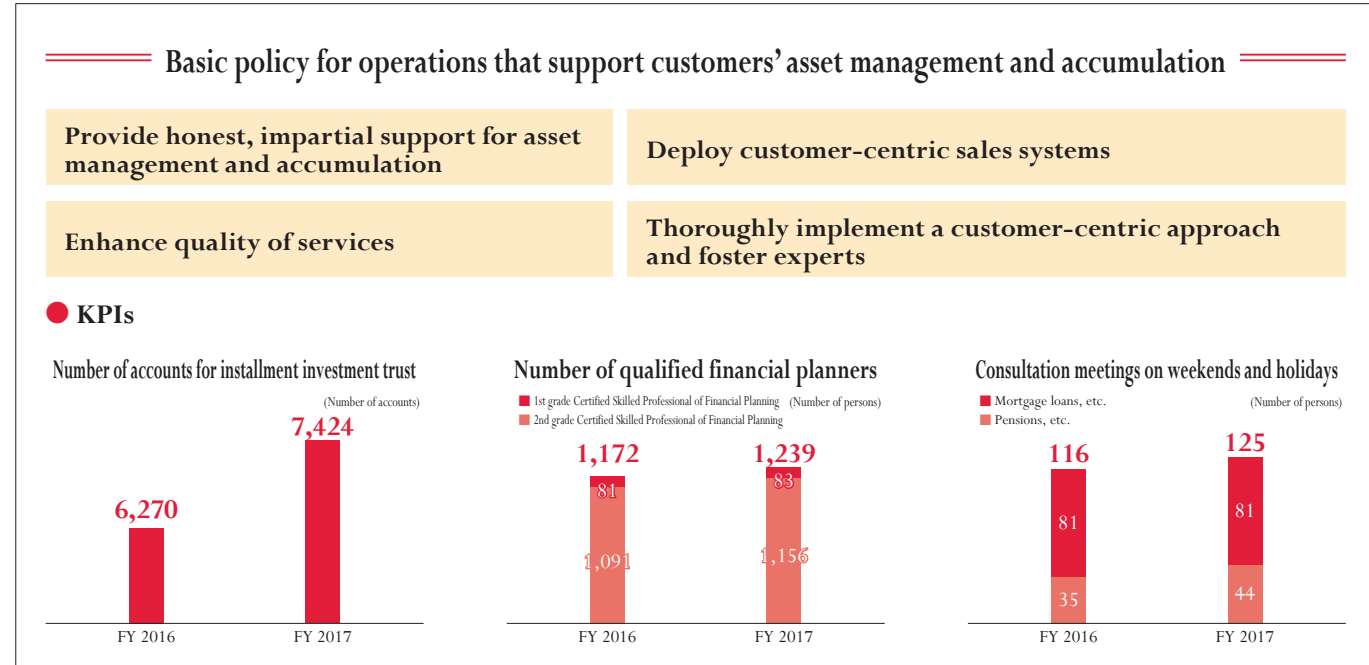
Amount of loans executed







We provide meticulous comprehensive support for customers' asset accumulation by offering customer-centric proposals emphasizing long-term, installment, and distributed investment. We also focus on fostering bank staff with expert knowledge and establishing sales structure.

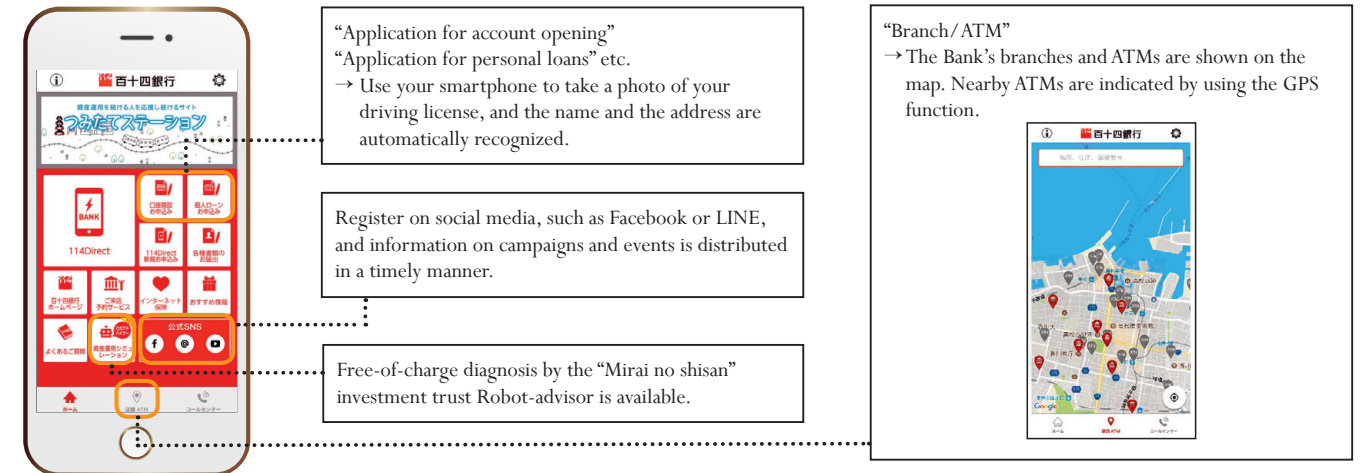


## Strengthen the business foundation

### Channel reform

#### Enhancement of mobile banking

We are enhancing mobile banking centering on smartphones. In January 2018 we introduced the Hyakujushi Bank App, a smartphone application.



### Productivity improvement

We are working on the creation of sales staff by solving the problems of administrative work, performing business reform of branches to alleviate administrative burden

#### Innovation in administrative processes of branches

Transformation of the branch format

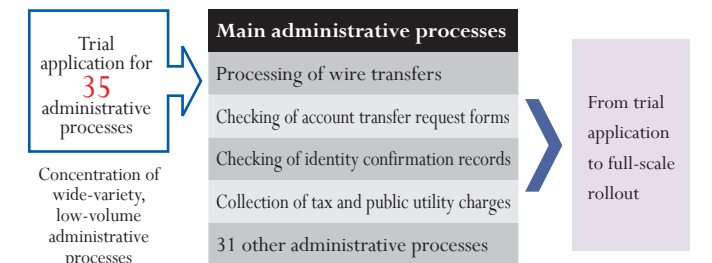
Adoption of semi-self-service operation so that customers and bank staff jointly handle transactions using a dedicated ATM



Customers:  
No need to fill in a form, reduce waiting time

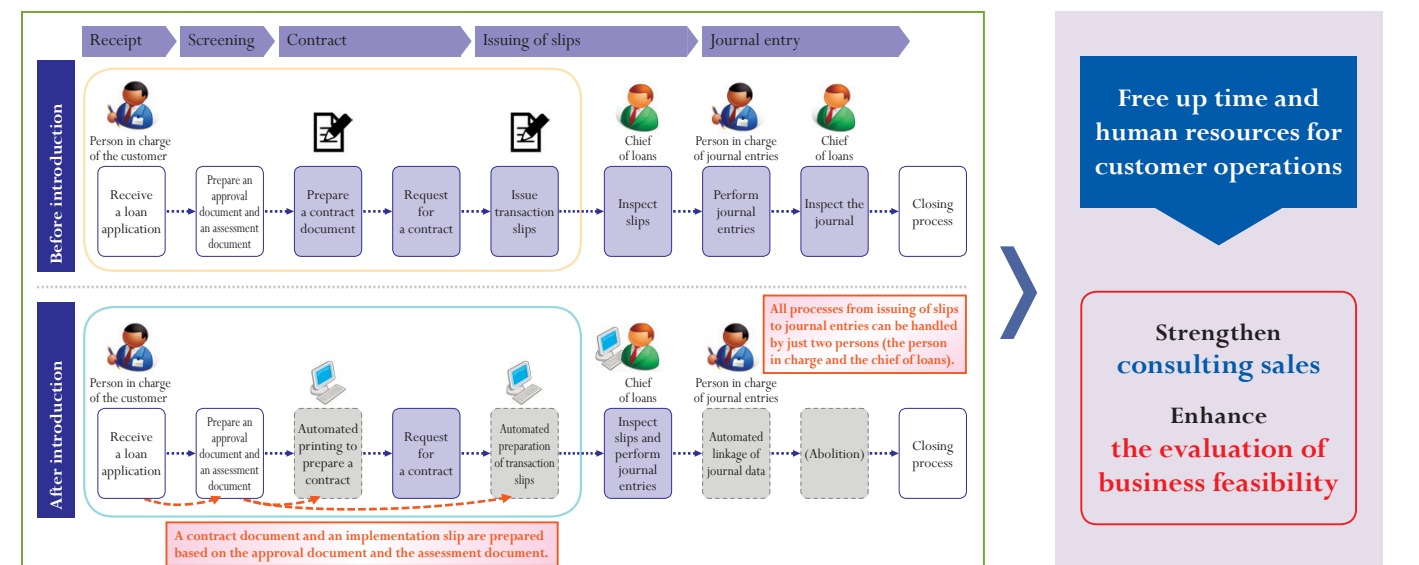
Bank staff:  
No need to check cash or enter slips, etc.

Minimization of back-office operations and concentration of customer-contact-type administrative processes at the center



#### Introduction of a new loan administrative process support system

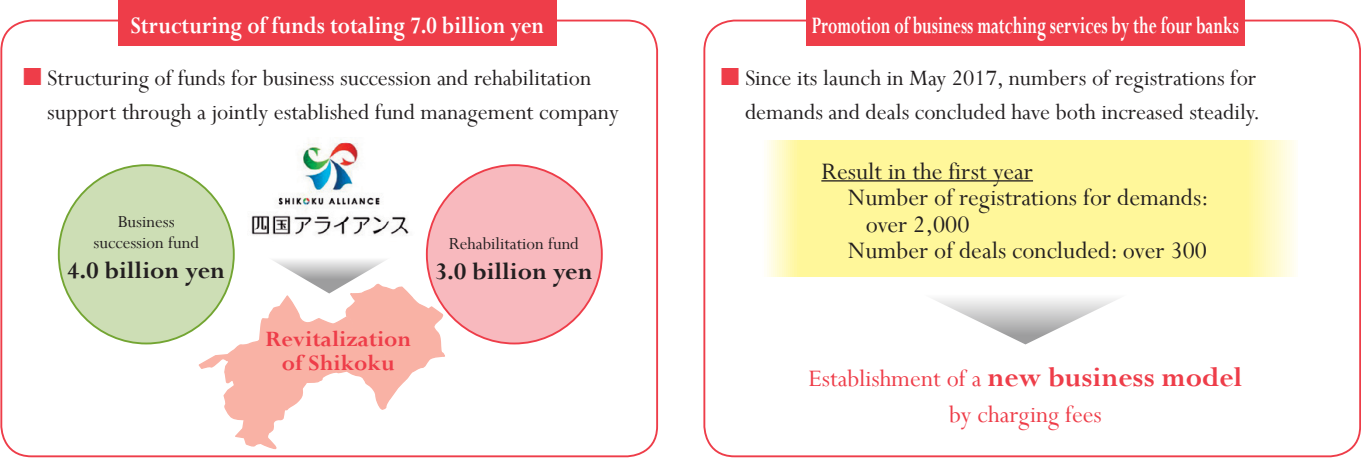
In January 2018, we introduced a new Assistant tool of 114Bank for Customer Expectations (called “ACE”). Efficient and accurate administrative processes are achieved through automated preparation of contracts and slips reflecting the content of loan approval documents.



Alliances

Through Shikoku Alliance, a comprehensive partnership of four regional banks in Shikoku, the partners are tackling revitalization of Shikoku by combining their strengths and expertise while maintaining sound competitive relationships.

Key measures implemented



Other measures

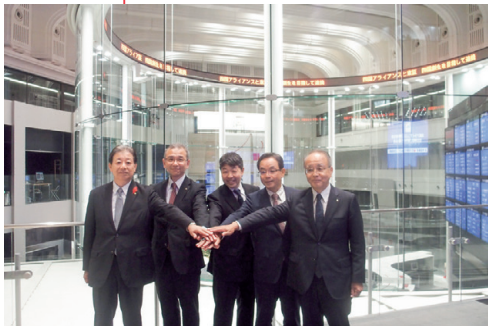
Started “Shikoku Alliance Regional Revitalization Fund ‘The Future of Shikoku’,” an investment trust

2017



Started “The Bonds of Shikoku,” an insurance product combined with a service for provision of health-related information

Concluded a basic agreement with the Tokyo Stock Exchange for revitalization of Shikoku



Established Shikoku Alliance Capital Co., Ltd., a fund management company

2018

Announced the plan to rename Iyogin Securities Co., Ltd. as Shikoku Alliance Securities Co., Ltd.

Held the first Shikoku Alliance Business Contest with goals such as enhancing awareness about startups and entrepreneurship.



Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2018	2017	2016	2015	2014	2018
<b>FOR THE YEAR:</b>						
Total income	¥80,890	¥90,552	¥81,416	¥77,671	¥80,592	\$761,389
Total expenses	65,775	71,655	61,927	60,339	58,928	619,117
Profit before income taxes	15,114	18,897	19,489	17,332	21,663	142,262
Income taxes-current	3,720	5,145	3,878	3,562	5,769	35,015
Income taxes-deferred	807	3,050	2,879	3,841	3,700	7,596
Profit attributable to non-controlling interests	359	1,054	1,099	970	963	3,379
Profit attributable to owners of parent	10,227	9,645	11,632	8,957	11,230	96,263
<b>AT YEAR-END:</b>						
Loans and bills discounted	2,833,526	2,776,554	2,747,341	2,696,444	2,614,215	26,670,990
Securities and trading account securities	1,031,025	1,444,834	1,415,126	1,454,691	1,335,649	9,704,678
Foreign exchange assets	6,997	3,684	8,649	13,507	17,446	65,860
Other assets	905,507	701,461	548,540	450,461	525,899	8,523,221
Total assets	4,777,061	4,926,538	4,719,661	4,615,105	4,493,211	44,964,806
Deposits and negotiable certificates of deposit	4,053,820	4,160,361	4,113,555	3,971,363	3,953,427	38,157,191
Foreign exchange liabilities	241	145	206	354	140	2,268
Other liabilities	419,385	472,896	323,862	347,911	282,729	3,947,524
Total liabilities	4,473,454	4,633,409	4,437,631	4,319,629	4,236,360	42,107,059
Common stock	37,322	37,322	37,322	37,322	37,322	351,298
Capital surplus	30,486	26,332	24,920	24,920	24,920	286,954
Retained earnings	164,359	160,985	153,335	143,886	138,689	1,547,053
Treasury stock	(2,096)	(6,220)	(6,179)	(4,730)	(4,181)	(19,728)
Total stockholders' equity	230,072	218,420	209,398	201,398	196,751	2,165,587
Net unrealized gains on other securities, net of taxes	49,722	49,012	54,256	68,952	37,722	468,015
Net deferred losses on hedging instruments, net of taxes	(39)	(1,231)	(7,806)	(3,010)	(24)	(367)
Revaluation reserve for land	8,741	8,557	8,961	8,722	8,044	82,275
Remeasurements of defined benefit plans	4,984	2,139	(1,171)	1,631	(2,719)	46,912
Total accumulated other comprehensive income	63,408	58,478	54,239	76,297	43,022	596,837
Share subscription rights	124	142	201	196	156	1,167
Non-controlling interests	10,000	16,087	18,190	17,583	16,920	94,126
Total net assets	303,606	293,129	282,030	295,476	256,851	2,857,737
Total liabilities and net assets	¥4,777,061	¥4,926,538	¥4,719,661	¥4,615,105	¥4,493,211	\$44,964,806

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the common accounting practice in Japan.  
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥106.24 to US\$1.00 on March 31, 2018.

Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank’s management as of the time of writing. Actual results may therefore differ substantially from such statements.



The Hyakujushi Bank is actively working to resolve ESG-related social issues for the purpose of fulfilling our social responsibilities through creating even better relationships, not only with customers and local regions we serve but also with nature and environment, to realize a sustainably society.

\*ESG stands for Environment, Social and Governance. A concept advocated for assessing corporate value from non-financial perspectives

## Environment

We are working to create an environmentally friendly society through measures such as provision of financial products and services, local forest conservation activities, and energy-saving branches.

### Environmental conservation initiatives

#### Forest Matching

We have concluded Hyakujushi Forest forest matching agreements with Kagawa Prefecture and other government entities and engage in forest conservation activities. In 2017 the four partner banks in the Shikoku Alliance began participating in one another's forest conservation activities.

#### Energy-saving building

The Head Office building has received BELCA Award\* in the Best Reform category from the Building and Equipment Long-Life Cycle Association (BELCA) in recognition of its contribution to energy conservation through a major renovation using the double-skin construction method, which involved covering the existing external wall glass with a new glass screen. The building, which also received an award in the Long Life category in 1993, became the first building to win an award in both categories.

\*An award system by which BELCA recognizes existing buildings that have been appropriately maintained over many years or have undergone excellent renovations

#### Use of wallpaper passbooks

We help protect the environment by using recyclable wallpaper as the material for passbook covers and using plant-derived ink for printing.

### Development of eco-friendly financial products

We offer various products that correspond to the values of environmentally conscious individuals and companies.

