Bank of Kyoto

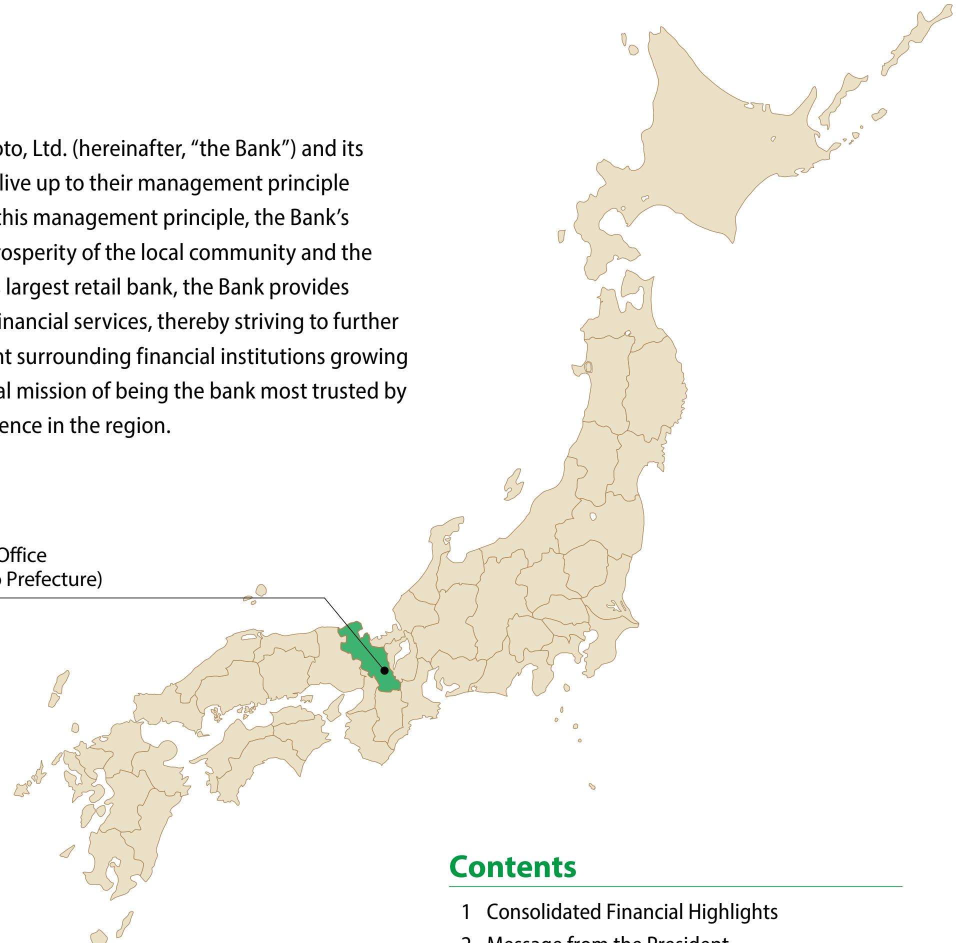
Annual Report 2017

For the year ended March 31, 2017

The Bank of Kyoto, Ltd.

Profile

Since its founding on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have consistently strived to live up to their management principle of "Serving the Prosperity of the Community." Under this management principle, the Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank provides customers in the local community with high-quality financial services, thereby striving to further deepen its relationships of trust. With the environment surrounding financial institutions growing increasingly harsh, the Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.



Non-Consolidated Basis

Total Assets: **¥8,892.8** billion (7th among regional banks)	Total Deposits: **¥7,595.9** billion (8th among regional banks)
Loans and Bills Discounted: **¥4,986.9** billion (9th among regional banks)	Unrealized Gains on Securities: **¥531.4** billion (1st among regional banks)
Capital Ratio: **12.07%** (domestic standards)	Credit Rating: **A+** (R&I) **A** (S&P)

Contents

Disclaimer regarding forward-looking statements

Readers are 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 Company's management as of the time of writing this report. Actual results may therefore differ substantially from such statements.

On the cover are the "I Love Kyoto Campaign" posters.

Because we want to cultivate a feeling and sense of loving Kyoto in a wide range of people, we have developed the "I Love Kyoto Campaign" since 1982.

Cover Photographs

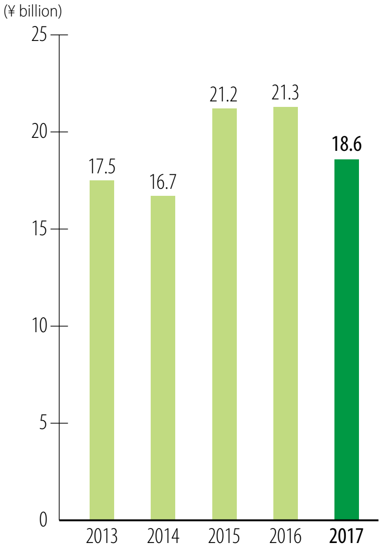
(1) Cherry blossoms at Jyoshokoji Temple (Keihoku, Ukyo-ku, Kyoto City)
(2) Tea plantation (Wazuka-cho, Kyoto Prefecture)
(3) Tadasu-no-mori wood in autumn (Sakyo-ku, Kyoto City)
(4) Hojo Garden in Shuon-an Ikkyuji Temple (Kyotanabe City, Kyoto Prefecture)

Consolidated Financial Highlights

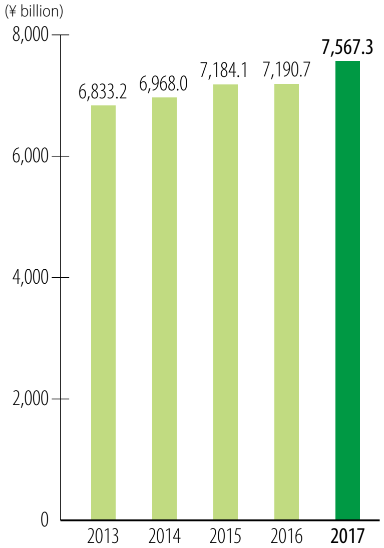
	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
For The Year				
Total Income	¥ 110,480	¥ 112,838	¥ 114,969	$ 984,760
Total Expenses	82,779	78,879	79,004	737,848
Income before Income Taxes	27,701	33,958	35,965	246,911
Net Income Attributable to Owners of the Parent	18,601	21,322	21,276	165,801
At Year-end				
Total Assets	¥8,899,400	¥8,154,418	¥8,255,301	$79,324,362
Deposits (including NCDs)	7,567,390	7,190,731	7,184,121	67,451,559
Loans and Bills Discounted	4,978,745	4,598,410	4,347,459	44,377,797
Securities	2,865,072	2,807,154	3,168,152	25,537,678
Noncontrolling interests	8,687	7,770	7,047	77,432
Common Stock	42,103	42,103	42,103	375,289
Total Equity	766,294	653,053	695,810	6,830,327
Capital Ratio (Domestic Standards)	12.49%	13.36%	12.51%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥112.19 to US$1.00 on March 31, 2017, the final business day of the term.
3. Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ).

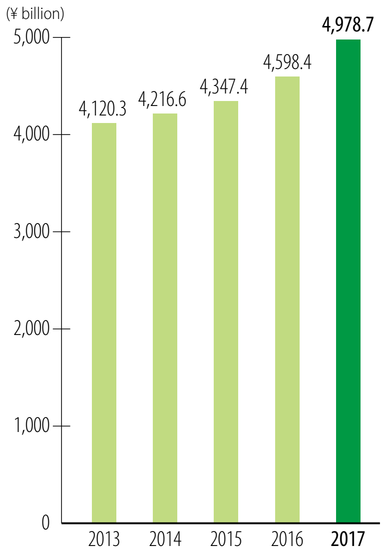
Net Income Attributable to Owners of the Parent



Deposits (including NCDs)



Loans and Bills Discounted



Our Goal is to be a Bank that Meets Customers' Expectations

Fiscal Year Ended March 31, 2017

Financial and Economic Environment

In the fiscal year ended March 31, 2017, the Japanese economy saw the continuation of an unprecedented monetary easing policy, and while employment and income conditions improved, a deep-rooted economizing-orientation persisted. Sluggish growth in exports, caused by the continued appreciation of the yen and a slowdown in overseas economies, also contributed to the general sense of stagnation with which the year began. Nevertheless, in the second half of the fiscal year the yen reversed course and weakened on expectations for changes in U.S. policy, and as overseas economies recovered and corporate performance, led by exports, held steady, strong public sector investment and an asset effect boosted by high stock prices and a rise in land prices in metropolitan areas provided additional support. While sluggish growth in personal spending remained an issue, overall the Japanese economy moved toward a gradual recovery. Still, companies continued to take a cautious approach to capital investment, and as the year ended, a sense of uncertainty about the future increased as concerns about rising costs, more serious labor shortages and political conditions in the U.S. and Europe persisted.

Financial Results for the Fiscal Year Ended March 31, 2017

In this operating environment, the Bank of Kyoto completed its 5th medium-term management plan, "Vision 75 Building a Good Bank" (running from fiscal 2014 through fiscal 2016), in the fiscal year ended March 31, 2017, and moved forward with various measures in line with the sales, human resource and operating reform strategies laid out in that plan.