#### Environmentally friendly private placement bonds (Nickname: 114 Olive Bond)

We offer preferential interest rates to companies that have obtained third-party certification or whose practice of environmentally conscious management is confirmed.

#### Hyakujushi environment support loans (Nickname: 114 Olive Fund)

We evaluate customers' environmental initiatives using a three-level rating scale and reflect the evaluation results in loan interest rates.

#### Hyakujushi renewable energy project support loans (abbreviation: 114 Energy Support)

We meet the facilities funding needs of operators that utilize the feed-in tariff scheme for renewable energy to enter the solar power generation or other renewable energy businesses.

## Social

We support the growth of customers and regions through the “three challenges” set forth in the medium-term management plan and interaction with local communities. We are also actively working to create an environment where employees can work for many years with fulfillment through workstyle innovation.

### Regional vitalization initiatives

#### Holding of business forums and seminars

We hold various business forums and seminars to support our customer's core businesses and asset formation. Through these events, we propose optimal solutions according to the customers' life stages.

#### Support for tourism promotion

To support destination-based tourism\*, female staff of the Bank and Kagawa Prefecture officials formed the “Setouchi Monitor Girls,” a team that shines a spotlight on industrial tourism in Kagawa Prefecture through monitoring workshops. Participants engage in activities to contribute to regional vitalization by discovering new attractions of the region and widely disseminating information.

\*In destination-based tourism, communities that are the destinations for tourists attract tourists by planning high-value-added experiential and interactive tourism products utilizing local tourism resources such as history, culture, and nature.

#### Konkatsu support for people seeking marriage partners

We cooperate with the activities of the Kagawa Matchmaking Support Center (EN-MUSU Kagawa), established by Kagawa Prefecture, and also hold our own Konkatsu support events for people seeking marriage partners and cooperate with similar events planned by local public institutions.

#### Offering of CSR private placement bonds

The Bank offers CSR private placement bonds. We donate a portion of the issuing fees received from customers issuing private placement bonds to purchase goods designated by the bond issuers and donate them to their chosen schools or local public institutions.

### Financial education

As part of the Bank's support for financial education activities, we host workplace tours and work experience events for elementary, junior high, and high school students as well as holding the Summer Holiday Parent-Child bonding workshops for elementary school students. We also strive to disseminate financial education by dispatching instructors to give special lectures at high schools and universities in Kagawa Prefecture for the purpose of deepening understanding of finance and banks.

### Workstyle Innovation

We strive to create an excellent working environment to secure and retain skilled human resources.

Attained excellent company certification mark “Nickname: Eruboshi (Top)” a recognition system based on the Act on Promotion of Women's Participation and Advancement in the Workplace

July 2016

Attained the “Platinum Kurumin” certification from the Minister of Health, Labour and Welfare based on the Act on Advancement of Measures to Support Raising Next-Generation Children

June 2017

Establishment of in-house nursery school

April 2018

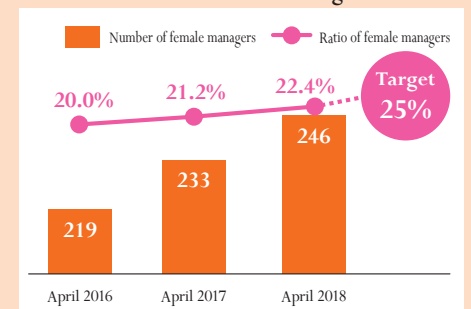
NEW

### Supporting women's participation and advancement

Following the enforcement of the Act of Promotion of Women's Participation and Advancement in the Workplace, we are actively promoting female employees to managerial positions. The ratio of female managers at the Bank was 22.4% in April 2018, which exceeded the national ratio of 13.2%.

\*Source: White Paper on Gender Equality 2018 edition

#### Number and ratio of female managers



### Development of professionals

#### Dispatching employees for external training and secondments to growing fields

The Bank has instituted the Cross-industry Training for the purpose of inspiring employees to pursue personal growth through contact with different cultures as well as developing personnel capable of generating ideas unconstrained by conventional wisdom and acting based on a broad perspective. We aim to improve the judgment of employees by dispatching mid-career employees to corporate customers as trainees to experience the field of different industries.

#### Introduction of the Company Qualification

In June 2017 the Bank introduced the Company Qualification, which enables employees to challenge themselves to acquire qualifications focusing on areas they have voluntarily selected. Under this system, we divide the branch operations into six categories and establish three levels of qualifications for each categories: Officer (beginner), Leader (intermediate), and Meister (top level). We are working on nurturing personnel with comprehensive capabilities that combine knowledge with practical abilities.

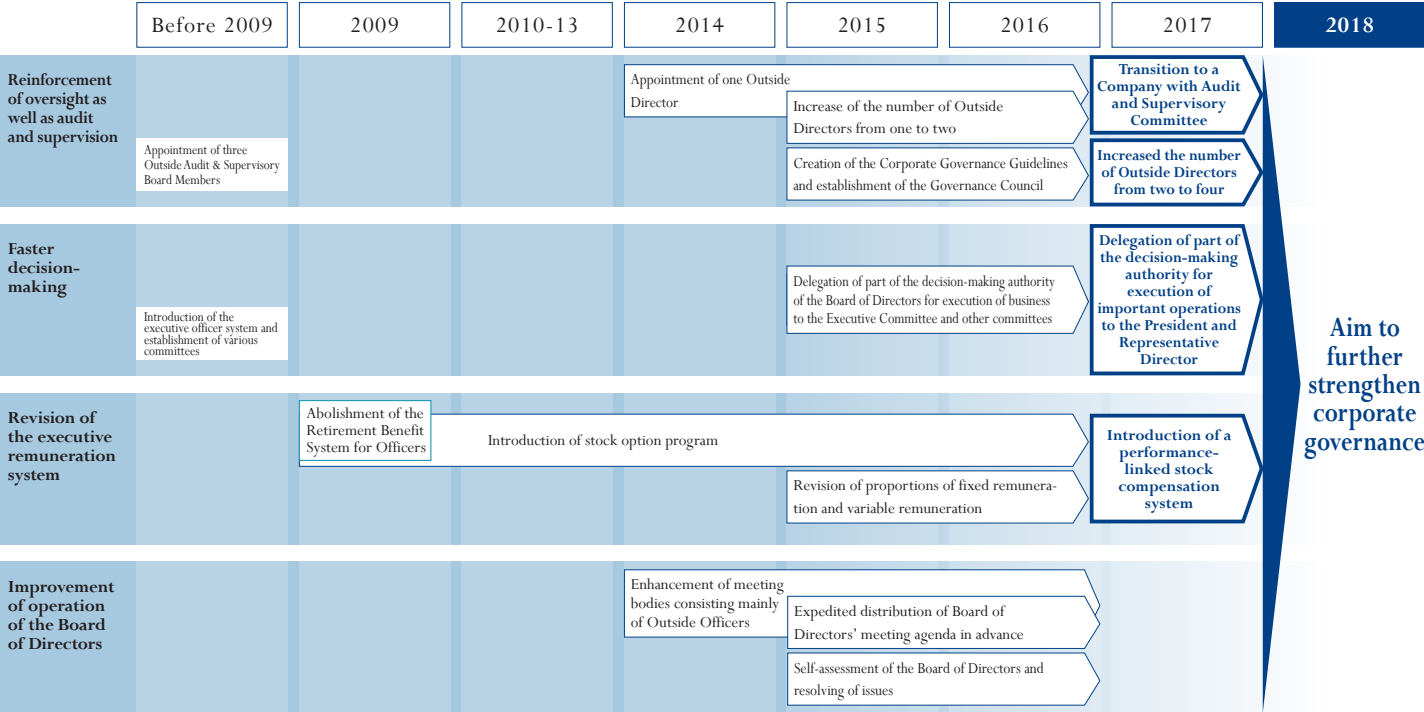
Governance

We are striving to improve the governance structure based on the recognition that strengthening of corporate governance is indispensable for the Bank’s sustainable growth and enhancement of medium- to long-term corporate value.

Initiatives to strengthen corporate governance

With the aim of realizing its Corporate Vision, the Bank has established a corporate governance framework centered on the Board of Directors, in order to ensure effective operation of a fair, speedy and decisive decision-making process. The appointment of a number of Outside Directors provides the Board of Directors with oversight functions from an external perspective. As a result of the transition to a Company with Audit and Supervisory Committee which is comprised of a majority of Outside Directors, Directors serving as Audit and Supervisory Committee Members have voting rights at the Board of Directors meetings, thereby enhancing audit and supervision of the Board of Directors and persons who execute business.

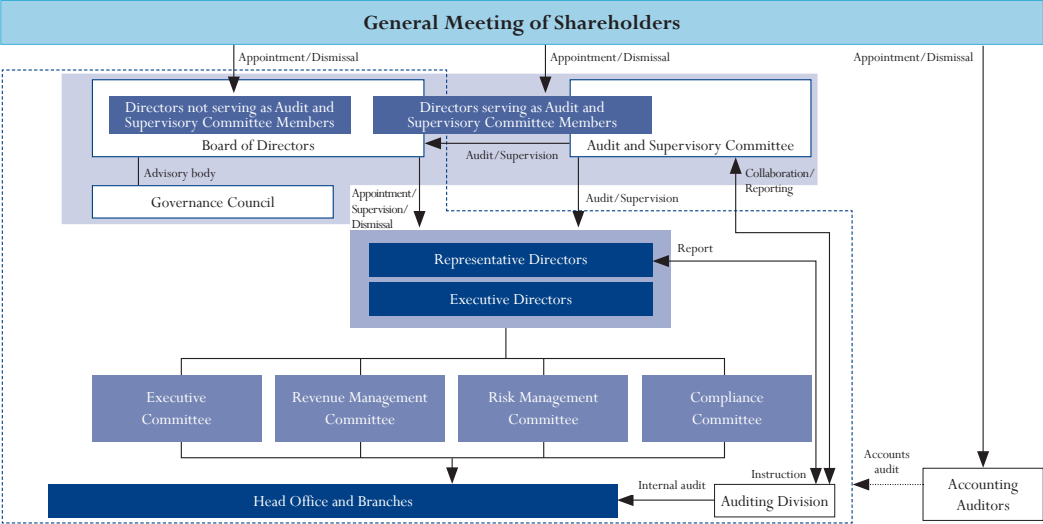
The Bank’s initiatives to strengthen corporate governance



Corporate Governance Framework (as of July 1, 2018)

System

Institutional Design
Company with Audit and Supervisory Committee
Number of Directors
15 (including 6 Audit and Supervisory Committee Members)
Number of Independent Directors
4
Term of Office of Directors
1 year (2 years for Audit and Supervisory Committee Members)
Adoption of an Executive Officer System
Yes
Accounting Auditors
Ernst & Young ShinNihon LLC



Overview

Board of Directors	The Board of Directors consists of 15 directors (including 4 outside directors), in principle, meets once a month, and also meet as necessary. In addition to matters stipulated by laws and regulations or the articles of incorporation, the Board passes resolutions on important matters concerning management and oversees the execution of duties by directors and executive officers.
Audit and Supervisory Committee	The Audit and Supervisory Committee consists of 6 Directors (including 4 outside directors) serving as Audit and Supervisory Committee Members. In principle, the committee meets once a month, and occasionally as necessary to audit and supervise the execution of duties by directors.
Executive Committee	The Executive Committee consists of persons whose positions are Managing Executive Officer or higher, and holds periodic or occasional meetings as a decision-making body for important matters related to business execution. In addition, the Bank has established a “Revenue Management Committee”, “Compliance Committee” and “Risk Management Committee”, and set up a system to make consultation and decisions on more specialized matters.
Governance Council (Voluntary committee)	The Governance Council is chaired by the Chairman of the Board of Directors. It is comprised of Outside Directors, the Chairman of the Board of Directors, and the Chairman of the Audit and Supervisory Committee. The Governance Council meets once every six-month term as a general rule, discusses matters relating to nomination of Directors, remuneration and other compensation for Directors other than Audit and Supervisory Committee Members, matters concerning evaluation of the Board of Directors, as well as other important management matters, and provides advice to the Board of Directors as needed.
Executive Officer System	In order to speed up management decision-making and strengthen business execution functions, the Bank has introduced an Executive Officer System, and 25 executive officers (of whom seven serve concurrently as Directors) appointed by the Board of Directors, are executing their business with flexible decision-making and speedy corporate management.
Auditing Division	From the perspective of maintaining and improving the soundness and appropriateness of operations, the Auditing Division, which is an independent organization, also fulfills an internal audit role and conducts inspections of assets and risks and internal audits of the Head Office and branches as well as subsidiaries etc. to determine whether their operations are conducted appropriately in accordance with laws and regulations and administrative procedures. The results of audits are reported to The Board of Directors.
Accounting Auditors	The Bank’s Accounting Auditors are Ernst & Young ShinNihon LLC As Accounting Auditors, they conduct appropriate audits from an independent standpoint.

Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2018)

Tomoki Watanabe  
Chairman  
(Representative Director)

Yujiro Ayada  
President  
(Representative Director)

Ryohei Kagawa  
Director and Senior Managing Executive Officer  
(Representative Director)

Teruo Kiuchi  
Director and Senior Managing Executive Officer

Ryuji Nishikawa  
Director and Managing Executive Officer

Takashi Mori  
Director and Managing Executive Officer

Kiichiro Oyama  
Director and Managing Executive Officer

Masakazu Toyoshima  
Director and Managing Executive Officer

Akihiko Fujimura  
Director and Managing Executive Officer

Masanobu Satomi  
Director  
(Audit and Supervisory Committee Member)

Tadahiko Tamura  
Director  
(Audit and Supervisory Committee Member)

Hideki Kuwashiro  
Director  
(Audit and Supervisory Committee Member) (outside)

Michiyo Ihara  
Director  
(Audit and Supervisory Committee Member) (outside)

Kazuo Kobayashi  
Director  
(Audit and Supervisory Committee Member) (outside)

Junichi Itoh  
Director  
(Audit and Supervisory Committee Member) (outside)



Risk Management

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. We regard sophisticated risk management techniques as being of primary importance for maintaining the soundness of a bank’s business, and we also recognize the importance of appropriate responses to changing customer needs. To achieve these goals, we make every effort to properly recognize, assess and manage risks.

Efforts toward Comprehensive Risk Management

Basic concepts of risk management

Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. We apply proper management to each risk depending on the characteristics of the operation and the risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we strive to achieve soundness and stability in our overall management and also to improve the efficiency of our operations: in other words, to practice integrated risk management.

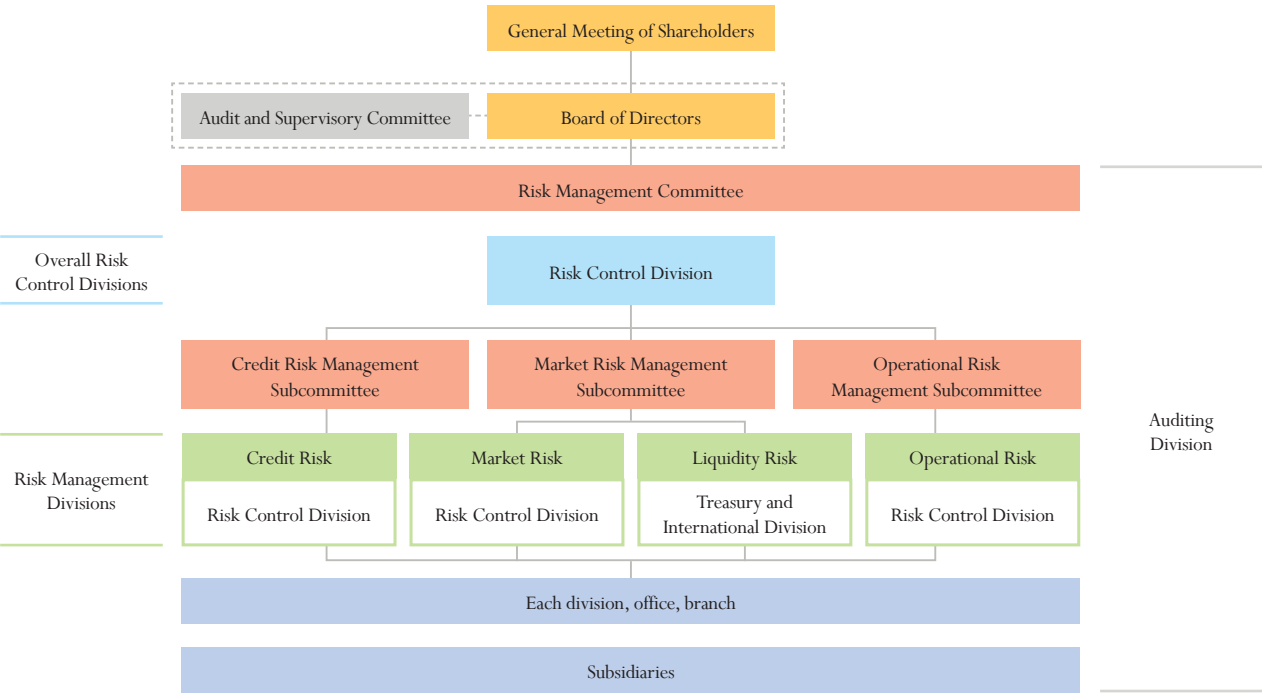
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

Risk Management Framework

We have defined the types of risks to manage in our risk management rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category, along with management rules. We have also established an independent Risk Control Division to integrate risk management and carry out comprehensive management.

Additionally, through the establishment of the Risk Management Committee and subcommittees for each risk category as organizations under the Committee, and cross-sectional consultations on matters regarding risk management on a regular basis, we have put in place a highly sophisticated framework for the maintenance and management of risk.

Risk Management Framework



Risks Subject to Management

Risk Classification	Outline of Risks	Division in Charge
Credit Risk	Risk of reduction in the value of assets or their loss altogether due to deteriorating financial position at customers to which the Bank has granted credit	Risk Control Division
Market Risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Control Division
Interest Rate Risk	Risk of reduced profits or total losses due to changes in interest rates arising because of discrepancies in interest rates on assets and liabilities, and in instrument maturities	
Foreign Exchange Risk	Risk of suffering loss due to a decrease in the yen-converted amount of foreign currency denominated assets and liabilities due to exchange market fluctuations	
Price Volatility Risk	Risk of a fall in asset values due to changes in the value of securities	
Liquidity Risk	Risk of suffering loss from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
Operational Risk	Risk of suffering loss due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Control Division
Process Risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System Risk	Risk of suffering loss due to partial or complete system breakdown, malfunction, system deficiency, or improper use of the computer system	General Administration Division
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	General Administration Division
Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	Personnel Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	General Administration Division

Practice of comprehensive risk management

We have introduced a framework for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity. Under this framework, based on the amount of equity capital (core capital) less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance are monitored, enabling ascertainment and management of risk-adjusted profitability and efficiency.

In addition, stress tests are conducted on a regular basis and the impact that major changes in the economic and market environments have on Bank profits and management stability is monitored, and the management soundness is also assessed.

Definitions

Core capital:

Equity capital established under Basel III (domestic standard)

Operational risk equivalent amount:

Calculated using the Basic Indicator Approach

Return on risk-adjusted capital (RORAC):

Profit and loss indicator, arrived at by deducting expenses, deemed allowance costs and capital costs from gross operating profits

Risk Audit and Inspection Readiness

To strengthen the risk management system, it is necessary to conduct regular inspections of the effectiveness of system functioning. At the Bank, the Auditing Division carries out periodic inspections of operations of the Bank’s Head Office departments, subsidiaries and individual branches to verify appropriateness of the risk management system. The Head

Office departments, subsidiaries and individual branches are also required to conduct self-inspections to confirm that procedures are being followed as laid down. These inspections improve the level of risk management and minimize the probability of human or system error.

# Compliance System

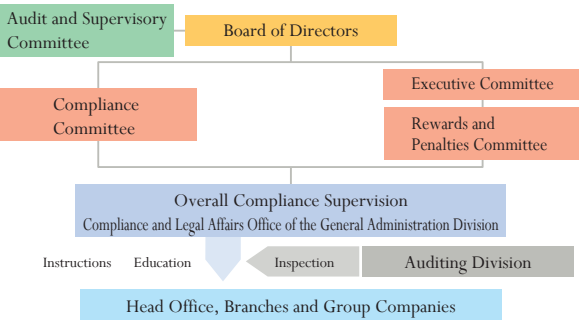
## Basic Policy

The function of banks is highly public in nature, and is intimately bound up with the welfare of society as a whole. Their primary role is to assist the sound development of the economy. At the Hyakujushi Bank, to honor the trust placed on us by our shareholders, customers and the local community, all our executives and employees assign a high priority to compliance with laws and regulations, as well as the observance of high ethical standards in the conduct of the Bank’s business. Compliance is a key priority at the Bank.

## Compliance System

The Compliance and Legal Affairs Office of the General Administration Division exercises overall supervision of compliance issues, and implements centralized management of matters related to compliance. Furthermore, officers with responsibility for compliance matters are designated in each division, office, and branch of the Bank to ensure that the rules of compliance are observed and that all staff are fully aware of issues concerned. Staff are also required to confirm the compliance status of each business unit by filling out a checklist, and seminars are held to keep staff up-to-date and fully informed regarding compliance-related matters.

## Compliance System



## Anti-Money Laundering Policy

The operating methods of money laundering and criminal circumstances are constantly changing and in recent years have become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the

Bank has instituted a money laundering prevention policy that has been made public on its website as an expression of its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

- With respect to customer due diligence, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

### Confirmation of measures to freeze assets

- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

### Notification of suspicious transactions

- With respect to suspicious transactions, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- The Bank will, under law, promptly notify authorities of suspicious transactions.
- The Bank will promptly take appropriate measures concerning suspicious transactions.
- With respect to suspicious transactions, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

### Verification of compliance

- The Bank will review compliance concerning the Anti- Money Laundering and work to continuously improve its system based on the results of the review.

The Hyakujushi Bank, Ltd. (hereinafter, “the Bank”) strongly recognizes the importance of measures to prevent money laundering and terrorism financing (hereinafter, “money laundering”). In response to stern demands from the international community, the Bank will build an internal control system as described below for the Anti- Money Laundering, and conduct the Bank’s business on that basis.

Money laundering is “the act of trying to hide the source and attribution of criminal profits” and terrorism financing is “the act of providing funds to terrorists for terrorist activities.”

The operating methods and criminal circumstances of money laundering are constantly changing and in recent years have become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the Bank stipulates this policy to reiterate its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

### Operational policy

- The Bank will clarify its role internally concerning the Anti- Money Laundering and will create a system capable of taking appropriate measures in a timely manner.

### Customer due diligence

- With respect to customer due diligence, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

# Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Assets:</b>			
Cash and due from banks	¥ 706,534	¥ 551,313	\$ 6,650,357
Call loans and bills bought	—	6,731	—
Monetary claims bought	32,844	22,748	309,149
Trading account securities	55	41	517
Money held in trust	4,795	4,795	45,133
Securities (Notes 6, 10 and 11)	1,030,970	1,444,793	9,704,160
Loans and bills discounted (Notes 9 and 12)	2,833,526	2,776,554	26,670,990
Foreign exchange assets (Note 9)	6,997	3,684	65,860
Lease receivables and lease investment assets	18,831	17,041	177,249
Other assets (Note 11)	76,419	39,694	719,305
Tangible fixed assets (Notes 14 and 15)	40,503	41,404	381,240
Intangible fixed assets	6,157	4,990	57,953
Net defined benefit asset	12,099	7,105	113,883
Deferred tax assets	845	927	7,953
Customers’ liabilities for acceptances and guarantees	22,661	21,203	213,300
Reserve for possible loan losses	(16,181)	(16,490)	(152,306)
Total assets	¥4,777,061	¥4,926,538	\$44,964,806

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Liabilities and net assets</b>			
<b>Liabilities:</b>			
Deposits (Note 11)	¥3,957,552	¥4,013,132	\$37,251,054
Negotiable certificates of deposit	96,268	147,229	906,137
Call money and bills sold	11,669	51,682	109,836
Payables under securities lending transactions (Note 11)	52,003	118,779	489,486
Borrowed money (Notes 11 and 32)	246,615	206,111	2,321,300
Foreign exchange liabilities	241	145	2,268
Other liabilities	62,353	53,776	586,907
Reserve for bonuses for directors and corporate auditors	39	33	367
Net defined benefit liability	185	171	1,741
Reserve for retirement benefits for directors and corporate auditors	39	46	367
Reserve for claims on dormant accounts	395	416	3,717
Reserve for contingent liabilities	98	116	922
Reserve for stock-based compensation plan	41	—	385
Deferred tax liabilities	17,644	14,903	166,076
Deferred tax liability for land revaluation (Note 15)	5,643	5,660	53,115
Acceptance and guarantees	22,661	21,203	213,300
Total liabilities	4,473,454	4,633,409	42,107,059

### Net assets :

Stockholders’ equity:			
Common stock	37,322	37,322	351,298
Capital surplus	30,486	26,332	286,954
Retained earnings	164,359	160,985	1,547,053
Treasury stock	(2,096)	(6,220)	(19,728)
Total stockholders’ equity	230,072	218,420	2,165,587
Accumulated other comprehensive income:			
Net unrealized gains on other securities, net of taxes	49,722	49,012	468,015
Net deferred losses on hedging instruments, net of taxes	(39)	(1,231)	(367)
Revaluation reserve for land (Note 15)	8,741	8,557	82,275
Remeasurements of defined benefit plans	4,984	2,139	46,912
Total accumulated other comprehensive income	63,408	58,478	596,837
Share subscription rights	124	142	1,167
Non-controlling interests	10,000	16,087	94,126
Total net assets	303,606	293,129	2,857,737
Total liabilities and net assets	¥4,777,061	¥4,926,538	\$44,964,806

As of March 31	Yen		U.S. dollars (Note 1)
	2018	2017	2018
<b>Per share</b>			
Net assets	¥994.85	¥937.15	\$9.364

See accompanying notes to consolidated financial statements.



Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Income:</b>			
Interest on loans and bills discounted	¥31,481	¥31,978	\$296,319
Interest and dividends on securities	15,744	15,848	148,192
Other interest income	846	497	7,963
Fees and commissions	11,644	11,184	109,600
Other operating income	7,565	18,636	71,206
Other income (Note 18)	13,605	12,406	128,059
Total income	80,890	90,552	761,389
<b>Expenses:</b>			
Interest on deposits and negotiable certificates of deposit	2,150	2,105	20,237
Interest on call money and bills sold	566	569	5,327
Interest on borrowed money	126	145	1,185
Other interest expenses	3,012	2,523	28,350
Fees and commissions	3,492	3,220	32,868
Other operating expenses	8,285	14,041	77,983
General and administrative expenses (Note 19)	39,299	39,744	369,907
Other expenses (Note 20)	8,842	9,304	83,226
Total expenses	65,775	71,655	619,117
<b>Profit before income taxes</b>	15,114	18,897	142,262
Income taxes :			
Current	3,720	5,145	35,015
Deferred	807	3,050	7,596
Subtotal	4,528	8,196	42,620
<b>Profit</b>	10,586	10,700	99,642
<b>Profit attributable to non-controlling interests</b>	359	1,054	3,379
<b>Profit attributable to owners of parent</b>	¥10,227	¥ 9,645	\$ 96,263

For the years ended March 31	Yen		U.S. dollars (Note 1)
	2018	2017	2018
<b>Per share</b>			
Basic earnings	¥34.64	¥32.61	\$0.326

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit	¥10,586	¥10,700	\$ 99,642
Other comprehensive income (Note 21)	4,562	4,685	42,940
Net unrealized gains (losses) on other securities, net of taxes	525	(5,201)	4,941
Net deferred gains on hedging instruments, net of taxes	1,191	6,575	11,210
Remeasurements of defined benefit plans	2,844	3,311	26,769
Total comprehensive income	15,148	15,385	142,582
Total comprehensive income attributable to:			
Owners of parent	¥14,973	¥14,289	\$140,935
Non-controlling interests	175	1,096	1,647

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	¥37,322	¥24,920	¥153,335	¥(6,179)	¥209,398
Changes in items during the period					
Dividends from surplus	—	—	(2,367)	—	(2,367)
Profit attributable to owners of parent	—	—	9,645	—	9,645
Purchase of treasury stock	—	—	—	(387)	(387)
Disposal of treasury stock	—	—	(32)	346	314
Retirement of treasury stock	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	1,412	—	—	1,412
Provision for revaluation reserve for land	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	404	—	404
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	1,412	7,650	(40)	9,021
<b>Balance as of March 31, 2017</b>	¥37,322	¥26,332	¥160,985	¥(6,220)	¥218,420
Changes in items during the period					
Dividends from surplus	—	—	(2,364)	—	(2,364)
Profit attributable to owners of parent	—	—	10,227	—	10,227
Purchase of treasury stock	—	—	—	(232)	(232)
Disposal of treasury stock	—	—	(10)	63	52
Retirement of treasury stock	—	—	(4,293)	4,293	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	4,153	—	—	4,153
Provision for revaluation reserve for land	—	—	(184)	—	(184)
Transfer from revaluation reserve for land	—	—	—	—	—
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	4,153	3,374	4,124	11,652
<b>Balance as of March 31, 2018</b>	¥37,322	¥30,486	¥164,359	¥(2,096)	¥230,072

For the years ended March 31	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains on other securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
<b>Balance as of March 31, 2016</b>	¥54,256	¥(7,806)	¥8,961	¥(1,171)	¥54,239	¥201	¥18,190	¥282,030
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,367)
Profit attributable to owners of parent	—	—	—	—	—	—	—	9,645
Purchase of treasury stock	—	—	—	—	—	—	—	(387)
Disposal of treasury stock	—	—	—	—	—	—	—	314
Retirement of treasury stock	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	1,412
Provision for revaluation reserve for land	—	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	404
Net changes in items other than stockholders' equity	(5,243)	6,575	(404)	3,311	4,239	(58)	(2,103)	2,077
Total changes in items during the period	(5,243)	6,575	(404)	3,311	4,239	(58)	(2,103)	11,098
<b>Balance as of March 31, 2017</b>	¥49,012	¥(1,231)	¥8,557	¥ 2,139	¥58,478	¥142	¥16,087	¥293,129
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,364)
Profit attributable to owners of parent	—	—	—	—	—	—	—	10,227
Purchase of treasury stock	—	—	—	—	—	—	—	(232)
Disposal of treasury stock	—	—	—	—	—	—	—	52
Retirement of treasury stock	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	4,153
Provision for revaluation reserve for land	—	—	—	—	—	—	—	(184)
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	—
Net changes in items other than stockholders' equity	709	1,191	184	2,844	4,930	(18)	(6,087)	(1,175)
Total changes in items during the period	709	1,191	184	2,844	4,930	(18)	(6,087)	10,476
<b>Balance as of March 31, 2018</b>	¥49,722	¥ (39)	¥8,741	¥ 4,984	¥63,408	¥124	¥10,000	¥303,606

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31					
Balance as of March 31, 2017	\$351,298	\$247,853	\$1,515,295	\$(58,546)	\$2,055,911
Changes in items during the period					
Dividends from surplus	—	—	(22,251)	—	(22,251)
Profit attributable to owners of parent	—	—	96,263	—	96,263
Purchase of treasury stock	—	—	—	(2,183)	(2,183)
Disposal of treasury stock	—	—	(94)	592	489
Retirement of treasury stock	—	—	(40,408)	40,408	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	39,090	—	—	39,090
Provision for revaluation reserve for land	—	—	(1,731)	—	(1,731)
Transfer from revaluation reserve for land	—	—	—	—	—
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	39,090	31,758	38,817	109,676
Balance as of March 31, 2018	\$351,298	\$286,954	\$1,547,053	\$(19,728)	\$2,165,587

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains on other securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
For the years ended March 31								
Balance as of March 31, 2017	\$461,332	\$(11,586)	\$80,544	\$20,133	\$550,432	\$1,336	\$151,421	\$2,759,120
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(22,251)
Profit attributable to owners of parent	—	—	—	—	—	—	—	96,263
Purchase of treasury stock	—	—	—	—	—	—	—	(2,183)
Disposal of treasury stock	—	—	—	—	—	—	—	489
Retirement of treasury stock	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	39,090
Provision for revaluation reserve for land	—	—	—	—	—	—	—	(1,731)
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	—
Net changes in items other than stockholders' equity	6,673	11,210	1,731	26,769	46,404	(169)	(57,294)	(11,059)
Total changes in items during the period	6,673	11,210	1,731	26,769	46,404	(169)	(57,294)	98,606
Balance as of March 31, 2018	\$468,015	\$ (367)	\$82,275	\$46,912	\$596,837	\$1,167	\$ 94,126	\$2,857,737

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
			(Note 1)
	2018	2017	2018
For the years ended March 31			
Cash flows from operating activities			
Profit before income taxes	¥ 15,114	¥ 18,897	\$ 142,262
Depreciation	2,857	2,678	26,891
Impairment losses	151	248	1,421
Net change in reserve for possible loan losses	(308)	(1,451)	(2,899)
Net change in reserve for bonuses for directors and corporate auditors	6	(7)	56
Net change in net defined benefit asset	(906)	(305)	(8,527)
Net change in net defined benefit liability	13	10	122
Net change in reserve for retirement benefits for directors and corporate auditors	(6)	(2)	(56)
Net change in reserve for claims on dormant accounts	(21)	(88)	(197)
Net change in reserve for contingent liabilities	(18)	8	(169)
Net change in reserve for stock-based compensation plan	41	—	385
Interest income	(48,073)	(48,324)	(452,494)
Interest expenses	5,855	5,345	55,111
Net gain related to securities transactions	(674)	(5,249)	(6,344)
Net loss on money held in trust	—	100	—
Net loss related to foreign exchange	7,583	2,394	71,376
Net (gain) loss on disposal of fixed assets	(40)	226	(376)
Net change in trading account securities	(14)	(29)	(131)
Net change in loans and bills discounted	(56,971)	(29,213)	(536,248)
Net change in deposits	(55,579)	77,700	(523,145)
Net change in negotiable certificates of deposit	(50,961)	(30,893)	(479,678)
Net change in borrowed money excluding subordinated borrowings	40,503	123,384	381,240
Net change in due from banks other than Bank of Japan	6,161	(11,221)	57,991
Net change in call loans and others	(3,364)	2,655	(31,664)
Net change in call money and others	(40,012)	25,428	(376,618)
Net change in payables under securities lending transactions	(66,775)	29,911	(628,529)
Net change in foreign exchange assets	(3,313)	4,965	(31,184)
Net change in foreign exchange liabilities	95	(60)	894
Net change in lease assets and lease investment assets	(1,790)	(43)	(16,848)
Proceeds from fund operations	47,823	48,616	450,141
Payments on fund procurement	(6,061)	(5,469)	(57,050)
Other	(18,682)	(9,155)	(175,847)
Subtotal	(227,368)	201,056	(2,140,135)
Payment of income taxes	(5,678)	(3,517)	(53,445)
Net cash provided by (used in) operating activities	(233,047)	197,539	(2,193,589)
Cash flows from investing activities			
Purchase of securities	(1,106,238)	(1,130,677)	(10,412,631)
Proceeds from sales of securities	1,189,836	853,192	11,199,510
Proceeds from redemption of securities	318,510	232,780	2,998,023
Purchases of tangible fixed assets	(920)	(1,335)	(8,659)
Purchases of intangible fixed assets	(2,353)	(1,997)	(22,147)
Proceeds from sales of tangible fixed assets	279	505	2,626
Proceeds from sales of intangible fixed assets	—	1	—
Net cash provided by (used in) investing activities	399,114	(47,530)	3,756,720
Cash flows from financing activities			
Repayment of subordinated borrowings	—	(1,000)	—
Redemption of subordinated bonds	—	(10,000)	—
Purchase of treasury stock	(1,568)	(430)	(14,759)
Proceeds from sales of treasury stock	24	203	225
Dividends paid	(2,364)	(2,367)	(22,251)
Dividends paid to non-controlling interests	(380)	(382)	(3,576)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(393)	(1,362)	(3,699)
Net cash used in financing activities	(4,681)	(15,339)	(44,060)
Effect of exchange rate changes on cash and cash equivalents	(3)	(1)	(28)
Net change in cash and cash equivalents	161,382	134,668	1,519,032
Cash and cash equivalents at beginning of year	505,802	371,134	4,760,937
Cash and cash equivalents at end of year (Note 3)	¥ 667,185	¥ 505,802	\$ 6,279,979

See accompanying notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (hereinafter the “Bank”) and its consolidated subsidiaries (hereinafter collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.