As a result, both individual and corporate deposits rose steadily, with deposits and negotiable certificates of deposit increasing by a total of ¥383.7 billion during the fiscal year, for a year-end balance of ¥7,595.9 billion on a non-consolidated basis.

As a result of our active response to demand, loans to individuals and corporations increased by ¥380.5 billion during the fiscal year, to a year-end balance of ¥4,986.9 billion.

On the earnings front, conditions remained challenging as operating yields on loans and securities declined, but the Bank was able to close out the final year of its 5th medium-term management plan with net income in excess of our target of ¥17.5 billion.

6th Medium-term Management Plan

"Timely & Speedy"
— Promptly Offering the Services which our Customers Need —

Business conditions for financial institutions are expected to grow even more challenging and to change significantly going forward, as the population shrinks and ages further, loan yields continue to drop with additional monetary easing policies, and with a further shift to IT-driven systems—characterized by advances in FinTech—and changes in lifestyle.

In this environment, in April 2017, the Bank launched its 6th medium-term management plan, running from fiscal 2017 to fiscal 2019.

With the launch of this new plan, the Bank has also reaffirmed its vision of being a bank that meets its customers' expectations.

To accomplish that, we believe we must return to our roots in the service industry, thoroughly reexamining on a regular basis how we might strengthen our ties with our customers and how we go about responding to their needs. Most important is that we bring a sense of speed to translating that response into well-timed action, and thus we have given the name "Timely & Speedy" to this new plan.

The primary theme behind the 6th medium term management plan is "Leveraging our Consulting Capabilities: Connections," which will drive our goal of growing and expanding further as a wide-area regional bank.

Leveraging Consulting Capabilities

In working with individual customers, the Bank will focus on offering financial investment products and advice and assisting in asset formation in line with individual life plans, under the concept of "Connecting to the Future: From Parent to Child and Grandchild."

Meanwhile, for our corporate customers, the Bank will work to assist with business expansion and succession issues, offering a precise service that utilizes the strength of our branch network and leveraging our high-quality financial brokerage capabilities. The concept driving these efforts will be, "Connecting Customers to Each Other, and to Business Growth, to Overseas, and to the Next Generation."

Through unstinting efforts to reform the Bank's existing culture, structures and systems, and by providing diverse financial services in close collaboration with the companies of the Bank of Kyoto Group, we will work to fully meet the expectations of our customers and our community.

I would like to thank you for your continued support and kind consideration.

Nobuhiro Doi

Nobuhiro Doi

President
The Bank of Kyoto, Ltd.

Our Operating Area

The Industry of Kyoto Prefecture

In Kyoto many cutting-edge, high-tech industries exist side by side with traditional industries and the tourism industry built upon the city's 1,200 years of history and culture. Kyoto is also known as the town of students with a high concentration of universities and academic research institutions, so it has an ideal environment for developing venture businesses and new industries.

The manufacturing industries of Kyoto Prefecture are supported by a high level of technical capability that is unique to Kyoto, and they have captured high shares of the national market in a diverse array of fields and product categories.

Top-National Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	15.4 billion yen (54%)
	Spectral photometer	10.7 billion yen (47%)
	Other analyzing equipment	45.8 billion yen (50%)
	Physical, chemical machinery and appliances	18.9 billion yen (20%)
	Medical X-ray equipment	20.5 billion yen (11%)
Traditional crafts	Ready-made kimono, obi	6.2 billion yen (37%)
	Chirimen textiles	2.9 billion yen (73%)
Food and beverages	Japanese confectionery	39.3 billion yen (7%)

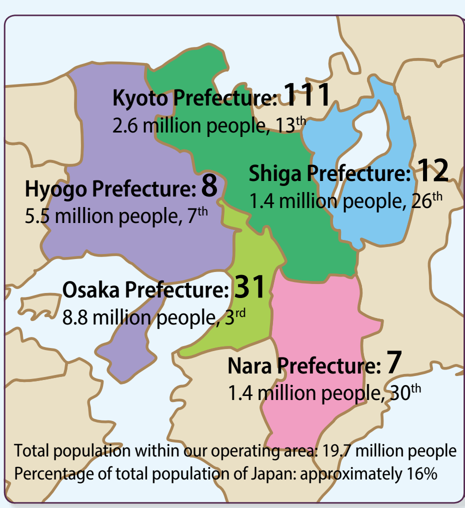
(Source)
METI: FY2014 industry statistics
(domestic market share in %)

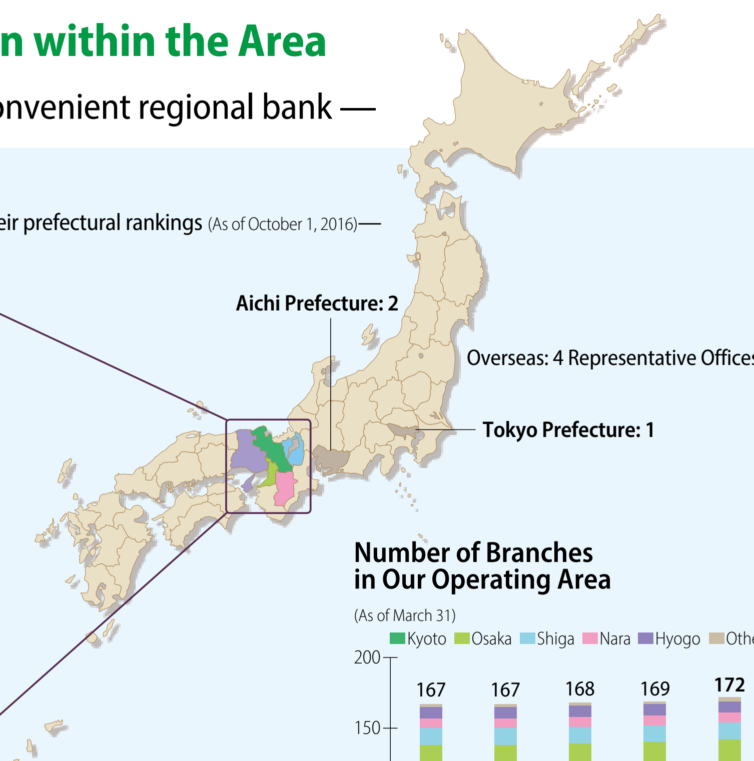
Operating Area and Population within the Area

— Aiming to be a comprehensive and convenient regional bank —

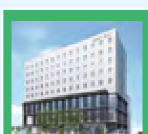
Kyoto Bank's Network

— The populations within areas in our operating area and their prefectural rankings (As of October 1, 2016)—





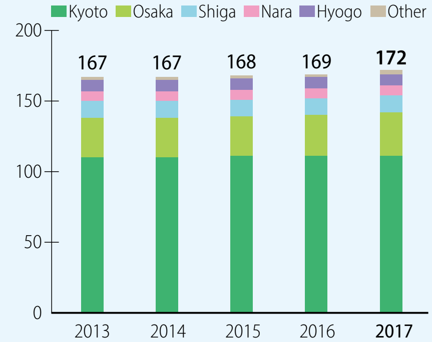
August 2017: Moriyama Branch Opens (planned)



The Moriyama Branch will have a grand opening after its relocation to a commercial complex scheduled to open in front of JR Moriyama Station. The branch will have automatic safe deposit boxes that can be used even on Saturdays, as well as spacious consultation booths and other convenient features.