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

## 2. Fiscal year ends

Account closing dates of consolidated subsidiaries are as follows:

March 31: 9 companies

January 31: 1 company

Hyakujushi Preferred Capital Cayman Limited, whose account closing date is January 31, has been included in the scope of consolidation on the balance sheet based on the provisional closing of accounts, as of March 31.

## 3. Significant accounting policies

### (1) Consolidation

The consolidated financial statements include the accounts of the Bank and its 10 subsidiaries. There are no non-consolidated subsidiaries or affiliates accounted for by the equity method as of March 31, 2018.

Shikoku Alliance Capital Co., Ltd. is an affiliate not accounted for by the equity method. Affiliated companies not accounted for by the equity method are excluded from the scope of the equity method because the Bank’s interests in their respective amounts of net profits or losses, retained earnings or other accumulated comprehensive income do not have a material impact on the consolidated financial statements.

### (2) Trading account securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value (cost of sales is calculated by the moving-average cost method).

### (3) Securities

Marketable debt securities held to maturity are stated at amortized cost using the moving-average cost method. Investments in non-consolidated subsidiaries not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities of which market prices are available are stated at fair value based principally on their market prices at the balance-sheet date (cost of sales is calculated by the moving-average cost method), whereas those for which the market value is not readily determinable are stated at cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

### (4) Derivatives

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value.

### (5) Depreciation

(a) *Tangible fixed assets (excluding lease assets)*

Depreciation of tangible fixed assets is calculated principally using the declining-balance method (However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016). Useful lives of tangible fixed assets are as follows:

Buildings: 10 to 50 years

Equipment: 5 to 15 years

Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.

(b) *Intangible fixed assets (excluding lease assets)*

Intangible fixed assets are amortized by the straight-line method. Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

(c) *Lease assets*

Lease assets held by the Bank are depreciated over the leasing contract periods by the straight-line method with residual value at zero.

### (6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for bankrupt or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.

Reserve for possible loan losses for borrowers not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided based on loan loss experience as calculated using historical default rates.

In accordance with the Bank’s asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.

In the case of loans to borrowers who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥10,931 million (\$102,889 thousand) and ¥12,685 million for the fiscal years ended March 31, 2018 and 2017, respectively.

A reserve for possible losses on ordinary loans held by the Bank’s consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible losses on specific loans held by the Bank’s consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.

### (7) Reserve for bonuses for directors and corporate auditors

A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.

### (8) Reserve for retirement benefits for directors and corporate auditors

In order to provide for the payment of retirement benefits to directors and corporate auditors of consolidated subsidiaries, a provision is made for the payments of retirement benefits to directors and corporate auditors based on the estimated amount incurred at the end of the consolidated reporting period.

### (9) Reserve for claims on dormant accounts

A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank’s historical refund record.

### (10) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

### (11) Reserve for stock-based compensation plan

A provision is made in relation to the BIP Trust from the fiscal year ended March 31, 2018. In order to provide for the delivery of the Bank’s shares from the BIP Trust, a provision is made for an estimated amount of benefits corresponding to the number of points allotted to directors in accordance with BIP Trust’s share delivery rules.

### (12) Accounting method for retirement benefits

To calculate retirement benefit obligations, the Bank used the benefit formula as a method for attributing estimated retirement benefits over the period until March 31, 2018. The amortization method for prior service costs and actuarial differences is as follows:

Prior Service Costs:

Prior service costs are charged fully to income at the time of occurrence.

Actuarial Differences:

Actuarial differences of the plans are to be amortized from the fiscal year following their occurrence by the straight-line method over a fixed period of 10 years, which is within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating net defined benefit liability and retirement benefit costs, some consolidated subsidiaries apply a simplified method that provides their retirement benefit obligation at an amount to be paid for voluntary termination at the balance sheet date.

### (13) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen primarily at the year-end rates.

### (14) Accounting standards for posting of earnings and expenses

Consolidated subsidiaries engaged in the leasing business post income and expenses relating to lease transactions as “Other income” and “Other expenses,” respectively, at the time of receipt of lease charges.

### (15) Hedge accounting

(a) *Hedges against interest rate fluctuations*

The Bank applies the deferred hedge accounting method to interest rate swaps used to hedge interest rate risk on certain financial assets when the critical terms of the underlying hedged items and hedging instruments match.

Hedge effectiveness is evaluated in accordance with risk management procedures by designating hedges, managing the hedging instruments and hedged items integrally and verifying whether the hedged interest rate risk on the hedged items is offset by the hedging instrument.

(b) *Hedging against currency fluctuations*

The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Audit Committee Report No. 25 issued on July 29, 2002 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts corresponding to the foreign-currency positions.

### (16) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
March 31			
Cash and due from banks.....	¥706,534	¥551,313	\$6,650,357
Time deposits with banks other than Bank of Japan.....	(39,042)	(44,542)	(367,488)
Deposits with banks other than Bank of Japan.....	(239)	(284)	(2,249)
Other .....	(67)	(683)	(630)
Cash and cash equivalents .....	¥667,185	¥505,802	\$6,279,979

### (17) Consumption taxes

In the accounting treatment of the Bank and its domestic consolidated subsidiaries, the National Consumption Tax and the Local Consumption Tax are excluded from the transaction amounts.

## 4. Additional information

(Employee Stock Ownership Plan (ESOP) Trust)

As a benefit package for employees, the Bank conducts transactions that deliver the Bank’s own stock to the employee shareholding association through a trust. In addition, the trust period reached maturity and ended in July 2017.

### 1. Transaction overview

The Bank sets up trusts that have as their beneficiaries employees that are members of the Hyakujushi Bank Employee Shareholding Association (hereinafter “the Bank’s shareholding association”) who meet specific requirements. Said trusts purchase in advance during the acquisition period the number of Bank shares expected to be purchased by the Bank’s shareholding association over a five-year period. The trusts then sell the Bank shares to the Bank’s shareholding association on a fixed day every month. In the event that the share price rises and earnings have accumulated in the trust, upon its termination a cash distribution of the funds will be made to the employee beneficiaries in proportion to their contribution. In the event that the share price declines and a transfer loss occurs, the Bank will bear the loss so there is no additional burden on the employee members.

2. The Bank applies the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015). However, this has been accounted for with a previously adopted method and transactions between the Bank and the trust, such as dividends distributed by the Bank to the trust, are offsetting.

3. Matters relating to the Bank’s shares held by the trusts

- (1) The book value of the trusts was nil and ¥23 million as of March 31, 2018 and 2017, respectively.
- (2) The Bank’s shares held by the trusts have been recorded as treasury stock in stockholders’ equity.
- (3) The number of shares at year-end was nil and 65 thousand as of March 31, 2018 and 2017, respectively. The average number of shares during the year was 4 thousand and 348 thousand for the fiscal years ended March 31, 2018 and 2017, respectively.
- (4) The number of shares at year-end and the average number of shares during the year in (3) above are included in the treasury shares to be deducted in the calculation of per share information.

(Board Incentive Plan (BIP) Trust)

The Bank has introduced a BIP Trust for directors (excluding directors serving as audit and supervisory committee members, outside directors and non-residents of Japan; hereinafter collectively referred to as the “Bank’s directors”).

### 1. Transaction overview

The BIP Trust is a stock incentive plan for directors, aimed at further raising motivation to contribute to the medium- to long-term improvement of business performance and enhance the Bank’s corporate value. Under the plan, a certain number of points are granted to the Bank’s directors based on their ranks and the level of achievement of performance targets, and the Bank’s shares corresponding to the aggregate number of points or money equivalent to the value of the Bank’s shares are granted or delivered to the Bank’s directors upon their retirement.

2. Accounting treatment for transactions delivering the Company’s own stock through the trust

The Bank applies the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015).

3. Matters relating to the Bank’s shares held by the trust

- (1) The book value of the shares held by the trust was ¥226 million (\$2,127 thousand) as of March 31, 2018.
- (2) The Bank’s shares held by the trust have been recorded as treasury stock in stockholders’ equity.
- (3) The number of shares at year-end and the average number of shares during the year were 611 thousand and 356 thousand, respectively, for the fiscal year ended March 31, 2018.
- (4) The number of shares at year-end and the average number of shares during the year in (3) above are included in the number of treasury stock to be deducted in the calculation of per share information.

5. Changes in net assets

(1) Type and number of shares issued and treasury shares are as follows:

2018	Thousands of shares			
	March 31, 2017	Increase	Decrease	March 31, 2018
Shares issued				
Common stock (Note 1) .....	310,076	—	10,076	300,000
Total .....	310,076	—	10,076	300,000
Treasury stock				
Common stock (Notes 2, 3, 4 and 5) .....	14,608	625	10,233	5,000
Total .....	14,608	625	10,233	5,000

Notes: 1. The 10,076 thousand share decrease in the number of shares issued is due to the retirement of treasury stock.  
2. The number of shares of common stock at the beginning of the fiscal year ended March 31, 2018 includes 65 thousand shares of the Bank's shares held by the Employee Stock Ownership Plan (ESOP) Trust.  
3. The number of shares of common stock at the end of the fiscal year ended March 31, 2018 includes 611 thousand shares of the Bank's shares held by the Board Incentive Plan (BIP) Trust.  
4. The 625 thousand share increase in the number of common shares of treasury stock consists of a 611 thousand share increase due to a share acquisition by the BIP Trust and a 14 thousand share increase due to a purchase demand for fractional shares from shareholders.  
5. The 10,233 thousand share decrease in the number of common shares of treasury stock consists of a 10,076 thousand share decrease due to retirement of treasury stock, a 65 thousand share decrease due to the termination of ESOP Trust and a 92 thousand share decrease due to the exercise of share subscription rights.

2017	Thousands of shares			
	March 31, 2016	Increase	Decrease	March 31, 2017
Shares issued				
Common stock .....	310,076	—	—	310,076
Total .....	310,076	—	—	310,076
Treasury stock				
Common stock(Notes 1, 2 and 3) .....	14,487	1,015	894	14,608
Total .....	14,487	1,015	894	14,608

Notes: 1. The number of shares of common stock at the beginning and end of the fiscal year ended March 31, 2017 includes 657 thousand shares and 65 thousand shares of the Bank's shares held by the Employee Stock Ownership Plan (ESOP) Trust.  
2. The 1,015 thousand share increase in the number of common shares of treasury stock consists of a 1,000 thousand share increase due to a share purchase based on a resolution of the board of directors and a 15 thousand share increase due to a purchase demand for fractional shares from shareholders.  
3. The 894 thousand share decrease in the number of common shares of treasury stock consists of a 592 thousand share decrease due to the sale of shares from the ESOP Trust to the employee shareholding association, a 302 thousand share decrease due to the exercise of share subscription rights and a 0 thousand share decrease due to a purchase demand for fractional shares from shareholders.

(2) Matters concerning share subscription rights and own share options

The balance of share subscription rights (for stock options) at the end of March 31, 2018 and 2017 stood at ¥124 million (\$1,167 thousand) and ¥142 million, respectively. At end of the previous and current fiscal years, no shares had been earmarked for share subscription rights.

(3) Information on dividends

(a) Dividends paid

2018					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2017 (Regular Annual General Meeting of Shareholders).....	Common stock	¥1,182	¥4.0	March 31, 2017	June 30, 2017
November 10, 2017 (Meeting of the Board of Directors).....	Common stock	1,182	4.0	September 30, 2017	December 8, 2017
2017					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2016 (Regular Annual General Meeting of Shareholders).....	Common stock	¥1,184	¥4.0	March 31, 2016	June 30, 2016
November 11, 2016 (Meeting of the Board of Directors).....	Common stock	1,186	4.0	September 30, 2016	December 9, 2016

2018					
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2017 (Regular Annual General Meeting of Shareholders).....	Common stock	\$11,125	\$0.037	March 31, 2017	June 30, 2017
November 10, 2017 (Meeting of the Board of Directors).....	Common stock	11,125	0.037	September 30, 2017	December 8, 2017

Note: In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on June 29, 2017 and June 29, 2016, the total amount of dividends paid includes the ¥0 million (\$0 thousand) and ¥2 million dividend payment to the Employee Stock Ownership Plan (ESOP) Trust, respectively. Moreover, the total amount of dividends paid includes the ¥2 million (\$18 thousand) dividend payment to the Board Incentive Plan (BIP) Trust and the ¥1 million dividend payment to the ESOP Trust pursuant to the resolutions approved by the Board of Directors at meetings held on November 10, 2017 and November 11, 2016, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock.

(b) Dividends paid after the balance-sheet date

2018						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 28, 2018 (Regular Annual General Meeting of Shareholders).....	Common stock	¥1,182	Retained earnings	¥4.0	March 31, 2018	June 29, 2018

2017						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2017 (Regular Annual General Meeting of Shareholders).....	Common stock	¥1,182	Retained earnings	¥4.0	March 31, 2017	June 30, 2017

2018						
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 28, 2018 (Regular Annual General Meeting of Shareholders).....	Common stock	\$11,125	Retained earnings	\$0.037	March 31, 2018	June 29, 2018
Note: The total dividend amount includes the ¥2 million (\$18 thousand) dividends for the Board Incentive Plan (BIP) Trust.						

6. Securities and trading account securities

(1) Total amount of investments in affiliates

The total amount of investments in affiliates as of March 31, 2018 was ¥25 million (\$235 thousand). There were no investments in affiliates as of March 31, 2017.

(2) Trading account securities

A valuation loss of ¥(0) million (\$(0) thousand) and gain of ¥0 million were recognized for the fiscal years ended March 31, 2018 and 2017, respectively.

(3) Held-to-maturity debt securities

Not applicable.