Number of Branches in Our Operating Area

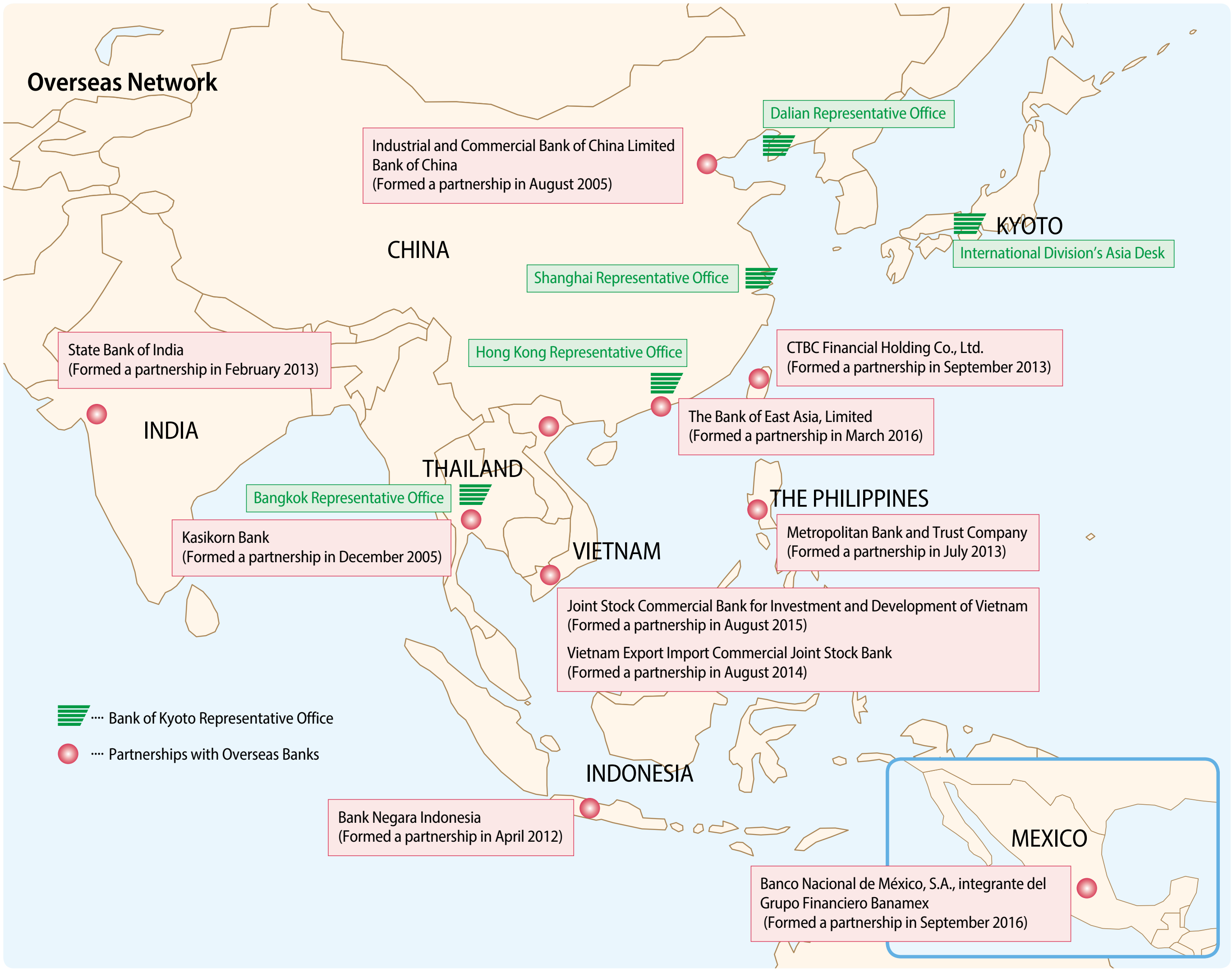
(As of March 31)



Support for Overseas Operations

The Bank utilizes its broad overseas network to actively provide support for overseas expansion, local business matching, trade activities and fund procurement by overseas affiliates. In fiscal 2016, we provided 2,489 instances of overseas business support.

Creation of an Overseas Network



Fiscal 2016 Loans to Overseas Subsidiaries of Japanese Companies

Stand-by L/Cs Total of 12 L/Cs executed		
For China	RMB denominated	7 L/Cs
For China	USD denominated	2 L/Cs
For China	JPY denominated	1 L/C
For Taiwan	USD denominated	1 L/C
For Thailand	THB denominated	1 L/C

Cross-Border Loans Total of 18 loans executed		
For China	USD denominated	3 loans
For China	JPY denominated	1 loan
For Thailand	THB denominated	8 loans
For Hong Kong	USD denominated	2 loans
For Mexico	JPY denominated	1 loan
For U.S.	USD denominated	1 loan
For Malaysia	USD denominated	1 loan
For Vietnam	USD denominated	1 loan

6th Medium-Term Management Plan

"Timely & Speedy"

— Promptly Offering the Services which our Customers Need —

Our new medium-term management plan, "Timely & Speedy," which will cover the next three years, began in April 2017. Under the plan, we will strive to establish an unshakable position as a bank that resolutely meets customer expectations through the daily practice of providing highly satisfying services, and with the companies of the Bank of Kyoto Group we will work to make the next three years a time of substantial, robust progress.

Main Theme

Fully Leverage Consulting Capabilities: Connect

Strategic Policies

(1) Increase contact with customers

Face-to-face: Meet with greater numbers of customers

Raise productivity and create ample opportunities to speak with customers, even for one minute more

Non-face-to-face: Provide convenient services

We will increase the transactions that can be performed using a smartphone or the Internet and also allow customers who have not yet been able to make branch visits to use enhanced services.

(2) Strengthen our management foundation

We will strengthen our management foundation, which includes human resources development, earnings power, financial soundness and other aspects, in order to continue meeting the expectations of customers into the future.

For Individual Customers

Connecting to the Future: From Parent to Child and Grandchild

The Group will collectively provide services based on individual life plans.

We will provide financial investment products and advice for asset formation on a comprehensive basis that includes Kyogin Securities.

For Corporate Customers and Individual Business Owners

Connecting Customers to Each Other, and to Business Growth, to Overseas, and to the Next Generation

We will make maximum use of the Bank's broad regional branch network to provide not only financing but other services that include business matching, M&A, business succession, and support for ventures and overseas expansion.

Vision

A Bank That Meets Customers' Expectations

Foundational Stance

Activity Guidelines

Reforming Action and Awareness

Speed: Respect the value of promptness and speed
Proactiveness: Actively take on new challenges without being constrained by past precedent
Coordination: Utilize the collective resources of the Group

Responsibility to Local Industry

We will dependably fulfill the expected roles of a regional bank in supporting the development of locally rooted culture and industry.

Eradication of Scandals

We will absolutely prevent any scandals from being caused by the Group.

Plan Framework

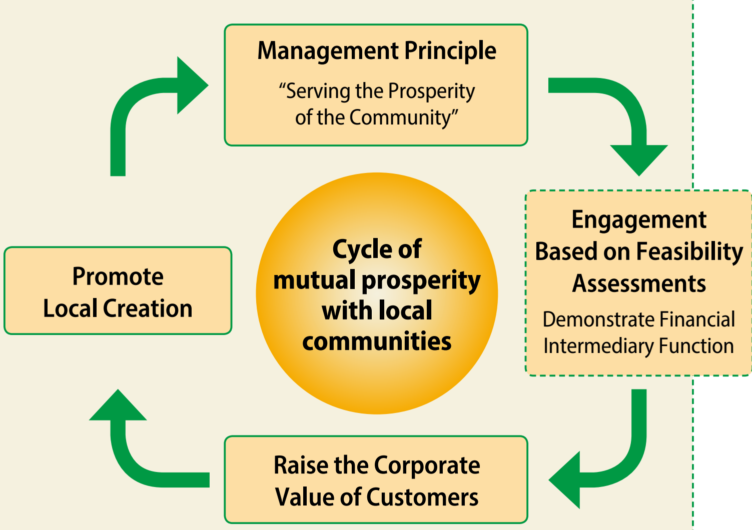
Engagement Based on Feasibility Assessments, Promotion of Local Creation

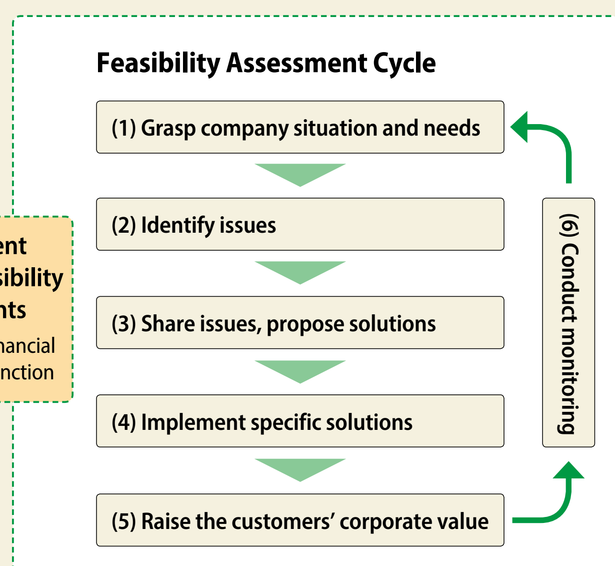
Cycle of Mutual Prosperity with Local Communities

We will promote the development of local economies and local creation through the growth of our customers.

Feasibility Assessment Cycle

We will raise the corporate value of customers through close coordination between the Group and related parties for solutions to customer issues.





1. Sales Strategy

Key Strategy:
Expand customer base, gradually deepen relationships to become the customers' main bank

Numerical Targets (Final Year of Plan)

Balance of deposits + NDCs	¥8.0 trillion
Balance of investment trusts + assets in custody of Kyogin Securities	¥500.0 billion
Increase balance of deposits, investment trusts, Kyogin Securities assets in custody, etc.	+¥1.0 trillion
Total loan balance	¥5.7 trillion
Retail loan balance	¥3.4 trillion (Increase by ¥450.0 billion over 3 years)
Share of loans in Kyoto Prefecture	30% or more

Net income (consolidated)	¥20.0 billion or more
Individual customers whose main bank is Bank of Kyoto	400,000 (Increase by 50,000 over 3 years)
Consultations on inheritance and asset succession (3 years)	10,000 consultations
Business customers	50,000 customers (Increase by 8,000 over 3 years)
Instance of business matching talks established (3 years)	5,000 instances

▶ Strengthen consulting and service capabilities

Retail Strategy

Strengthen proposals for various customer scenarios: saving and accumulating, borrowing, preparing and passing on

All bank employees will further enhance relationships with individual customers and develop activities at the customer level

Corporate Strategy

Strengthen sales to know customers better, get closer to their main business and respond to their needs and issues

We will develop activities to become a first class regional bank

▶ Enhance channels and develop region-based strategies

Branch System

Increase customer convenience and enhance presence through provision of high-quality services

We will revise our system of branches based on changes in conditions faced by regions, branches and overseas offices

Non-face-to-face Channels

Utilize all channels to create new contact points with various customers

2. Human Resources Strategy

Personnel Vision: People that are truly helpful to local communities

Action Guidelines: Demonstrate autonomy and engage in higher quality work

- **Strengthen consulting capabilities in the area of asset formation**
  ➡ Promote acquisition of CFP certification (1,000 people over 3 years)
- **Promote Bank of Kyoto's work style reform program (7 Up Thoughts and Acts for Improvement)**
- **Promote women's workplace participation and advancement through the Kirameki Career Support Program**

3. Strategy for Raising Productivity

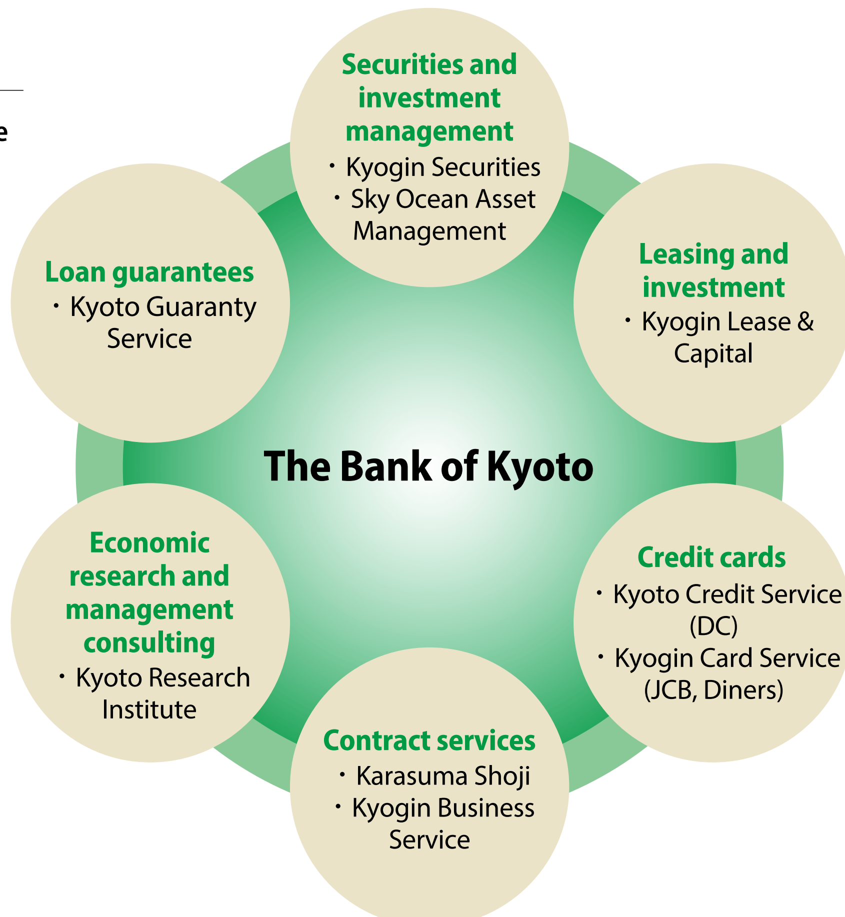
- **Establish productivity innovation headquarters**
- **Reform headquarters structure**

➡ Work to maximize operational capabilities by reforming administration overall and the organizational structure

4. Group Strategy

- **Including Kyogin Securities, we will utilize enhanced Group functions to make timely and speedy proposals**

The Bank of Kyoto Group



TOPICS

Strengthen consulting and service capabilities

Kyogin Securities Opens for Business

In May 2017, Kyogin Securities Co., Ltd., a wholly-owned securities subsidiary of the Bank of Kyoto, opened for business.

As conditions surrounding the financial industry shift significantly from savings to asset formation, the Bank of Kyoto will collaborate with Kyogin Securities through the Bank's financial products brokerage business, offering our customers one-stop, over-the-counter answers to their diverse asset management needs.

Utilizing the Bank's network of 173 branches, we will provide one-stop access via our tellers to the diverse products and services handled by Kyogin Securities, allowing us to take even greater advantage of our consulting function.

Financial Review (Consolidated)

Financial and Economic Environment

During the fiscal year under review, the Japanese economy saw the continuation of an unprecedented monetary easing policy, and while employment and income conditions improved, a deep-rooted economizing-orientation persisted. Sluggish growth in exports, caused by the continued appreciation of the yen and a slowdown in overseas economies, also contributed to the general sense of stagnation with which the year began. Nevertheless, in the second half of the fiscal year the yen reversed course and weakened on expectations of changes in U.S. policy, and as overseas economies recovered and corporate performance, led by exports, held steady, strong public sector investment and an asset effect boosted by high stock prices and a rise in land prices in metropolitan areas provided additional support. While sluggish growth in personal spending remained an issue, overall the Japanese economy moved toward a gradual recovery. Still, companies continued to take a cautious approach to capital investment, and as the year ended, a sense of uncertainty about the future increased as concerns about rising costs, more serious labor shortages and political conditions in the U.S. and Europe persisted.

Under these conditions, the Group achieved the following business results for the fiscal year as a result of promoting numerous measures in line with its sales strategy, human resources strategy, and operating reform strategy in the final year of its 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 through 2016).

Business Progress and Results

Consolidated ordinary income amounted to ¥110,406 million, a decrease of ¥2,283 million year on year mainly due to declines in interest income.

Consolidated ordinary expenses totaled ¥82,591 million, a year-on-year increase of ¥3,989 million, mainly due to higher other operating expenses, and general and administrative expenses, despite a decrease in interest expenses.

As a result, consolidated ordinary profit decreased ¥6,273 million year on year to ¥27,815 million. Profit attributable to owners of the parent decreased ¥2,721 million to ¥18,601 million.

Earnings by segment in the banking business, the core business of the Bank of Kyoto Group, were ordinary income of ¥102,058 million, a decrease of ¥2,596 million from the previous fiscal year. Segment profit was ¥25,139 million, down ¥6,303 million. In others, ordinary income was ¥10,804 million, an increase of ¥228 million, while segment profit was ¥2,694 million, a year-on-year increase of ¥29 million.

Main Accounts

Regarding main accounts at the end of the fiscal year under review, deposits amounted to ¥6,642.2 billion, an increase of ¥248.0 billion from the previous fiscal year, due to solid increases in deposits held by individuals and corporations. Negotiable certificates of deposit came to ¥925.1 billion, an increase of ¥128.6 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥376.6 billion to ¥7,567.3 billion at year-end.

Turning next to loans and bills discounted, as lending to individuals and corporations increased due to our active response to customers, loans and bills discounted increased by ¥380.3 billion compared to the previous fiscal year to ¥4,978.7 billion.

As for securities, as a result of appropriate fund management while closely monitoring market trends, securities ended the year at ¥2,865.0 billion, an increase of ¥57.9 billion year on year.

Appraisal gains (unrealized) yielded from mark-to-market accounting increased ¥139.1 billion year on year, reaching ¥531.9 billion at the end of the year under review.

In addition, total assets ended the year at ¥8,899.4 billion, an increase of ¥744.9 billion compared with the end of the previous fiscal year. Equity stood at ¥392.7 billion, an increase of ¥14.1 billion due to higher retained earnings.

Cash Flows

Net cash provided by operating activities during the fiscal year under review was ¥200.7 billion, compared to ¥233.8 billion used in the previous fiscal year. The major factors for this were an increase in deposits and negotiable certificates of deposit.

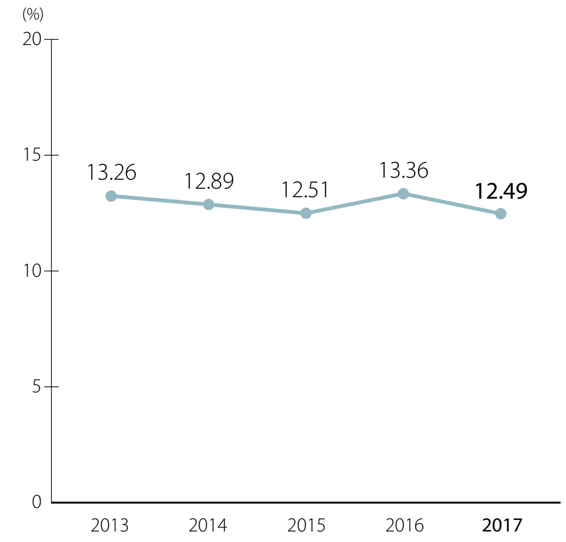
Net cash provided by investing activities was ¥38.0 billion, compared to ¥246.1 billion provided in the previous fiscal year, due mainly to the sale and redemption of securities.

Net cash used in financing activities was ¥7.5 billion, compared with ¥4.5 billion used in the previous fiscal year, due chiefly to the payment of dividends.