(4) Other securities

(a) Consolidated balance sheet amount and acquisition cost of other securities and their difference as of March 31, 2018 and 2017 were as follows:

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
2018			
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock .....	¥ 135,228	¥ 58,236	¥76,991
Bonds:			
National .....	244,572	241,290	3,282
Local .....	54,411	53,290	1,120
Corporate .....	157,764	156,968	796
	456,748	451,549	5,199
Other .....	111,401	109,403	1,998
Subtotal .....	703,378	619,189	84,189
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock .....	14,708	18,682	(3,973)
Bonds:			
Local .....	9,907	9,975	(68)
Corporate .....	38,171	38,410	(239)
	48,078	48,385	(307)
Other .....	260,972	269,658	(8,685)
Subtotal .....	323,759	336,726	(12,966)
Total .....	¥1,027,137	¥955,915	¥71,222



2017	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock .....	¥ 136,871	¥ 62,448	¥ 74,422
Bonds:			
National .....	345,273	338,529	6,744
Local.....	105,573	103,559	2,013
Corporate.....	218,731	217,275	1,455
	669,578	659,364	10,214
Other .....	166,268	162,853	3,414
Subtotal .....	972,717	884,665	88,051
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock .....	12,005	16,065	(4,059)
Bonds:			
National .....	60,769	62,199	(1,430)
Local.....	52,143	52,596	(453)
Corporate.....	57,250	57,722	(471)
	170,163	172,518	(2,354)
Other .....	286,811	297,987	(11,175)
Subtotal .....	468,980	486,571	(17,590)
Total .....	¥1,441,698	¥1,371,237	¥ 70,461

2018	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock .....	\$1,272,853	\$ 548,155	\$ 724,689
Bonds:			
National .....	2,302,070	2,271,178	30,892
Local.....	512,151	501,600	10,542
Corporate.....	1,484,977	1,477,484	7,492
	4,299,209	4,250,272	48,936
Other .....	1,048,578	1,029,772	18,806
Subtotal .....	6,620,651	5,828,209	792,441
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock .....	138,441	175,847	(37,396)
Bonds:			
Local.....	93,251	93,891	(640)
Corporate.....	359,290	361,539	(2,249)
	452,541	455,431	(2,889)
Other .....	2,456,438	2,538,196	(81,748)
Subtotal .....	3,047,430	3,169,484	(122,044)
Total .....	\$9,668,081	\$8,997,693	\$ 670,387

(b) Gains and losses on sale of securities available for sale for the fiscal years ended March 31, 2018 and 2017 are as follows:

2018	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock .....	¥ 5,776	¥4,129	¥ —
Bonds:			
National .....	555,619	2,440	2,425
Local.....	322,933	1,143	173
Corporate.....	126,013	367	88
	1,004,567	3,951	2,687
Other .....	183,579	879	5,504
Total .....	¥1,193,922	¥8,959	¥8,191

2017	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock .....	¥ 6,666	¥ 2,644	¥ 63
Bonds:			
National .....	668,595	12,402	11,212
Local.....	77,592	1,558	—
Corporate.....	23,035	673	—
	769,223	14,633	11,212
Other .....	83,856	2,109	2,821
Total .....	¥859,746	¥19,387	¥14,097

2018	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock .....	\$ 54,367	\$38,864	\$ —
Bonds:			
National .....	5,229,847	22,966	22,825
Local.....	3,039,655	10,758	1,628
Corporate.....	1,186,116	3,454	828
	9,455,638	37,189	25,291
Other .....	1,727,964	8,273	51,807
Total .....	\$11,237,970	\$84,327	\$77,099

#### (5) Impairment losses on securities

Securities with fair values that have fallen significantly below their acquisition cost and whose fair values are not expected to recover are recorded at fair value on the consolidated balance sheet with the valuation differences expensed on the consolidated statements of income (“impairment loss”).

No impairment losses were recorded in the fiscal years ended March 31, 2018 and 2017.

The Bank has standards for determining whether fair value has decreased significantly, based on “Practical Guidelines on Accounting Standards for Financial Instruments” (JICPA Accounting Practice Committee Report No. 14). The following are the details of this policy.

If, as of the end of the fiscal year, fair value has decreased by 50 percent or greater than acquisition cost, the entire holding is deemed to have decreased materially. If the decrease is between 30 percent and 50 percent, the determination shall be made in light of the issuing entity's credit risk and other factors (classification of creditor according to self-assessment; and external credit rating).

#### 7. Matters relating to money held in trust

##### Money held in trust classified as held for trading purposes

The amount on the consolidated balance sheet as of March 31, 2018 and 2017 were ¥4,795 million (\$45,133 thousand) and ¥4,795 million, respectively.

#### 8. Net unrealized gains on securities available for sale

The following is a breakdown of net unrealized gains on securities available for sale recorded in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Valuation difference .....	¥ 71,222	¥ 70,461	\$ 670,387
Other securities.....	71,222	70,461	670,387
Money held in trust .....	—	—	—
Deferred tax liabilities.....	(21,499)	(21,264)	(202,362)
Net unrealized gains on securities available for sale (before equity equivalent).....	49,722	49,196	468,015
Net unrealized gains attributable to non-controlling interests .....	—	(183)	—
Parent's ownership interest of affiliates' unrealized gains on securities available for sale .....	—	—	—
Net unrealized gains on securities available for sale .....	¥ 49,722	¥ 49,012	\$ 468,015

#### 9. Loans and bills discounted

Loans and bills discounted as of March 31, 2018 and 2017 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loans under bankruptcy.....	¥ 1,134	¥ 986	\$ 10,673
Non-accrual loans .....	23,864	26,123	224,623
Loans past due over 3 months .....	567	283	5,336
Restructured loans .....	23,854	23,894	224,529
Total .....	¥49,420	¥51,288	\$465,173

Bills discounted are treated as financial transactions in accordance with “Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks (JICPA Industry Audit Committee Report No. 24, February 13, 2002).” Commercial bills and foreign bills bought are permitted to be sold or pledged and their total face value was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bills discounted .....	¥23,246	¥20,791	\$218,806

#### 10. Guarantee obligations

Guarantee obligations for bonds in private placement (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) included in corporate bonds under “Securities” in the consolidated balance sheets were ¥15,558 million (\$146,442 thousand) and ¥13,775 million as of March 31, 2018 and 2017, respectively.

#### 11. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Assets pledged as collateral:			
Securities.....	¥317,995	¥357,281	\$2,993,175
Liabilities corresponding to assets pledged as collateral:			
Deposits.....	15,545	21,319	146,319
Payables under securities lending transactions .....	52,003	118,779	489,486
Borrowed money .....	219,613	179,024	2,067,140

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Securities.....	¥ 6,457	¥30,802	\$ 60,777
Other assets .....	29,000	7,000	272,966

As of March 31, 2018 and 2017, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥5,660 million (\$53,275 thousand) and ¥3,091 million, and guarantees and household deposits of ¥1,186 million (\$11,163 thousand) and ¥1,195 million, respectively.

#### 12. Commitment line agreements on overdrafts and loans

Commitment line agreements on overdrafts and loans are agreements to lend funds to customers upon application up to a prescribed amount as long as there is no violation of any condition established in the contract. The balance of unused loans under these agreements as of March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unused commitments .....	¥1,037,364	¥993,008	\$9,764,344
Contracts with less than a year of contract period or contacts that are cancellable unconditionally any time ...	977,212	934,278	9,198,155

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily have effect on the future cash flow of the Group. Many of these commitments have clauses that allow the Group to refuse an application from customers or reduce the limit amount with proper reasons (e.g. changes in financial situation, to secure claims, etc.). In addition, the Group may request the customers to pledge collateral such as real estate and securities at the time of the contracts if necessary and take necessary measures periodically based on a prescribed internal procedure after conclusion of contracts such as monitoring customers' business status, revising contracts and securing claims.

#### 13. Income taxes

##### (1) Deferred tax assets

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Excess reserve for possible loan losses.....	¥ 6,918	¥ 7,410	\$ 65,116
Valuation loss on securities available for sale .....	3,941	5,347	37,095
Excess depreciation .....	940	1,033	8,847
Reserve for bonuses.....	480	481	4,518
Net defined benefit liability.....	212	1,570	1,995
Net deferred losses on hedging instruments, net of taxes.....	131	678	1,233
Other .....	2,433	2,438	22,900
Subtotal .....	15,058	18,961	141,735
Valuation reserve .....	(6,160)	(6,042)	(57,981)
Deferred tax assets .....	8,898	12,919	83,753
Deferred tax liabilities:			
Net unrealized gains on securities, net of taxes .....	(25,441)	(26,612)	(239,467)
Reserve for advanced depreciation of non-current assets.....	(141)	(141)	(1,327)
Net deferred gains on hedging instruments, net of taxes .....	(113)	(140)	(1,063)
Net deferred tax assets (liabilities)	¥(16,798)	¥(13,975)	\$(158,113)

(2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting for the fiscal years ended March 31, 2018 and 2017.

	2018	2017
Statutory income tax rate .....	30.6%	30.6%
Reconciliation:		
Non-deductible expenses, including entertainment expenses .....	0.5	0.5
Non-taxable income, including dividend income .....	(1.7)	(1.1)
Per-capita resident tax.....	0.4	0.3
Increase of valuation reserve .....	0.8	13.1
Other .....	(0.7)	(0.1)
Effective income tax rate under tax-effect accounting .....	29.9%	43.3%

14. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2018 and 2017 amounted to ¥36,616 million (\$344,653 thousand) and ¥37,019 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,401 million (\$22,599 thousand) and ¥2,436 million as of March 31, 2018 and 2017, respectively.

15. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank's land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liability for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as revaluation reserve for land in stockholders' equity.

As of March 31, 2018 and 2017, the difference between the carrying amount and the fair value of the revalued land was ¥15,334 million (\$144,333 thousand) and ¥15,579 million, respectively.

16. Asset retirement obligations

Notes on asset retirement obligations have been omitted due to immateriality.

17. Investment and rental property

Notes on investment and rental property have been omitted due to immateriality.

18. Other income

Other income consists of the following

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease revenue .....	¥6,524	¥6,460	\$61,408
Gain on sale of equity securities ...	4,129	2,644	38,864
Gain on bad debts recovered .....	775	1,175	7,294

19. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥15,742 million (\$148,173 thousand) and ¥15,749 million for the years ended March 31, 2018 and 2017, respectively.

20. Other expenses

(1) Other expenses consist of the following.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cost of lease .....	¥5,380	¥5,342	\$50,640
Loan write-offs .....	2,450	2,819	23,060
Provision for reserve for possible loan losses.....	476	—	4,480

(2) Impairment losses

During the years ended March 31, 2018 and 2017, the Bank recorded impairment losses on fixed assets as described below:

			Millions of yen	
			Impairment losses	
			2018	2017
Kagawa Pref...	Idle assets (2018: 17 items 2017: 13 items)	Land, buildings and movables	¥ 53 land: 38 buildings: 12 movables: 1	¥178 land: 166 buildings: 10 movables: 0
Other .....	Idle assets and/or assets for business use (2018: 7 items 2017: 4 items)	Land, buildings and/or movables, etc.	¥ 97 land: 86 buildings: 10 movables: 0	¥ 70 land: 53 buildings: 13 movables: 3
Total .....			¥151 land: 125 buildings: 23 movables: 1	¥248 land: 220 buildings: 24 movables: 3

			Thousands of U.S. dollars
			Impairment losses
			2018
Kagawa Pref...	Idle assets (2018: 17 items)	Land, buildings and movables	\$ 498 land: 357 buildings: 112 movables: 9
Other .....	Idle assets and/or assets for business use (2018: 7 items)	Land, buildings and/or movables, etc.	\$ 913 land: 809 buildings: 94 movables: 0
Total .....			\$1,421 land: 1,176 buildings: 216 movables: 9

The Bank posted impairment losses of ¥151 million (\$1,421 thousand) and ¥248 million, respectively, during the fiscal years ended March 31, 2018 and 2017 on land, buildings and/or movables, etc. due to continuous declines in land prices. The Bank reduced the carrying amounts of the corresponding assets to the recoverable amounts, and recorded the difference between the carrying amount and recoverable amount of each asset as impairment losses under other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment loss; however, jointly managed branches are treated as a single cash generating unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future. At the Bank's consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

For the fiscal year ended March 31, 2018, the recoverable amounts are measured using net selling prices, which are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal.

For the fiscal year ended March 31, 2017, the recoverable amounts are measured using the higher of either the net selling prices or value in use. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable

amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal, and value in use is calculated by discounting the future cash flow at a discount rate of 0.6% for the fiscal year ended March 31, 2017.

21. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income (loss):

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized gains (losses) on other securities, net of taxes:			
Amount recognized during the year .....	¥ 2,978	¥ 440	\$ 28,030
Amount of recycling .....	(2,222)	(7,913)	(20,914)
Prior to income tax effect.....	755	(7,472)	7,106
Income tax effect .....	(229)	2,271	(2,155)
Net unrealized gains (losses) on other securities, net of taxes .....	525	(5,201)	4,941
Net deferred gains on hedging instruments, net of taxes:			
Amount recognized during the year .....	(161)	7,594	(1,515)
Amount of recycling .....	1,873	1,852	17,629
Prior to income tax effect.....	1,712	9,447	16,114
Income tax effect .....	(520)	(2,871)	(4,894)
Net deferred gains on hedging instruments.....	1,191	6,575	11,210
Revaluation reserve for land:			
Amount recognized during the year .....	—	—	—
Amount of recycling .....	—	—	—
Prior to income tax effect.....	—	—	—
Income tax effect .....	—	—	—
Revaluation reserve for land..	—	—	—
Remeasurements of defined benefit plans:			
Amount recognized during the year .....	3,303	3,885	31,089
Amount of recycling .....	784	872	7,379
Prior to income tax effect.....	4,087	4,757	38,469
Income tax effect .....	(1,242)	(1,446)	(11,690)
Remeasurements of defined benefit plans.....	2,844	3,311	26,769
Total other comprehensive income .....	¥ 4,562	¥ 4,685	\$ 42,940

22. Finance leases

Information on finance leases for the fiscal years ended March 31, 2018 and 2017 are as follows:

1. As lessee

Finance lease transactions that do not transfer ownership

(1) Components of lease assets

(a) Tangible fixed assets

Primarily consisting of ATMs

(b) Intangible fixed assets

Not applicable.

(2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in “3.

Significant accounting policies (5) Depreciation”.

2. As lessor

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease receivables .....	¥17,703	¥16,860	\$166,632
Estimated residual value.....	2,218	1,908	20,877
Interest received.....	(2,059)	(1,957)	(19,380)
Lease investment assets.....	¥17,862	¥16,812	\$168,128

(2) Schedule for collection of lease receivables and receivables on lease investment assets by leasing contract maturity

	Millions of yen	
	Lease receivables	Receivables on lease investment assets
2018		
Up to 1 year .....	¥256	¥5,470
Over 1 year, up to 2 years .....	221	4,384
Over 2 years, up to 3 years .....	182	3,410
Over 3 years, up to 4 years .....	165	2,353
Over 4 years, up to 5 years .....	105	1,265
Over 5 years.....	37	818

	Millions of yen	
	Lease receivables	Receivables on lease investment assets
2017		
Up to 1 year .....	¥75	¥5,266
Over 1 year, up to 2 years .....	62	4,257
Over 2 years, up to 3 years .....	49	3,172
Over 3 years, up to 4 years .....	12	2,208
Over 4 years, up to 5 years .....	4	1,174
Over 5 years.....	—	780

	Thousands of U.S. dollars	
	Lease receivables	Receivables on lease investment assets
2018		
Up to 1 year .....	\$2,409	\$51,487
Over 1 year, up to 2 years .....	2,080	41,265
Over 2 years, up to 3 years .....	1,713	32,097
Over 3 years, up to 4 years .....	1,553	22,147
Over 4 years, up to 5 years .....	988	11,907
Over 5 years.....	348	7,699

(3) Regarding finance lease transactions that do not transfer ownership of the leased assets to the lessee and whose date of commencement of leasing was prior to the start of application of the new accounting standards, the book value (after deduction of accumulated depreciation expenses) of the tangible fixed assets and intangible fixed assets at the end of the last business term prior to the start of application of the new accounting standards is taken as the beginning balance of the lease assets.

Regarding the lease investment assets in question, amounts equivalent to interest receivable under the new accounting standards will be allocated by the straight-line method to the remaining interest period.

On the assumption of application of the new accounting standards for leasing transactions at the beginning of the leasing transactions in question, profit before income taxes would have decreased by ¥1 million in the previous fiscal year compared with the amount posted in the Consolidated Statements of Income. However, there is no effect of this application in the fiscal year ended March 31, 2018.



23. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Group provides banking services, including leasing and other financial services. The Group limits risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. It categorizes capital (risk capital) according to the size of the risk, engaging in “integrated risk management,” incorporating a capital allocation system that monitors risk versus return. The Group continues to improve efficiency in risk management, ensuring greater stability and soundness for the business as a whole.

(2) Nature and extent of risks arising from financial instruments

The major types of financial assets held by the Group are loans and bills discounted and securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group’s stockholders’ equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are used as a pure investment vehicle or as part of a Group investment policy. Certain bonds are held for resale. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and /or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

Hedge accounting is applied as necessary for those derivative transactions entered into for ALM purposes. For further information on hedging instruments, hedged items, hedging policy and hedge effectiveness related to the hedge accounting applied, see “3. Significant accounting policies (15) Hedge accounting.”

(3) Risk management for financial instruments

(a) Credit risk management

The Group has compiled Credit Risk Management Rules and related documents, and the Risk Management Committee (Credit Risk Management Subcommittee) monitors and manages credit risk exposures.

In addition, the Risk Management Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits.

(b) Market risk management

The Group has established Market Risk Management Rules along with relevant documentation, and the Risk Management Committee (Market Risk Management Subcommittee) monitors market risk and maintains management systems. The Revenue Management Committee (Budget ALM Subcommittee) deliberates on the stability of medium and long-term profit in light of risk circumstances.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

(i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and /or profits and losses for securities, derivatives, and other market transactions.

The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of ALM.

(ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

(iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

(iv) Quantitative information regarding market risks

a. Financial instruments held for trading purposes

In measuring the VaR of interest rate risks associated with trading securities, interest rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Group applies the historical simulation method with a holding period of 10 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2018 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥6 million (\$56 thousand) (compared with ¥12 million at the end of the previous fiscal year).

b. Financial instruments not held for trading purposes

In measuring the VaR of interest rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares and investment trusts, etc. the Group applies the historical simulation method with a holding period of 120 days, a confidence interval of 99% and an observation period of 1,200 business days.

In addition, in measuring the VaR of risks involving interest rates of money held in trust, price volatility or exchange rates, the Group applies the historical simulation method with a holding period of 20 days, a confidence interval of 99% and an observation period of 1,200 business days. The VaR of financial instruments not held for trading purposes amounted to ¥43,336 million (\$407,906 thousand) and ¥52,487 million as of March 31, 2018 and 2017, respectively.

c. VaR

The Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.

However, VaR determined using the historical simulation method is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances. To supplement the limitations of VaR, the Group conducts stress testing periodically in addition to the management using VaR.

(c) Liquidity risk management

The Group has established Liquidity Risk Management Rules and other related guidelines as a basis for managing liquidity risk. The Group has also established Liquidity Crisis Response Rules to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classify them into the categories of “caution” and “crisis”, thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group’s investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on said risk.

(4) Supplementary information regarding fair value of financial instruments

The fair value of financial instruments includes their respective market prices, and rationally calculated values if the fair value of the financial instrument is not available. Certain assumptions are used to calculate said values, and said values may vary when differing assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2018 and 2017 are as follows. Private equity shares or other shares whose fair values are not readily determinable are not included in the following table.

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
2018			
(1) Cash and due from banks .....	¥ 706,534	¥ 706,534	¥ —
(2) Call loans and bills bought .....	—	—	—
(3) Monetary claims bought .....	32,844	32,844	—
(4) Trading account securities .....	55	55	—
(5) Money held in trust .....	4,795	4,795	—
(6) Securities			
Other securities .....	1,027,137	1,027,137	—
(7) Loans and bills discounted .....	2,833,526		
Reserve for possible loan losses*1 .....	(14,380)		
	2,819,145	2,842,239	23,094
Total assets .....	4,590,513	4,613,607	23,094
(1) Deposits .....	3,957,552	3,957,868	316
(2) Negotiable certificates of deposit .....	96,268	96,271	2
(3) Call money and bills sold .....	11,669	11,669	—
(4) Payables under securities lending transactions .....	52,003	52,003	—
(5) Borrowed money .....	246,615	246,732	116
Total liabilities .....	4,364,109	4,364,545	435
Derivative Transactions*2			
Not subject to hedge accounting	539	539	—
Subject to hedge accounting .....	3,308	3,308	—
Total Derivative Transactions .....	¥ 3,847	¥ 3,847	¥ —

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
2017			
(1) Cash and due from banks .....	¥ 551,313	¥ 551,313	¥ —
(2) Call loans and bills bought .....	6,731	6,731	—
(3) Monetary claims bought .....	22,748	22,748	—
(4) Trading account securities .....	41	41	—
(5) Money held in trust .....	4,795	4,795	—
(6) Securities			
Other securities .....	1,441,698	1,441,698	—
(7) Loans and bills discounted .....	2,776,554		
Reserve for possible loan losses*1 .....	(14,650)		
	2,761,904	2,784,287	22,382
Total assets .....	4,789,233	4,811,616	22,382
(1) Deposits .....	4,013,132	4,013,491	359
(2) Negotiable certificates of deposit .....	147,229	147,233	3
(3) Call money and bills sold .....	51,682	51,682	—
(4) Payables under securities lending transactions .....	118,779	118,779	—
(5) Borrowed money .....	206,111	206,229	118
Total liabilities .....	4,536,935	4,537,416	480
Derivative Transactions*2			
Not subject to hedge accounting	1,039	1,039	—
Subject to hedge accounting .....	(2,446)	(2,446)	—
Total Derivative Transactions .....	¥ (1,406)	¥ (1,406)	¥ —

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
2018			
(1) Cash and due from banks .....	\$ 6,650,357	\$ 6,650,357	\$ —
(2) Call loans and bills bought .....	—	—	—
(3) Monetary claims bought .....	309,149	309,149	—
(4) Trading account securities .....	517	517	—
(5) Money held in trust .....	45,133	45,133	—
(6) Securities			
Other securities .....	9,668,081	9,668,081	—
(7) Loans and bills discounted .....	26,670,990		
Reserve for possible loan losses*1 .....	(135,353)		
	26,535,626	26,753,002	217,375
Total assets .....	43,208,894	43,426,270	217,375
(1) Deposits .....	37,251,054	37,254,028	2,974
(2) Negotiable certificates of deposit .....	906,137	906,165	18
(3) Call money and bills sold .....	109,836	109,836	—
(4) Payables under securities lending transactions .....	489,486	489,486	—
(5) Borrowed money .....	2,321,300	2,322,402	1,091
Total liabilities .....	41,077,833	41,081,937	4,094
Derivative Transactions*2			
Not subject to hedge accounting	5,073	5,073	—
Subject to hedge accounting .....	31,137	31,137	—
Total Derivative Transactions .....	\$ 36,210	\$ 36,210	\$ —

\*1 General reserve for possible loans losses and specific reserve for possible loan losses for loans and bills discounted are deducted from above.

\*2 Derivative transactions in the above table are recorded on a net basis with liabilities presented in parentheses.

\*3 Items with no material impact have not been listed.

Calculation method for fair value of financial instruments  
Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity date is valued at book value, since the book value approximates the fair value. Due from banks with a maturity date is valued at present value in each category by deposit term, discounting by an assumed applicable interest rate when new deposit are accepted.

Items with a short contract period are valued at book value, since book value approximates their fair value.

(2) Call loans and bills bought

Items with a short contract period are valued at book value, since the book value approximates their fair value.

(3) Monetary claims bought

Items with a short contract period are valued at book value, since the book value approximates their fair value.

(4) Trading account securities

Corporate bonds and other available-for-sale securities are valued at market prices and using an internal model.

(5) Money held in trust

With respect to securities that are managed as trust assets in individually managed money held in trust accounts whose main purpose is securities investment, stocks are valued at the stock market price, while debt-securities are valued at the stock market price or the price stated by the correspondent financial institution.

Notes concerning money held in trust by purpose held are presented in “7. Matters relating to money held in trust.”

(6) Securities

Stocks and corporate bonds are valued at market prices. Investment trusts are valued at their published base price. Private placement bonds guaranteed by the Group are categorized according to internal credit rating and maturity, and valued at fair value, discounting by a projected interest rate applicable when a bond in the same total amount of principal and interest is issued.

See “6. Securities and trading account securities” for further information about the securities by intent of holding.

(7) Loans and bills discounted

Loans and bills discounted are valued at present value in each category by internal rating and maturity, discounting the total amount of principal and interest by an assumed applicable interest rate when similar loans are made.

Loans to borrowers who are bankrupt, substantially bankrupt, or likely to go bankrupt are valued net of the estimated uncollectible amount based on the current value of estimated future cash flows, or the estimated collectible portion based on the collateral or guarantee underlying the loan. As such, the balance of the loan on the consolidated balance sheet as of the last day of the fiscal period less the current estimated uncollectible amount approximates the fair value.

For loans and bills discounted with no repayment deadline, due to their nature, such as the limited range of pledged assets for said loans, their fair values are valued at book value, because they are assumed to approximate the fair values due to expected repayment deadlines and interest rate conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The Group considers the fair value of demand deposits to be the payment (book value) of the instrument as if demanded on the last day of the fiscal year. The fair value of time deposits is valued at present value in each category by specific deposit term, discounting future cash flow by the interest rate used when accepting new deposits. Since book value approximates fair value for items with a short deposit term, the book value shall be the fair value for these instruments.

(3) Call money and bills sold

Due to the short contract period of these instruments, the Group considers their book value to approximate the fair value.

(4) Payables under securities lending transactions

Due to the short contract period, the Group considers their book value to approximate the fair value.

(5) Borrowed money

Borrowed money subject to variable interest rates reflects market interest rates over a short-term. As the credit status of the Group has not significantly changed since these transactions were executed, the Group believes that the book value approximates the fair value of these instruments. The fair value for borrowed money subject to fixed interest rates is valued at present value, discounting the total amount of principal and interest categorized by specific term by an assumed applicable interest rate when similar borrowings are entered into.

Derivative Transactions

See “25. Derivative transactions” for further information about derivatives.

The following are financial instruments whose fair values are not readily determinable as of March 31, 2018 and 2017. These are not included in the “Assets (6) Securities” section under fair value information for financial instruments.

Category	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
	2018	2017	2018
1. Private equity shares*1*2 .....	¥2,723	¥2,721	\$25,630
2. Investment in partnership*3.....	1,108	373	10,429
Total .....	¥3,832	¥3,094	\$36,069

\*1 As private equity shares have no market price, and their fair values are not readily determinable, their fair values are not stated.  
\*2 The Group recorded a ¥nil and ¥38 million impairment loss for unlisted equity stock for the fiscal years ended March 31, 2018 and 2017, respectively.  
\*3 For investments in partnership for which the fair value is not readily determinable, the fair value has not been disclosed because the underlying partnership assets are comprised of unlisted equity stock.

The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2018 and 2017 are as follows:

2018	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits.....	¥ 667,226	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought .....	—	—	—	—	—	—
Monetary claims bought.....	32,844	—	—	—	—	—
Securities:						
Other securities with maturities .....	146,246	281,789	158,213	65,767	138,131	26,455
National government bonds .....	42,600	133,300	55,000	—	10,000	—
Local government bonds .....	11,963	19,282	1,000	13,000	13,500	4,500
Corporate bonds.....	73,144	59,178	6,388	3,976	50,104	2,196
Other .....	18,538	70,029	95,825	48,791	64,527	19,758
Loans and bills discounted*.....	1,103,336	507,637	310,329	191,911	214,693	447,670
Total .....	¥1,949,654	¥789,427	¥468,543	¥257,679	¥352,825	¥474,125

2017	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits.....	¥ 512,499	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought .....	6,731	—	—	—	—	—
Monetary claims bought.....	22,748	—	—	—	—	—
Securities:						
Other securities with maturities .....	155,525	377,577	150,859	73,665	399,065	67,131
National government bonds .....	64,400	162,600	45,300	43,000	32,000	52,000
Local government bonds .....	19,072	27,939	3,806	4,000	96,330	5,000
Corporate bonds.....	46,402	111,334	22,096	3,378	90,485	—
Other .....	25,650	75,703	79,656	23,287	180,250	10,131
Loans and bills discounted*.....	1,084,433	528,379	320,818	169,486	196,109	411,892
Total .....	¥1,781,938	¥905,956	¥471,677	¥243,152	¥595,175	¥479,023

2018	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits.....	\$ 6,280,365	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought .....	—	—	—	—	—	—
Monetary claims bought.....	309,149	—	—	—	—	—
Securities:						
Other securities with maturities .....	1,376,562	2,652,381	1,489,203	619,041	1,300,178	249,011
National government bonds .....	400,978	1,254,706	517,695	—	94,126	—
Local government bonds .....	112,603	181,494	9,412	122,364	127,070	42,356
Corporate bonds.....	688,478	557,021	60,128	37,424	471,611	20,670
Other .....	174,491	659,158	901,967	459,252	607,370	185,975
Loans and bills discounted*.....	10,385,316	4,778,209	2,921,018	1,806,391	2,020,830	4,213,761
Total .....	\$18,351,411	\$7,430,600	\$4,410,231	\$2,425,442	\$3,321,018	\$4,462,772

\*Loans and bills discounted do not include ¥25,021 million (\$235,513 thousand) and ¥27,147 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥32,924 million (\$309,902 thousand) and ¥38,287 million in loans with no established maturity as of March 31, 2018 and 2017, respectively.

The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2018 and 2017 is as follows:

2018	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits* .....	¥3,750,627	¥198,980	¥ 7,432	¥303	¥208	¥ —
Negotiable certificates of deposit .....	96,086	—	142	40	—	—
Call money and bills sold.....	11,669	—	—	—	—	—
Payables under securities lending transactions.....	52,003	—	—	—	—	—
Borrowed money.....	13,723	150,939	80,401	594	693	262
Total .....	¥3,924,110	¥349,919	¥87,975	¥938	¥902	¥262

2017	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits* .....	¥3,763,518	¥241,434	¥ 7,571	¥ 257	¥ 349	¥ —
Negotiable certificates of deposit .....	146,526	521	90	92	—	—
Call money and bills sold.....	51,682	—	—	—	—	—
Payables under securities lending transactions.....	118,779	—	—	—	—	—
Borrowed money.....	48,068	10,623	145,388	783	847	400
Total .....	¥4,128,576	¥252,579	¥153,049	¥1,132	¥1,196	¥400

2018	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits* .....	\$35,303,341	\$1,872,929	\$ 69,954	\$2,852	\$1,957	\$ —
Negotiable certificates of deposit .....	904,423	—	1,336	376	—	—
Call money and bills sold.....	109,836	—	—	—	—	—
Payables under securities lending transactions.....	489,486	—	—	—	—	—
Borrowed money.....	129,169	1,420,736	756,786	5,591	6,522	2,466
Total .....	\$36,936,276	\$3,293,665	\$828,077	\$8,829	\$8,490	\$2,466

\*Among deposits, demand deposits are included in “Up to 1 year.”



24. Accrued retirement benefits

**(1) Overview of retirement benefit scheme adopted by the Bank**  
As defined-benefit type plans, the Bank has established a contract-type defined benefit corporate pension plan and a retirement lump-sum payment plan. In some cases, an extra severance package is provided to employees on their retirement and so on. In addition, the Bank has set up a retirement benefit trust.

The Bank's domestic consolidated subsidiaries have established a retirement lump-sum payment plan as defined-benefit type plans, and a defined contribution pension plan as defined-contribution type plan. Further, for the retirement lump-sum payment plan of domestic consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated by the simplified method.

(2) Defined benefit plan

(a) Reconciliation of retirement benefit obligations at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2018	2017	2018
Retirement benefit obligations at beginning of period .....	¥52,614	¥52,587	\$495,237
Service costs* .....	1,484	1,514	13,968
Interest costs .....	482	482	4,536
Actuarial differences .....	409	(138)	3,849
Retirement benefits paid .....	(2,352)	(1,831)	(22,138)
Prior service costs .....	—	—	—
Retirement benefit obligations at end of period .....	¥52,638	¥52,614	\$495,463

\*Retirement benefit costs of domestic consolidated subsidiaries that apply the simplified method are all recorded within “Service costs.”

(b) Reconciliation of pension assets at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2018	2017	2018
Pension assets at beginning of period .....	¥59,547	¥54,468	\$560,495
Expected return on pension assets.....	673	630	6,334
Actuarial differences .....	3,712	3,747	34,939
Contribution from employer...	2,081	2,096	19,587
Retirement benefits paid .....	(1,463)	(1,394)	(13,770)
Pension assets at end of period .....	¥64,551	¥59,547	\$607,596

(c) Reconciliation of retirement benefit obligations and pension assets at end of period and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2018	2017	2018
Retirement benefit obligations of funded plan .....	¥ 52,638	¥ 52,614	\$ 495,463
Pension assets .....	(64,551)	(59,547)	(607,596)
	(11,913)	(6,933)	(112,132)
Retirement benefit obligations of unfunded plan .....	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet .....	¥(11,913)	¥(6,933)	\$(112,132)

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2018	2017	2018
Net defined benefit liability.....	¥ 185	¥ 171	\$ 1,741
Net defined benefit asset .....	(12,099)	(7,105)	(113,883)
Net amount of liabilities and assets recorded in consolidated balance sheet .....	¥(11,913)	¥(6,933)	\$(112,132)

(d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2018	2017	2018
Service costs* .....	¥1,484	¥1,514	\$13,968
Interest costs .....	482	482	4,536
Expected return on pension assets	(673)	(630)	(6,334)
Amortization of actuarial differences .....	784	872	7,379
Amortization of past service costs ...	—	—	—
Retirement benefit costs for defined benefit plans .....	¥2,078	¥2,238	\$19,559

\*Retirement benefit costs of domestic consolidated subsidiaries that use the simplified method are recorded in a lump-sum in “Service costs.”

(e) Remeasurements of defined benefit plans in other comprehensive income

The breakdown of items (before adjusting for tax effects) recorded in remeasurements of defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2018	2017	2018
Actuarial differences .....	¥4,087	¥4,757	\$38,469
Total .....	¥4,087	¥4,757	\$38,469

(f) Remeasurements of retirement benefit plans in accumulated other comprehensive income

The following is a breakdown of items (before adjusting for tax effects) recorded in remeasurements of retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2018	2017	2018
Unrecognized actuarial differences	¥7,161	¥3,074	\$67,403
Total .....	¥7,161	¥3,074	\$67,403

(g) Items related to pension assets

(i) The following is the percentage of total pension assets by main category:

As of March 31,	2018	2017
Bonds .....	13%	13%
Stocks.....	54	54
Life insurers' general account .....	24	25
Other .....	9	8
Total .....	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (21.70% and 22.30 % as of March 31, 2018 and 2017, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (22.62% and 21.18% as of March 31, 2018 and 2017, respectively).