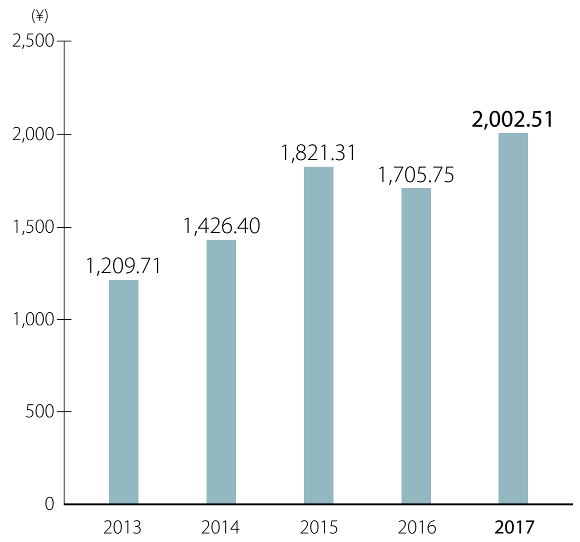
As a result, the balance of cash and cash equivalents increased ¥231.1 billion year on year to ¥821.5 billion.

Gross Banking Profit/Banking Profit

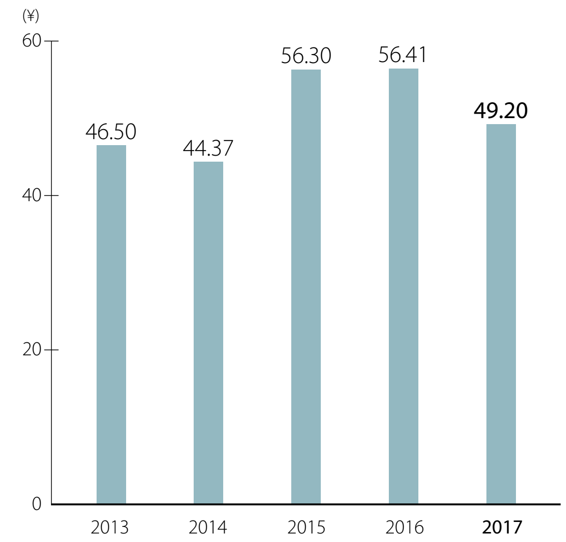
Capital Ratio (Domestic)



Net Assets Per Share



Net Income Per Share



Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 12.07% on a non-consolidated basis and 12.49% on a consolidated basis.

In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic (exceeds the 4% level)	12.07%	12.49%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	19.26%	19.53%

Self-Assessment of Assets and Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances based on the Financial Services Agency's Financial Inspections Manual, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2016, the Bank's total disclosed assets, excluding normal assets, amounted to ¥75.4 billion (US$672 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 58.6%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 90.4%, which we consider to be a sufficient level.

The Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2017/3	Change from Mar. 31, 2016	2016/3
Unrecoverable or Valueless	¥ 6.9	¥ (1.2)	¥ 8.2
Risk	67.9	(10.2)	78.1
Special Attention	0.4	(0.1)	0.5
Subtotal (A)	75.4	(11.6)	87.0
Non-Classified	4,951.8	395.6	4,556.1
Total	¥5,027.2	¥384.0	¥4,643.2

(Notes)

1. From the end of March 2009, we have been calculating Special Attention by standards that reflect the "Measure for facilitation of financing for SMEs through eased lending terms" (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprise only loans and bills discounted.

The Financial Reconstruction Law Standard (Non-Consolidated)

Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2017/3	Change from Mar. 31, 2016	2016/3
Allowance for Possible Loan Losses (B)	¥10.2	¥(1.7)	¥11.9
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	58.0	(8.2)	66.3
Coverage Ratio (B)+(C)/(A)	90.4%	0.6%	89.8%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans.

At the end of fiscal 2016, the Bank's balance of risk management loans amounted to ¥75.3 billion (US$671 million) on a non-consolidated basis and ¥76.2 billion (US$679 million) on a consolidated basis. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2017/3	Change from Mar. 31, 2016	2016/3
Loans in Legal Bankruptcy	¥ 3.4	¥ (1.3)	¥ 4.8
Nonaccrual Loans	72.2	(10.4)	82.6
Accruing Loans			
Three Months or More	—	—	—
Restructured Loans	0.4	(0.1)	0.5
Total	¥ 76.2	¥ (11.8)	¥ 88.1
Total Loans Outstanding (term-end balance)	¥4,978.7	¥380.3	¥4,598.4

Community-based Finance

— Contributing to the Sustainable Development of the Regional Community —

Our Approach to Social Contribution

At the Bank of Kyoto, the concept of doing our part for the local community has been one of our guiding corporate principles ever since our establishment. We have made it our business to be involved in various aspects of community work, including the development of industry and environmental issues.

Customer needs are diversifying in tandem with changing financial and social conditions. At the Bank, we are aware that the original purpose of regional financial institutions is to contribute to the development of the regional economy and society through our main line of business, which is, of course, banking. Working together with local communities, we strive to achieve ongoing development for everyone.

Further, to earn the trust and understanding of local communities, our policy is to publicly disclose the details of our activities.

Our communities

The Bank's business is deeply rooted in the community in five prefectures: Kyoto, where our headquarters is located, as well as the neighboring Shiga, Osaka, Nara, and Hyogo Prefectures.

Our Policy on Promoting Community-based Finance

Basic Policy on Community-based Finance and Positioning of the Medium-term Management Plan

The Bank has stipulated that its basic policy on community-based finance is to "aggressively harness the Bank's consulting function to support the stable management and development of small and medium-sized corporations while contributing to the revitalization of the regional economy." Therefore, we have actively promoted community-based finance.

In our 6th Medium-Term Management Plan "Timely & Speedy" (FY2017–2019), which started in fiscal 2017, the main theme is "Fully Leverage Consulting Capabilities: Connect," and under the key concept of "Connecting Customers to Each Other, and to Business Growth, to Overseas, and to the Next Generation," we will continue working to promote community-based finance.

Approach to Initiatives

The Bank has systems that allow us to actively demonstrate consulting capabilities in coordination with branches and head office divisions in response to the various management issues and needs of customers.

In addition, in June 2017, based on the strategy for raising productivity in our "Timely & Speedy" management plan, we consolidated the Business Promotion Division, Business Support Division, Retail Banking Division, and Securities Business Section of Securities & International Division, established the new Business Headquarters and conducted other measures to reorganize the head office in order to more speedily provide the services that customers need.

The Regional Regeneration and Revitalization Network is a collaborative effort among the nine regional banks (including the Bank of Kyoto) with different management bases and sales areas. Leveraging this network, the Bank of Kyoto will provide services with higher added value that would not have been possible as a single bank.

Initiatives for Regional Revitalization

We recognize that revitalization of the regional economy is an extremely important mission for the Bank as a regional financial institution. The Bank is actively working to revitalize regions by cooperating on government policy and providing assistance to local tourist sites and growth industries.

Tourism Industry Initiatives

Multilingual translation system—First for a financial institution

In July 2016, partnering with the National Institute of Information and Communications Technology, we equipped 17 branches within the city of Kyoto with iPads containing the "VoiceTra" multilingual translation app, a first for a financial institution.

Going forward, we will continue working to raise service levels and provide support for regional revitalization through increased inbound tourism.

Agriculture Industry Initiatives

We formed the Kyoto Agriculture, Forestry and Fisheries Growth Support Fund to provide comprehensive support, through investment, management assistance and other measures, for businesses primarily in the Kyoto area working to make agriculture, forestry and fisheries a sixth-order industry.

The fund supports the construction of sixth-order industrialization business, an initiative being promoted through coordination by agriculture, forestry and fishery providers and other businesses. Specifically, investment has been made by the fund and financing provided by the Bank for the newly established Musubino, Inc.

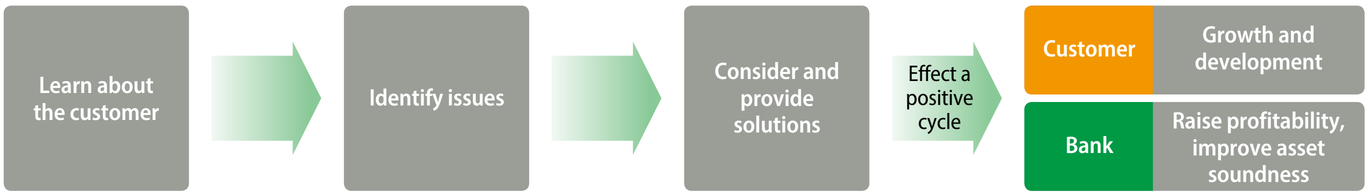
Financial Intermediary Function Benchmark Results (March 2017)

Utilization of Funds (Start-Up, Business Restructuring, Regional Revitalization, etc.) (Unit: Instances)	7

Initiatives for Corporate Customers and Individual Business Owners

Promoting Feasibility Assessments

The Bank appropriately assesses the business content and growth potential of companies at various life stages (feasibility assessments), and after sharing the management issues and needs that have been identified, works to propose solutions in coordination with outside institutions and support their execution. Through various training programs and other initiatives, we work to enhance the judgment and consulting skills of employees, and have systems in place for providing even higher quality solutions, including a program for honoring exceptional initiatives called the "President's Awards for Local Creation and Feasibility Assessments."



Utilization of Financial Intermediary Function Benchmarks

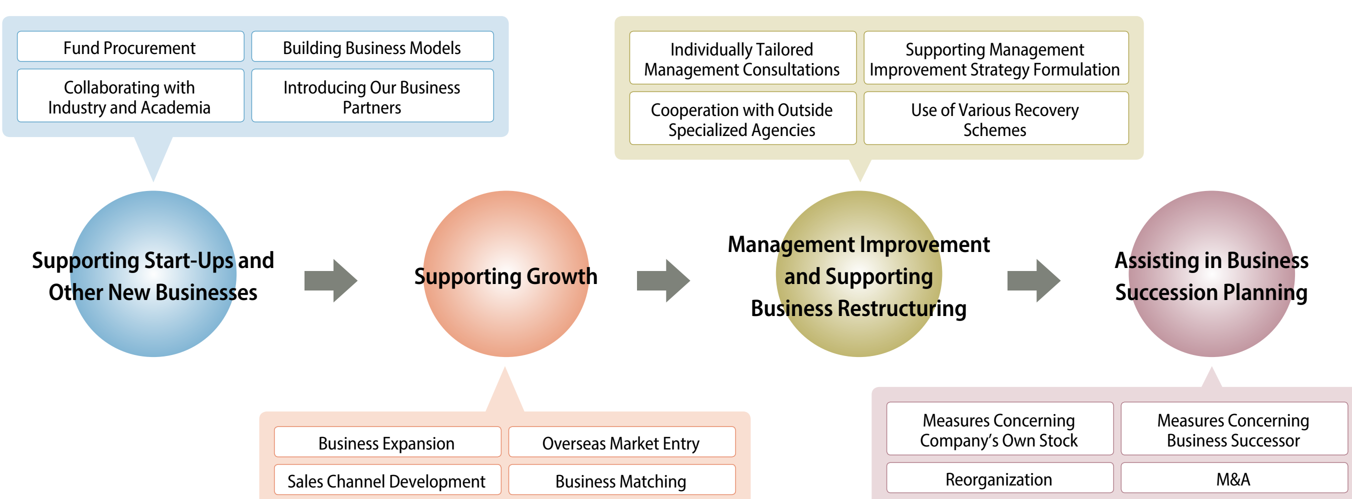
The Bank works to promote community-based finance utilizing the financial intermediary function benchmarks program announced by the Financial Services Agency in September 2016 for objectively assessing the financial intermediary function of financial institutions.

Financial Intermediary Function Benchmark Results (March 2017)

Companies conducting transactions with the financial institution as their main bank (ranked first in loan balance) that have improved management indicators (sales, operating profit ratio, labor productivity, etc.) or that have expanded their workforce (number of customers on group basis) and loan amounts for those customers	(Units: Companies, ¥ billion)			
	Customers for whom Kyoto Bank is main bank	14,929		
	Loan balance of main customers	969.6		
	Number of customers with improved management indicators, etc.	10,188		
	(Unit: ¥ billion)	29/3	28/3	27/3
	Year-end loan balance for past 3 years of customers with improved management indicators, etc.	797.1	794.9	742.2
Number of borrowers to which the financial institution has made loans based on feasibility assessments and loan amounts, and the ratio to total number of borrowers and total loans (number of customers on individual company basis)	(Units: Companies, ¥ billion, %)	Number of customers	Loan balance	
	Number of borrowers receiving loans based on feasibility assessments and loan balance	1,738	319.3	
	Ratios of the above figures to total number of borrowers and the loan balance of those borrowers	4.8%	10.7%	
President's Awards for Local Creation and Feasibility Assessments	(Unit: Reports, Awards)	Number of reports	Number of awards	
		693	25	

Initiatives to Provide Business Support Tailored to the Growth Stages of the Customers

Based on its "Policy on Promoting Community-based Finance" and "Policy for Facilitating Smooth Access to Finance," the Bank supports the stabilization, growth and development of its customers' management by providing in-depth support tailored to the growth stages of the customers and facilitating smooth access to finances.



Supporting Start-Ups and Other New Businesses

For the challenges and needs of customers who are considering starting up companies or venture companies, or moving into new business fields, we are collaborating with support organizations and universities that are participating in the "Kyogin Venture Business Support Program" and are offering assistance in business matching, supplying various types of information, and providing introductions to specialists (institutions) and universities as well as holding events and helping customers to apply for public aid. In fiscal 2016, we invested in five companies through the Bank of Kyoto Bright Future Support Fund, which was established in February 2016.

Financial Intermediary Function Benchmark Results (March 2017)

	(Units: Companies, ¥ billion)	Total borrowers	Start-up phase	Growth phase	Stability phase	Decline phase	Rehabilitation phase
Number of borrowers by life stage (number of customers on individual company basis) and loan amount	Number of borrowers by life stage	36,166	1,459	1,665	18,183	636	4,170
	Year-end loan balance for borrowers by life stage	2,972.1	97.0	193.7	2,608.2	86.8	254.3

	(Unit: Number)	
Number of start-ups in which the financial institution was involved		905

	(Unit: Companies)	
Number of customers receiving start-up support (by support content)	(1) Support for formulating start-up plan	28
	(2) Loans to customer during start-up phase	879
	(3) Referrals of government-affiliated financial institutions or start-up support organizations	15
	(4) Subsidies for venture companies	7

Supporting Growth

Utilizing our broad customer network and support network of outside institutions, we actively work to help customers develop sales channels. In addition, seminars on improving negotiating skills are held to provide support for enhancing these capabilities as well.

Financial Intermediary Function Benchmark Results (March 2017)

(Units: Companies, %)	Total customers (1)	Customers receiving main business support (2)	(2)/(1)
Number of companies receiving main business support (to raise corporate value) and the ratio to total number of customers (customers on a group basis)	30,981	1,564	5.0%
Companies receiving main business support that had management improvement	1,022		

	(Units: Companies, %)	Total number of employees (1)	Number of employees involved in processes at left (2)	(2)/(1)
Number of employees engaged primarily in SME loans and main business support and the ratio to total employees	Number of branch employees	3,171	885	27.9%
	Number of head office employees	838	89	10.6%

Management Improvement and Supporting Business Restructuring

For business partners requiring management improvement or business restructuring, the Bank strives to strengthen relationships and share awareness of management issues with business partners while working toward improving management.

This is particularly so for the Management Support Office, which is the Credit Examination Division's specialized financial assessment department. The Office holds consultation sessions and seminars as well as working with branches to collaborate closely with the Small and Medium-Sized Business Rehabilitation Support Council and outside consultants to support business partners.

Financial Intermediary Function Benchmark Results (March 2017)

(Unit: Companies)	Total term changes	Customers in good condition	Customers in stable condition	Customers in poor condition	Without plan
Progress of management improvement plans of SMEs for which the financial institution has altered loan terms	4,109	9	118	1,056	2,926

(Units: Companies, %)	Total borrowers (1)	Customers for which guidelines utilized (2)	(2)/(1)
Number of customers for which Guidelines for Personal Guarantee Provided by Business Owners utilized and the ratio to total borrowers	36,166	3,800	10.5%

Assisting in Business Succession Planning

To support customers immersed in business succession issues, we offer initial advice on measures concerning the company's own stock and business succession, review optimal business succession schemes, and study problem-solving measures in collaboration with experts including tax accountants.

Moreover, we offer problem-solving support through the use of M&A for customers who are struggling with business continuity due to lack of successors or industry reorganization.

Financial Intermediary Function Benchmark Results (March 2017)

Number of customers receiving business succession support (Unit: Companies)	247
Number of customers receiving M&A support (Unit: Companies)	17

Initiatives for Local Communities and Other Stakeholders

Becoming an Environmentally Friendly Bank

With our headquarters in Kyoto, which boasts more than 1,200 years of history, and operating widely in the Kinki region, a place of magnificent natural settings and rich history and culture, the Bank of Kyoto strives to achieve sustainable development together with the community in which we operate.

Stage 3 Environmental Plan (FY2017–FY2019)

Our numerical target under the plan is to reduce the amount of electricity, gas, and gasoline we use by at least 1% every year with fiscal 2016 as the base year.

Initiatives of the Bank of Kyoto

- Promotion of energy-saving activities
- Building of environmentally-friendly branches
- Resource-saving and recycling
- Information disclosure

Initiatives for Customers and Local Communities

- Forestry preservation activities
- Environmentally-friendly financial products and services
- Collaboration with environmental projects in the region

Initiatives of All Bank Employees

- Eco-lifestyle for the families of all bank employees
- Environmental volunteers

The Bank of Kyoto's Forest Preservation and Cultivation Activities

Kyoto Prefecture is a heavily wooded area with forests occupying about three-quarters of its total land area. To pass on this wonderful environment to future generations, the Bank actively promotes involvement in initiatives to preserve forests.

The Bank of Kyoto is engaged in activities to cultivate the Kyogin Furusato Forest within the Bank's Arashiyama grounds in Kyoto's Nishikyo-ku, as well as the Kyogin Manabi Forest on the premises of the Kyoto Banking College Katsuragawa Campus. We also maintain the Kyogin Fureai Forest within the Motoyama National Forest area in the Kita-ku area of Kyoto.