(ii) Method for determining expected long-term rate of return on pension assets

To determine expected long-term rate of return on pension assets, the Bank considers the current and projected pension asset allocations, as well as long-term rate of current returns and expected returns from each category consisting pension assets.

(h) Assumptions for making actuarial calculation

Major assumptions for actuarial calculations at the end of the fiscal year

	2018	2017
1) Discount rate .....	0.92%	0.92%
2) Expected long-term rate of return .....	2.00%	2.00%
3) Assumed salary increase rate .....	3.10%	3.10%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$65 thousand) and ¥7 million for the years ended March 31, 2018 and 2017, respectively.

25. Stock options

1. Stock option expenses and accounts for the fiscal years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Operating expense .....	¥9	¥39	\$84

2. Stock option details, size, and changes

(1) Stock option details

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Category and number of grant recipients .....	The bank's twelve directors	The bank's ten directors	The bank's ten directors	The bank's ten directors	The bank's ten directors	The bank's ten directors (excluding outside directors)
Type and number of stock options granted (Note) .....	Common stock: 128,500 shares	Common stock: 159,000 shares	Common stock: 187,300 shares	Common stock: 175,000 shares	Common stock: 172,500 shares	Common stock: 136,600 shares
Grant date .....	July 24, 2009	July 26, 2010	July 26, 2011	July 24, 2012	July 23, 2013	July 25, 2014
Vesting terms .....	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period.....	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified
Exercise period .....	July 25, 2009 to July 24, 2039	July 27, 2010 to July 26, 2040	July 27, 2011 to July 26, 2041	July 25, 2012 to July 24, 2042	July 24, 2013 to July 23, 2043	July 26, 2014 to July 25, 2044

	2015 stock options	2016 stock options
Category and number of grant recipients .....	The bank's nine directors (excluding outside directors)	The bank's eight directors (excluding outside directors)
Type and number of stock options granted (Note) .....	Common stock: 94,300 shares	Common stock: 137,700 shares
Grant date .....	July 24, 2015	July 26, 2016
Vesting terms.....	No vesting terms	No vesting terms
Service period.....	No service period specified	No service period specified
Exercise period .....	July 25, 2015 to July 24, 2045	July 27, 2016 to July 26, 2046

Note: Converted to equivalent number of shares.

(2) Stock option size and changes

(a) Number of stock options

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Prior to vesting (shares):						
Prior fiscal year end .....	16,700	37,000	43,800	55,700	69,300	66,300
Granted .....	—	—	—	—	—	—
Expired .....	—	—	—	—	—	—
Vested shares .....	—	13,100	15,500	14,600	14,400	11,400
Unvested shares .....	16,700	23,900	28,300	41,100	54,900	54,900
After vesting (shares):						
Prior fiscal year end .....	—	—	—	—	—	—
Vested shares .....	—	13,100	15,500	14,600	14,400	11,400
Exercised .....	—	13,100	15,500	14,600	14,400	11,400
Expired .....	—	—	—	—	—	—
Unexercised.....	—	—	—	—	—	—

	2015 stock options	2016 stock options
Prior to vesting (shares):		
Prior fiscal year end .....	58,600	137,700
Granted .....	—	—
Expired .....	—	—
Vested shares .....	8,600	14,800
Unvested shares .....	50,000	122,900
After vesting (shares):		
Prior fiscal year end .....	—	—
Vested shares .....	8,600	14,800
Exercised .....	8,600	14,800
Expired .....	—	—
Unexercised .....	—	—

(b) Unit price information (in year)

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Exercise price .....	Per share: ￥ 1	Per share: ￥ 1	Per share: ￥ 1	Per share: ￥ 1	Per share: ￥ 1	Per share: ￥ 1
Average price at exercise .....	Per share: ￥ —	Per share: ￥374	Per share: ￥374	Per share: ￥374	Per share: ￥374	Per share: ￥374
Fair value on grant date .....	Per share: ￥418	Per share: ￥315	Per share: ￥279	Per share: ￥256	Per share: ￥321	Per share: ￥335

	2015 stock options	2016 stock options
Exercise price .....	Per share: ￥ 1	Per share: ￥ 1
Average price at exercise .....	Per share: ￥374	Per share: ￥374
Fair value on grant date .....	Per share: ￥409	Per share: ￥285

3. Method for estimating number of vested stock options

In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

26. Derivative transactions

(1) Type of transactions

The Group undertakes the following derivative transactions: interest-rate swaps and others for interest-rate related transactions; currency swaps, forward exchange contracts and currency options for currency-related transactions; and bond futures for bond-related transactions.

(2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank's assets and liabilities.

Market prices of interest-rate related transactions as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2018	Total	Over 1 year		
<b>Over the Counter</b>				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable .....	¥20,465	¥15,969	¥ 528	¥ 528
Variable rate receivable/fixed rate payable .....	20,465	15,969	(350)	(350)
Others:				
Sell .....	728	713	(0)	37
Buy .....	728	713	0	(9)
Total .....			¥ 177	¥ 205

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2017	Total	Over 1 year		
<b>Over the Counter</b>				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable .....	¥20,634	¥15,506	¥ 487	¥ 487
Variable rate receivable/fixed rate payable .....	20,634	15,506	(324)	(324)
Others:				
Sell .....	386	349	(0)	39
Buy .....	386	349	0	(10)
Total .....			¥ 162	¥ 192

	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
2018	Total	Over 1 year		
<b>Over the Counter</b>				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable .....	\$192,629	\$150,310	\$ 4,969	\$ 4,969
Variable rate receivable/fixed rate payable .....	192,629	150,310	(3,294)	(3,294)
Others:				
Sell .....	6,852	6,711	(0)	348
Buy .....	6,852	6,711	0	(84)
Total .....			\$ 1,666	\$ 1,929

Market prices of currency-related transactions as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2018	Total	Over 1 year		
<b>Over the Counter</b>				
Currency swaps .....	¥309,233	¥242,540	¥ 48	¥ 48
Forward exchange contracts:				
Sell .....	57,905	4,133	566	566
Buy .....	38,022	4,015	(252)	(252)
Currency options:				
Sell .....	275,481	196,027	(11,447)	1,677
Buy .....	275,481	196,027	11,447	848
Total .....			¥ 362	¥2,887

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2017	Total	Over 1 year		
<b>Over the Counter</b>				
Currency swaps .....	¥389,677	¥264,888	¥ 82	¥ 82
Forward exchange contracts:				
Sell .....	107,852	1,080	637	637
Buy .....	122,563	1,032	155	155
Currency options:				
Sell .....	219,407	147,726	(7,512)	2,496
Buy .....	219,407	147,726	7,512	(600)
Total .....			¥ 876	¥2,772

(3) Derivative transactions subject to hedge accounting

The following are the contracted value, the equivalent principal and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the fiscal year, as well as the market price calculation method. The contracted value, other price or value below does not indicate by itself the market risk of the derivative transaction.

(a) Interest rate related transactions

As of March 31, 2018

			Millions of yen		
			Contracted value over 1 year		Fair value
Hedge accounting method	Type	Main hedged item	Contracted value		
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥80,000	¥69,000	¥309
Total					¥309

As of March 31, 2017

			Millions of yen		
			Contracted value over 1 year		Fair value
Hedge accounting method	Type	Main hedged item	Contracted value		
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥90,000	¥90,000	¥(1,142)
Total					¥(1,142)

As of March 31, 2018

			Thousands of U.S. dollars		
			Contracted value over 1 year		Fair value
Hedge accounting method	Type	Main hedged item	Contracted value		
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	\$753,012	\$649,472	\$2,908
Total					\$2,908

Notes: 1. In general, deferred hedge accounting is applied according to “Accounting and Auditing Treatment relating to the Adoption of ‘Accounting for Financial Instruments’ for Banks” (JICPA Audit Committee Report No. 24).  
2. Calculation of fair value  
Fair value is calculated based on the discounted cash flow method and option pricing model, etc.



(b) Currency related transactions

As of March 31, 2018

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥111,909	¥44,977	¥2,757
	Monetary swaps		36,593	—	241
Total					¥2,998

As of March 31, 2017

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥112,263	¥47,193	¥(1,687)
	Monetary swaps		36,537	—	383
		Total			¥(1,303)

As of March 31, 2018

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	\$1,053,360	\$423,352	\$25,950
	Monetary swaps		344,437	—	2,268
		Total			\$28,219

Notes: 1. In general, deferred hedge accounting is applied according to “Accounting and Auditing for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).  
2. Calculation of fair value  
Fair value is calculated based on discounted cash flow method, etc.

## 27. Business Combinations

(Transactions under common control, etc.)

Additional acquisition of shares in subsidiaries

### 1. Outline of transaction

- (1) Names of the companies whose shares were acquired and business descriptions

Name	Business description
The Hyakujushi Lease Co., Ltd.	Leasing services
The Hyakujushi Sogo Hosho Co., Ltd.	Credit guarantee services

- (2) Date of business combinations

April 3, 2017

- (3) Legal form of business combinations

Acquisition of shares from non-controlling interests

- (4) Names of companies after business combinations

No change has been made.

- (5) Other matters concerning the outline of transaction

The Bank has acquired part of the shares held by non-controlling interests to strengthen corporate governance and group management.

### 2. Outline of accounting treatment

In accordance with the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013), the transaction was accounted for as a transaction with non-controlling interests among the transactions under common control.

### 3. Matters concerning additional acquisition of shares in subsidiaries

Acquisition cost of shares and breakdown by type of consideration

Consideration for acquisition	Millions of yen	Thousands of U.S. dollars
Cash and due from banks	¥1,729	\$16,274
Acquisition cost .....	¥1,729	\$16,274

### 4. Matters concerning changes in the Bank’s ownership interests in relation to transactions with non-controlling interests

- (1) Main factor for changes in capital surplus

Additional acquisition of shares in subsidiaries

- (2) Increase in capital surplus due to transaction with non-controlling interests

	Millions of yen	Thousands of U.S. dollars
	¥4,153	\$39,090

## 28. Segment information

### (1) Overview of reportable segments

Reportable segments are the Group’s constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities.The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable securities and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by Hyakujushi Lease Co., Ltd.

### (2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment

The method of accounting treatment applied to reportable segments is the same as that described in “Notes to Consolidated Financial Statements.”

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

### (3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment

Information about industry segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 is as follows:

2018	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers .....	¥ 72,023	¥ 6,683	¥ 78,706	¥ 2,107	¥ 80,813	¥ —	¥ 80,813
Inter-segment transactions.....	394	380	774	3,978	4,752	(4,752)	—
Total .....	¥ 72,417	¥ 7,064	¥ 79,481	¥ 6,085	¥ 85,566	¥ (4,752)	¥ 80,813
Segment profit .....	¥ 13,018	¥ 247	¥ 13,265	¥ 2,051	¥ 15,317	¥ (37)	¥ 15,279
Segment assets .....	¥4,756,322	¥27,814	¥4,784,137	¥31,569	¥4,815,706	¥(38,645)	¥4,777,061
Segment liabilities .....	¥4,475,457	¥23,396	¥4,498,853	¥10,010	¥4,508,864	¥(35,409)	¥4,473,454
Other items: .....							
Depreciation .....	¥ 2,367	¥ 95	¥ 2,462	¥ 306	¥ 2,769	¥ 87	¥ 2,857
Interest income .....	48,049	150	48,199	436	48,635	(561)	48,073
Interest expenses .....	6,206	76	6,283	61	6,345	(489)	5,855
Gain from disposal of tangible assets .....	12	65	77	—	77	(0)	77
Loss from disposal of tangible assets .....	76	0	76	14	91	—	91
Impairment losses .....	151	—	151	—	151	—	151
Tax expenses .....	3,835	99	3,935	575	4,510	17	4,528
Increases in property, plant and equipment and intangible assets .....	2,963	10	2,974	200	3,174	128	3,303

2017	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers .....	¥ 81,807	¥ 6,571	¥ 88,379	¥ 2,129	¥ 90,508	¥ —	¥ 90,508
Inter-segment transactions.....	347	394	742	3,783	4,525	(4,525)	—
Total .....	¥ 82,155	¥ 6,965	¥ 89,121	¥ 5,913	¥ 95,034	¥ (4,525)	¥ 90,508
Segment profit .....	¥ 17,013	¥ 333	¥ 17,347	¥ 2,124	¥ 19,471	¥ (99)	¥ 19,372
Segment assets .....	¥4,907,967	¥25,417	¥4,933,385	¥31,461	¥4,964,847	¥(38,308)	¥4,926,538
Segment liabilities .....	¥4,637,953	¥20,803	¥4,658,756	¥10,108	¥4,668,865	¥(35,455)	¥4,633,409
Other items: .....							
Depreciation .....	¥ 2,165	¥ 91	¥ 2,256	¥ 338	¥ 2,595	¥ 83	¥ 2,678
Interest income .....	48,279	144	48,423	448	48,872	(548)	48,324
Interest expenses .....	5,686	84	5,770	69	5,840	(495)	5,345
Gain from disposal of tangible assets .....	0	44	44	—	44	—	44
Loss from disposal of tangible assets .....	247	0	247	23	270	—	270
Impairment losses .....	248	—	248	—	248	—	248
Tax expenses .....	7,457	87	7,544	662	8,206	(9)	8,196
Increases in property, plant and equipment and intangible assets .....	2,671	1	2,673	231	2,904	104	3,009

2018	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers .....	\$ 677,927	\$ 62,904	\$ 740,832	\$ 19,832	\$ 760,664	\$ —	\$ 760,664
Inter-segment transactions.....	3,708	3,576	7,285	37,443	44,728	(44,728)	—
Total .....	\$ 681,635	\$ 66,490	\$ 748,126	\$ 57,275	\$ 805,402	\$ (44,728)	\$ 760,664
Segment profit .....	\$ 122,533	\$ 2,324	\$ 124,858	\$ 19,305	\$ 144,173	\$ (348)	\$ 143,815
Segment assets .....	\$44,769,597	\$261,803	\$45,031,410	\$297,147	\$45,328,557	\$(363,751)	\$44,964,806
Segment liabilities .....	\$42,125,913	\$220,218	\$42,346,131	\$ 94,220	\$42,440,361	\$(333,292)	\$42,107,059
Other items: .....							
Depreciation .....	\$ 22,279	\$ 894	\$ 23,173	\$ 2,880	\$ 26,063	\$ 818	\$ 26,891
Interest income .....	452,268	1,411	453,680	4,103	457,784	(5,280)	452,494
Interest expenses .....	58,414	715	59,139	574	59,723	(4,602)	55,111
Gain from disposal of tangible assets .....	112	611	724	—	724	(0)	724
Loss from disposal of tangible assets .....	715	0	715	131	856	—	856
Impairment losses .....	1,421	—	1,421	—	1,421	—	1,421
Tax expenses .....	36,097	931	37,038	5,412	42,451	160	42,620
Increases in property, plant and equipment and intangible assets .....	27,889	94	27,993	1,882	29,875	1,204	31,089

Notes: 1. In place of sales which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.  
2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.  
3. The adjusted amounts of segment profit, segment assets, segment liabilities, depreciation, interest income, interest expenses, gain from disposal of tangible assets, tax expenses and increases in property, plant and equipment and intangible assets are recorded as eliminations.  
4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

1. Information on each service

2018	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	¥32,193	¥26,661	¥6,683	¥15,274	¥80,813

2017	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	¥32,541	¥36,952	¥6,571	¥14,443	¥90,508

2018	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	\$303,021	\$250,950	\$62,904	\$143,768	\$760,664

2. Information on each area

(1) Ordinary income

Information is omitted since the amount attributed to income from external customers in Japan accounts for more than 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Information is omitted since the amount attributed to tangible fixed assets located in Japan accounts for more than 90% of the tangible fixed assets in the consolidated balance sheets.

3. Information on each major customer

Information is omitted since there are no specific customers from whom ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

(Information on impairment losses on fixed assets by reportable segment)

Information regarding impairment losses on fixed assets by reportable segment for the years ended March 31, 2018 and 2017 was as follows:

2018	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	¥151	¥—	¥151	¥—	¥151

2017	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	¥248	¥—	¥248	¥—	¥248

2018	Thousands of U.S. dollars				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	\$1,421	\$—	\$1,421	\$—	\$1,421

29.Related-party transactions

Not applicable to the years ended March 31, 2018 and 2017.