Becoming the Best Supporter of Communities

Contributing to the Community by Supporting Local Sports Teams

To contribute to vitalizing the community through the promotion of sports, together with the local community we support the local Kyoto soccer team, Kyoto Sanga F.C., and the basketball team, KYOTO HANNARYZ.

Enhancing Customer Satisfaction

Initiatives to Further Improve Customer Service

With the goal of being Japan's No. 1 bank in customer satisfaction, the Bank collectively works to raise customer service levels, an effort that is led by the Customer Service Office, which promotes initiatives for enhancing customer satisfaction (CS), as well as by designated CS promoters and CS leaders at each branch.

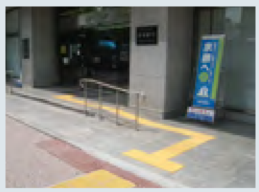
Product and Service Enhancement Initiatives

The Bank works to improve products, services and administrative quality and prevent problems and complaints in advance by reporting to management and branches the opinions, requests and negative feedback of customers.

Barrier-free Initiatives

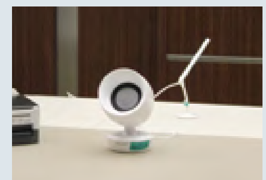
Barrier-free branch facilities

We are eliminating steps at entrances and installing slopes, handrails and studded guidance tiles, and voice guidance chimes.



Communication tools

We have equipped all branches with desktop conversation support devices, cane holders, reading glasses, hearing aids, communication boards, writing boards, and instruction signs for the hearing impaired.



The "COMUOON" desktop hearing aid device

ATMs with visual impairment support

All the ATMs at our staffed branches support use by people with visual impairments. In addition, transfer charges at teller counters for customers with visual impairments are discounted to the same amount as transfers made through our ATMs.

ATM with visual impairment support

Services that include Braille transaction statements, balance notices and maturity notices

Writing and reading services provided by bank staff for applications and contracts, etc.

Sticker indicating hearing impairment put on end-page of passbooks

Training for bank employees on providing service to elderly customers and customers with disabilities

Toll-free number for the customer service desk for people with disabilities

Creating Workplaces Where All Employees Excel

Promoting Women's Participation and Advancement: Kirameki Career Support Program Started as General Support Measure

The Bank has traditionally provided active support for women's workplace participation and advancement.

In addition, we began a new initiative in April 2017 called the Kirameki Career Support Program. The program seeks to fully establish the conditions that make it possible for women employees to participate and advance at the workplace by more thoroughly implementing related promotion measures.

In April 2016, the Bank acquired third-level certification, the highest rank, in the Eruboshi program under the Act for Promotion of Women's Participation and Advancement in the Workplace, and going forward we will continue to further promote women's participation and advancement by working to more fully develop workplace conditions that allow employees to wholly demonstrate their ambitions and abilities in order to excel.

Eruboshi certification mark
Third level

Kirameki Career Support Program

For Fully Promoting Women's Workplace Participation and Advancement

Support for career advancement

Initiatives to increase the ratio of women managers and proactively promote women to branch manager positions

Support for returning early after leave

Development of programs that allow employees to return early from childcare leave with greater peace of mind

Job encouragement and support

Cultivation of an organizational culture that encourages every employee to excel

Corporate Governance

The Bank of Kyoto is working to ensure that its corporate governance structure is founded on sound, transparent management practices by monitoring directors' execution of business through surveillance by the Board of Directors and auditors and through the use of an auditing system.

The Bank has built a structure for quick management decision making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

To ensure the soundness and propriety of operations, based on sound business management (governance), we have established a set of Business Management (Governance) Regulations, to better position us to offer financial intermediary services, comply with laws and regulations, rigorously protect customer privacy, and duly manage all kinds of risk. The Business Management (Governance) Regulations have the role of bringing together our stances on finance facilitation management system, legal compliance system, customer protection management system and internal management system.

Board of Directors

The Board of Directors comprises 10 directors (among whom two are outside directors) and has decision-making responsibility for basic policies and important matters related to the execution of the Bank's business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and executive directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Audit & Supervisory Board.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Shareholders after deliberations by the Nomination and Compensation Committee, which is an advisory organization used at the discretion of the Board of Directors, and after being approved as candidates by resolution of the Board of Directors or approved by the Audit & Supervisory Board, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

The Bank has adopted an audit & supervisory board member system in which at least half of the audit & supervisory board members are external audit & supervisory board members who have no potential conflicts of interests with general shareholders. Audit & supervisory board members attend meetings of the Board of Directors; standing audit & supervisory board members also attend meetings of the Executive Committee. Audit & supervisory board members attend these meetings to monitor decision-making processes and the execution of bank business. Internal bank rules have clearly provided that the audit & supervisory board members/Audit & Supervisory Board establish and maintain an audit environment that ensures objectivity and independence in management audits. Accordingly the current structure supports a strict audit control function.

Adoption of Employee Stock Options (ESO) System

The Bank has introduced an ESO (employee stock options) system for directors to reward themselves more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this system will make the Bank's management more strongly focused on shareholder value.

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors and employees of the Bank and its subsidiaries, conforms to laws and the articles of incorporation of the Bank of Kyoto
2. Structures related to the storage and management of information about the execution of business by the Bank's directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and its subsidiaries
4. Structures to ensure that the directors of the Bank and its subsidiaries execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and its subsidiaries
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and its subsidiaries, and structures for reporting to the Bank on the business execution of the directors of the Bank's subsidiaries
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's subsidiaries, or those who receive the reports from these people, as well as other structures related to reporting to auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors

Finance Facilitation Program

Historically, the Bank has facilitated lending and management improvement/business restructuring services based on a complete understanding of the facts and characteristics of the client. To serve an even more active role in finance facilitation, we have established a policy and standards for finance facilitation management. This program is backed by the full support of the Bank and its employees, who conscientiously promote the availability of the program.

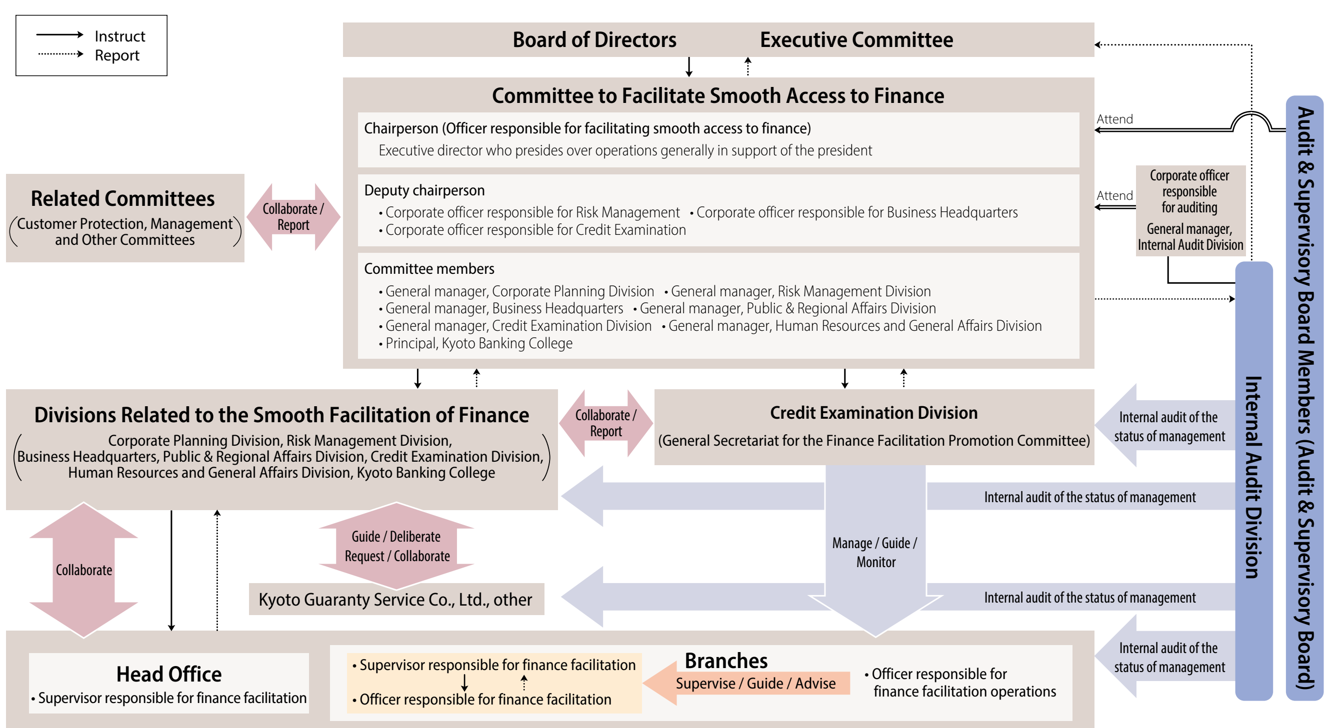
More specifically, we have established a Finance Facilitation Promotion Committee, which assists the Bank president and is chaired by an executive director of the Bank who has overall responsibility for the finance facilitation program, and as the secretariat for the committee the Credit Examination Division provides central management over the status of finance facilitations. This framework incorporates cross-organizational implementation of finance facilitation, including the consideration and implementation of various policies based on reports received from branches.