30. Per share data

Amounts per share as of March 31, 2018 and 2017 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share .....	¥994.85	¥937.15	\$9.364
Basic earnings per share .....	34.64	32.61	0.326
Diluted earnings per share .....	34.59	32.55	0.325

Notes: 1. The net assets per share figures are calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2018	2017	2018
Net assets .....	¥303,606	¥293,129	\$2,857,737
Amount excluded from net assets . (of which share subscription rights) .....	10,124	16,230	95,293
(of which, non-controlling interests).....	124	142	1,167
	10,000	16,087	94,126
Net assets attributable to common stock at the fiscal year-end .....	293,481	276,899	2,762,434
Number of common stock shares at fiscal-year end for calculation of net assets per share (in thousands) .....	294,999	295,467	

2. Basic earnings per share figures are calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2018	2017	2018
Basic earnings per share			
Profit attributable to owners of parent.....	¥ 10,227	¥ 9,645	\$96,263
Amount not attributable to common equity holders of parent.....	—	—	—
Profit attributable to common equity holders of parent .....	10,227	9,645	96,263
Average number of shares of common stock during the year (in thousands) .....	295,233	295,791	
Diluted earnings per share			
Increase in number of common stock shares (in thousands) .. (of which, share subscription rights) .....	415	488	
415	488		

3. The Bank's own stock remaining in the ESOP Trust and BIP Trust and recorded as treasury stock in stockholders' equity is included in treasury stock to be deducted in the calculation of net assets per share, basic earnings per share, and diluted earnings per share.

The number of shares of said treasury stock to be deducted at year- end in the calculation of net assets per share was 611 thousand shares and 65 thousand shares as of March 31, 2018 and 2017, respectively. Moreover, the average number of shares of said treasury stock to be deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 361 thousand shares and 348 thousand shares for the fiscal years ended March 31, 2018 and 2017, respectively.

31. Significant subsequent events

(Redemption of preferred equity securities)

At the Board of Directors' meeting held on April 27, 2018, the Bank resolved to approve the full redemption of all preferred equity securities issued by the Bank's consolidated subsidiary, Hyakujushi Preferred Capital Cayman Limited, and determined a policy of liquidating the company. In addition, the company is to be liquidated by the end of December 2018. The details of the redeemable preferred securities are as follows:

1. Issuer  
Hyakujushi Preferred Capital Cayman Limited
2. Type of the issued security  
Permanent non-cumulative preferred equity securities with yen-denominated dividends
3. Total amount of redemption  
¥10,000 million (\$94,126 thousand)
4. Planned date of redemption  
July 25, 2018
5. Reason for redemption  
Because the date for voluntary redemption is approaching

(Reverse stock split)

At the Board of Directors' meeting held on May 14, 2018, the Bank resolved to submit a proposal concerning a reverse stock split to the 149th Regular Annual General Meeting of Shareholders held on June 28, 2018, the proposal of which was approved at the said General Meeting of Shareholders. In addition, at the aforementioned Board of Directors' meeting, a resolution was made to change the number of shares constituting one unit of stock and partially amend the Articles of Incorporation, contingent upon the approval of the proposal concerning the reverse stock split at the General Meeting of Shareholders. The details are as follows:

1. Change in the number of shares constituting one unit of stock  
(1) Reason for change  
To comply with the “Action Plan for Consolidating Trading Units” announced by stock exchanges in Japan that aims to standardize the trading unit for common shares issued by all domestic listed companies to 100 shares by October 1, 2018.
- (2) Change in the number of shares constituting one unit of stock  
Effective October 1, 2018, the number of common shares of the Bank constituting one unit of stock will be changed from 1,000 shares to 100 shares.



2. Reverse stock split

(1) Purpose of reverse stock split

As described in “1. Change in the number of shares constituting one unit of stock” above, to change the number of shares constituting one unit of stock from 1,000 shares to 100 shares, the Bank will implement a 1-for-10 reverse stock split so that the investment unit will be at a level deemed desirable by the stock exchanges (not less than ¥50,000 (\$470.632) and less than ¥500,000 (\$4,706.325)) without changing the number of voting rights of shareholders.

(2) Details of reverse stock split

a. Class of stock for reverse stock split

Common stock

b. Method and ratio for reverse stock split

Effective October 1, 2018, the Bank will implement a 1-for-10 reverse stock split based on the number of shares held by each shareholder listed or recorded on the final shareholder registry as of September 30, 2018 (in practice September 28, 2018).

c. Number of shares to be decreased by the reverse stock split

Total number of shares outstanding before the reverse stock split

Total number of shares outstanding before the reverse stock split (as of March 31, 2018) 300,000,000 shares

Decrease in number of shares due to the reverse stock split 270,000,000 shares

Total number of shares outstanding after the reverse stock split 30,000,000 shares

Note: “Decrease in number of shares due to the reverse stock split” and “Total number of shares outstanding after the reverse stock split” are theoretical values determined by multiplying the ratio of reverse stock split to “Total number of shares outstanding before the reverse stock split (as of March 31, 2018).”

d. Effect of reverse stock split

As a result of the reverse stock split, the total number of shares outstanding will decrease to one-tenth of the original number. However, since there are no changes to the amount of net assets, etc., the amount of net assets per share will increase tenfold. Excluding other factors such as market fluctuations, there is no change in the asset value of the shares.

(3) Treatment of fractions of less than one share

If fractional shares of less than one share arise as a result of the reverse stock split, such shares shall be subject to a lump-sum disposal in accordance with Article 235 of the Companies Act. The proceeds of the disposal will be allotted to the relevant shareholders in proportion to their respective fractional shares.

3. Partial amendments to the Articles of Incorporation

In line with “1. Change in the number of shares constituting one unit of stock” and “2. Reverse stock split,” as of October 1, 2018, the total number of shares authorized to be issued by the Bank and the number of shares constituting one unit of stock will be changed from 993 million shares to 99.3 million shares and 1,000 shares to 100 shares, respectively.

4. Schedule for the reverse stock split

Date of resolution of the Board of Directors	May 14, 2018
Date of resolution of the Regular Annual General Meeting of Shareholders	June 28, 2018
Effective date of the reverse stock split	October 1, 2018 (Scheduled)
Effective date of the change in the number of shares constituting one unit of stock	October 1, 2018 (Scheduled)
Effective date of the change in the number of shares authorized to be issued	October 1, 2018 (Scheduled)
Effective date of the partial amendments to the Articles of Incorporation due to the reverse stock split and the change in the number of shares constituting one unit of stock	October 1, 2018 (Scheduled)

5. Effect on per share information

Pro forma per share information for the fiscal years ended March 31, 2018 and 2017, based on the assumption that the reverse stock split was implemented at the beginning of the fiscal year ended March 31, 2017, is as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share .....	¥9,948.53	¥9,371.55	\$93.642
Basic earnings per share .....	346.40	326.10	3.260
Diluted earnings per share .....	345.92	325.56	3.256

32. Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2018 is 0.05%.

Annual maturities of borrowed money as of March 31, 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year	¥13,723	\$129,169
Over 1 year, up to 2 years	5,977	56,259
Over 2 years, up to 3 years	144,962	1,364,476
Over 3 years, up to 4 years	78,988	743,486
Over 4 years, up to 5 years	1,412	13,290
Over 5 years	1,553	14,617



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Independent Auditor’s Report

The Board of Directors  
The Hyakujushi Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Hyakujushi 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 Hyakujushi 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 1.

Ernst & Young ShinNihon LLC

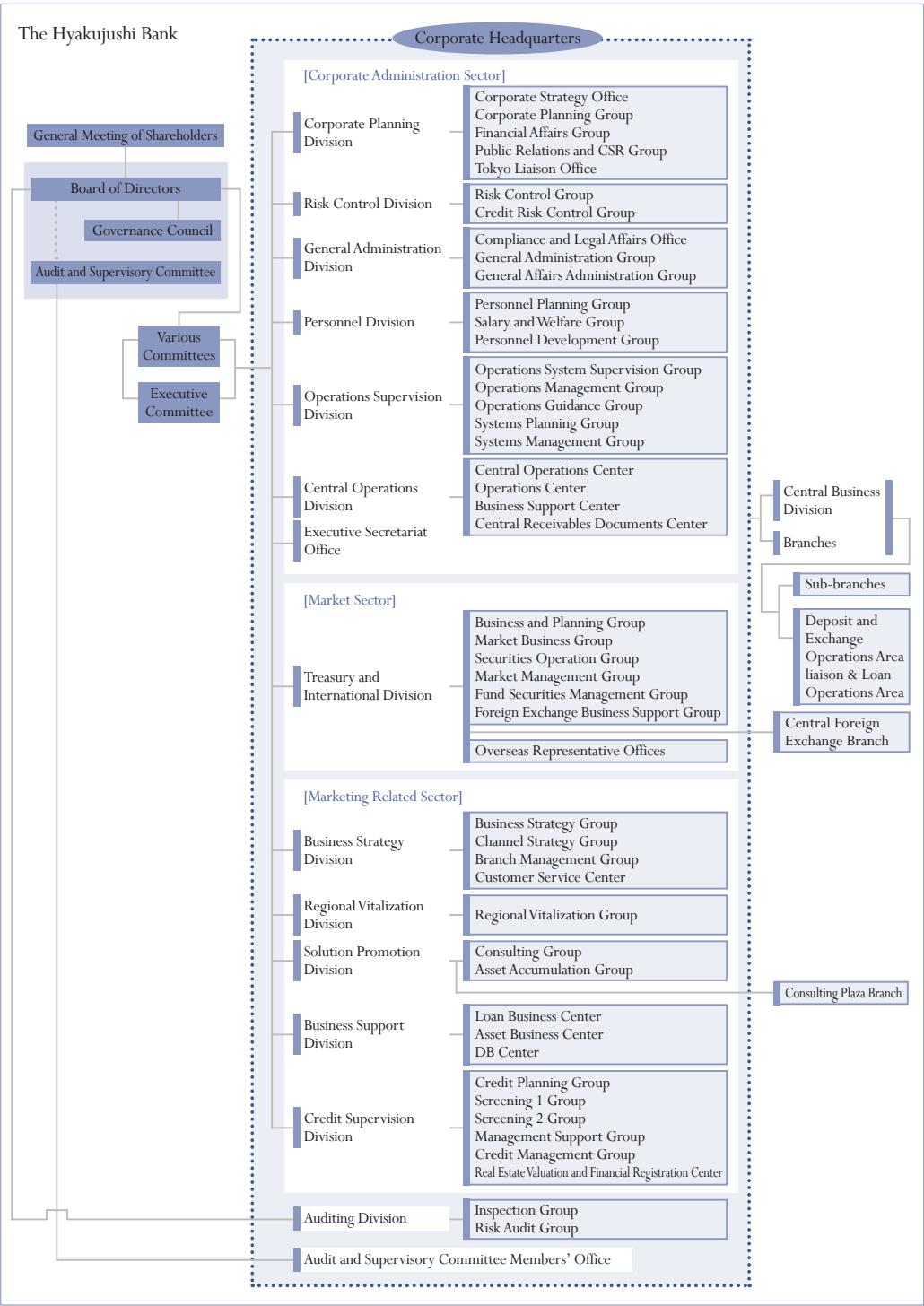
June 28, 2018  
Tokyo, Japan

Corporate Information

Profile (as of March 31, 2018)

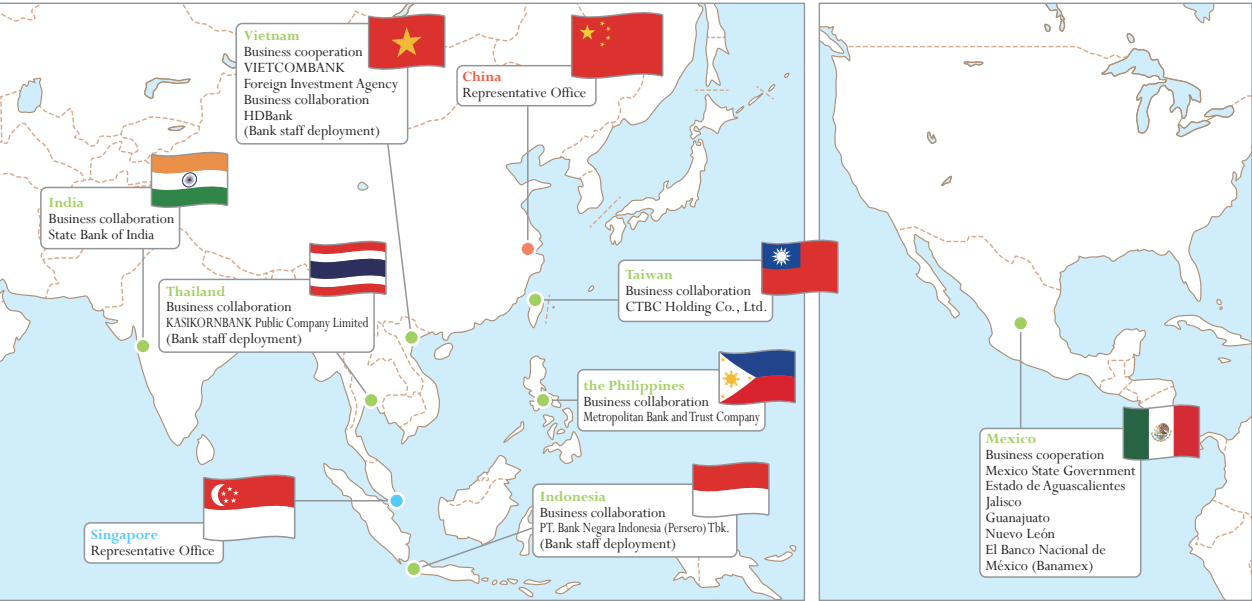
Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥4,749.1 billion
Deposits and negotiable certificates of deposit	¥4,066.2 billion
Loans and bills discounted	¥2,837.8 billion
Paid-in capital	¥37.3 billion
Total shares issued	300,000 thousand shares
Employees	2,283
Offices	124 (Head Office, 103 branches, 21 sub-branches)
	Overseas Representative Offices: 2 (Shanghai, Singapore)
Non-branch ATMs and CDs	165 locations

Organization (as of July 1, 2018)



\*A policy to dissolve Hyakujushi Preferred Capital Cayman Limited was decided at the Board of Directors meeting of the Bank held on April 27, 2018 and its liquidation is scheduled for completion by the end of December 2018.

Overseas Support Organizations



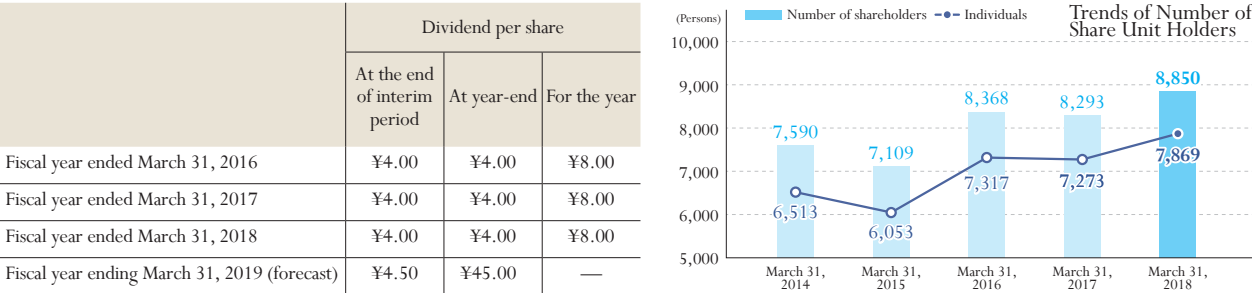
List of Major Shareholders (as of March 31, 2018)

Name	Address	No. of shares held (thousand shares)	Ratio of shares held to the total number of shares outstanding (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	17,298	5.85
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	9,000	3.04
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	6,802	2.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	6,675	2.25
NH Foods Ltd. (Note) 2	4-9, Umeda 2-Chome, Kita-ku, Osaka	6,326	2.14
TAIHEIYO CEMENT CORPORATION (Note) 3	3-5, Daiba 2-Chome, Minato-ku, Tokyo	5,952	2.01
Mitsui Engineering & Shipbuilding Co., Ltd. (Note) 4	6-4, Tsukiji 5-Chome, Chuo-ku, Tokyo	5,845	1.97
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	5,699	1.92
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	5,643	1.90
SUMITOMO LIFE INSURANCE COMPANY	7-18-24, Tsukiji, Chuo-ku, Tokyo	5,001	1.69
Total	—	74,243	25.11

(Notes)  
1. The 4,389 thousand treasury shares held by the Bank are excluded from the number of shares outstanding.  
2. The number of shares held by NH Foods Ltd. includes 5,000 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.  
3. The number of shares held by TAIHEIYO CEMENT CORPORATION includes 5,952 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by TAIHEIYO CEMENT CORPORATION.  
4. The number of shares held by Mitsui Engineering & Shipbuilding Co., Ltd. includes 2,000 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by Mitsui Engineering & Shipbuilding Co., Ltd.

Active Shareholder Return

In order to realize the Bank's Corporate Vision of "ensuring sound business management and enhancing corporate value," while endeavoring to improve our equity capital by increasing retained earnings, the Bank is also working to improve the satisfaction of our shareholders by continuing to pay stable dividends.



\*The Bank intends to implement a 1-for-10 reverse stock split with an effective date of October 1, 2018. For the fiscal year ending March 31, 2019, the amount of year-end dividend per share (forecast) presented is the amount after taking into consideration the impact of the said reverse stock split and the total amount of dividend for the full year is not presented (indicated as "—"). When the impact of the reverse stock split is not taken into consideration, the amount of the year-end dividend per share (forecast) for the fiscal year ending March 31, 2019 is ¥4.50 and the amount of dividend per share for the full year is ¥9.00.



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