Each branch is responsible for responding directly to customer questions and/or applications regarding new loans and term changes. Branch personnel endeavor to provide responses appropriate to the facts at hand, with the Finance Facilitation Officer assigned to each branch assessing progress and providing prompt responses.

To make the finance facilitation administration structure function more effectively, we set up a finance facilitation administration program each fiscal year, implementing various policies in compliance with the program.

As a regional banking institution, we will continue to engage in appropriate and active financial intermediary functions, providing financing and cash-management consulting services for companies and personal business owners, as well as loan repayment plan modifications for home loan clients, following the expiration of SME Financing Facilitation Act as of March 31, 2013. We offer a variety of other consulting services, responding to our clients in a prompt, fair, and professional manner.

The Bank's Management Framework for Facilitating Smooth Access to Finance



As of June 29, 2017

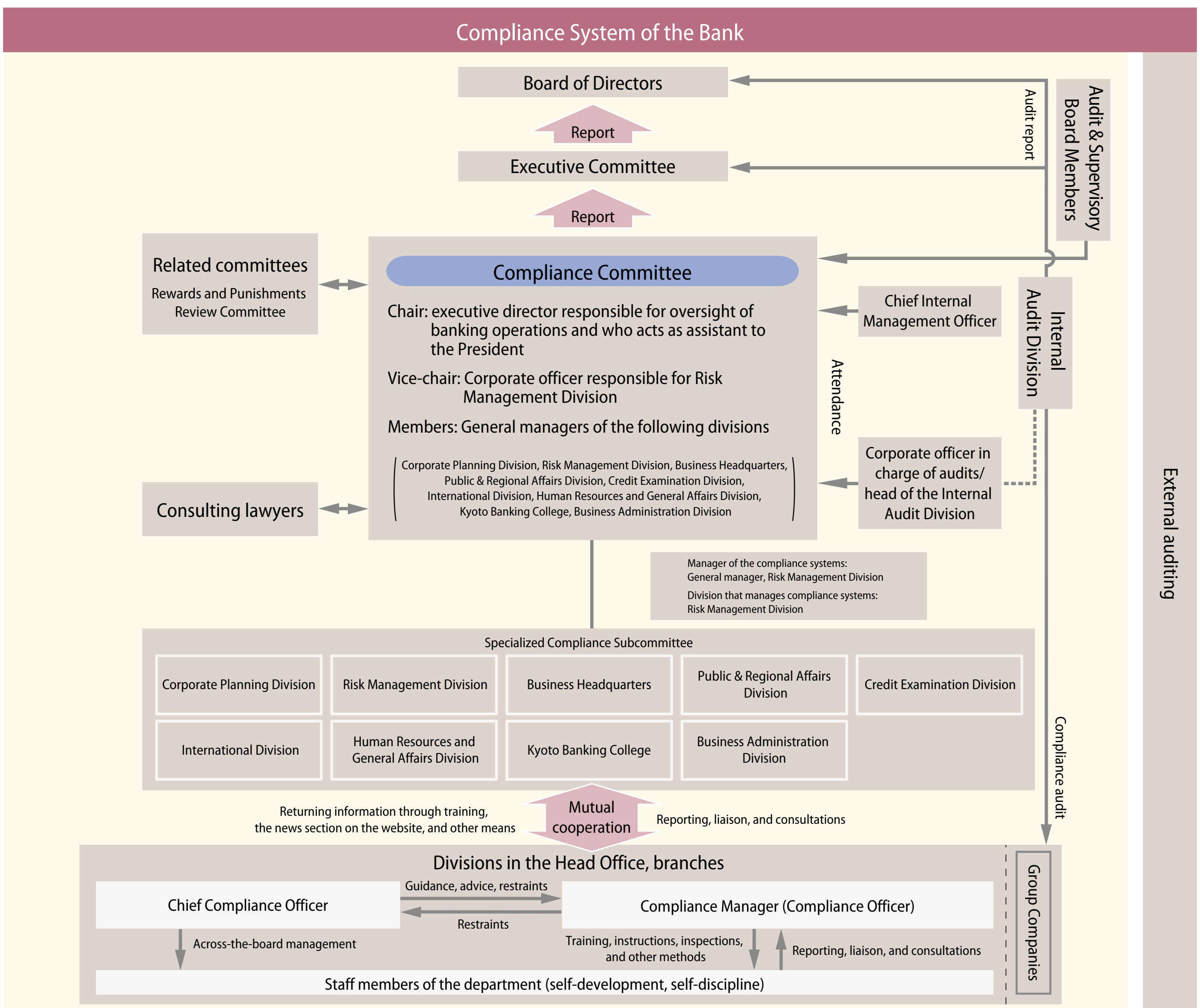
Compliance Structures

Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers. This will enable us to build solid bonds of trust with the local community, and to maintain our reputation as a reliable bank that provides excellent customer satisfaction over the long term. For these purposes, we have worked hard to strengthen our compliance systems. For example, the Compliance Committee (chaired by an executive director responsible for oversight of banking operations and who acts as an assistant to the president) centrally manages and responds to compliance-related problems.

In order to ensure compliance, the Board of Directors establishes compliance programs every fiscal year, and enforces a variety of policies in accordance with these programs.

The Bank has also developed structures under the jurisdiction of the Risk Management Division, and has established and published its Basic Stance on Anti-Social Forces in order to ensure that we block all relationships between the Bank and anti-social forces.



As of June 29, 2017

Risk Management Structures

While the ongoing globalization of Japan's financial system and economy coupled with advances in financial and information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk.

Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

At the Bank of Kyoto, in order to accurately identify the amount of risk involved in the conduct of operations, and to ensure the stability and soundness of its management base, we have established a set of Comprehensive Risk Management Guidelines, and we maintain a self-managed risk management posture that compares aggregate risk to the Bank's capital. We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our head office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). As regards the amount of risk, the amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. The estimated risk amount is reported to the management at the monthly ALM meetings. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting (chaired by an executive director responsible for oversight of banking operations and who acts as an assistant to the president), is subject to semiannual review. Specifically, core capital (before applying transitional measures), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by the corporate officer responsible for the Risk Management Division) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Section is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the section analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes consolidated subsidiaries in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to audit the validity of write-offs and allowances based on asset self-assessments.

In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines. Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating solution plans based on self-assessment results as policies for dealing with individual borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses. While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

The Bank has established Market Risk Guidelines, putting in place a risk management approach and ensuring adequate management of market risk. The Risk Management Division, which oversees these activities, centralizes the understanding and management of market risks arising from assets and liabilities including deposits, loans and securities.

Specifically, it manages and analyzes risks by measuring value-at-risk (VaR) and fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard), in addition to conducting stress tests supposing a variety of different stress scenarios, and utilizing them in risk checks. The Bank also employs tools such as back testing to verify the suitability and effectiveness of its metrics and management methods.

To ensure appropriate management of market risk involving securities, derivatives and other market transactions, the Bank works to regularly measure and understand proper, accurate market pricing. At the same time, we manage the risk of positions we hold by first considering a balance with capital, net business income and other factors involving the Bank's strength and income, then setting risk tolerance levels for position and loss limit amounts, etc. For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amounts based on the Bank's capital and appraisal gains on stocks and other securities. We also conduct adequate risk management, including calculating the daily positions, profits and losses, and risk levels and reporting them to management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and consolidated subsidiaries, the results of which are audited by the Internal Audit Division.

Moreover the Bank conducts semiannual reviews of risk management policy. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and consider measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component risk take responsibility for managing those risks from a specialist's perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges. The Bank has established an Operational Risk Meeting, which is chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as an assistant to the President. The meeting provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the danger of its manifestation.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews.

We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy. We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Financial Section and Corporate Data

I Financial Section

II Corporate Data

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets:			
Cash and due from banks (Notes 3 and 25)	¥ 826,631	¥ 592,840	$ 7,368,134
Call loans and bills bought	51,377	34,166	457,949
Monetary claims bought	12,182	11,927	108,586
Trading securities	55	504	491
Money held in trust (Note 5)	48,151	2,878	429,191
Securities (Notes 4, 10, 15 and 25)	2,865,072	2,807,154	25,537,678
Loans and bills discounted (Notes 7, 11 and 25)	4,978,745	4,598,410	44,377,797
Foreign exchanges (Note 8)	8,411	3,957	74,978
Lease receivables and investment assets (Note 22)	10,171	10,043	90,660
Other assets (Note 10)	19,739	17,948	175,945
Tangible fixed assets (Note 9):	80,827	81,926	720,451
Buildings	30,100	30,238	268,296
Land (Note 12)	44,427	43,771	396,002
Construction in progress	66	886	596
Other tangible fixed assets	6,232	7,029	55,555
Intangible fixed assets:	2,763	2,896	24,636
Software	2,451	2,591	21,847
Other intangible fixed assets	312	305	2,789
Deferred tax assets (Note 24)	1,452	1,591	12,948
Deferred tax assets for land revaluation (Note 12)	5		51
Customers' liabilities for acceptances and guarantees (Note 15)	17,740	15,284	158,125
Allowance for possible loan losses	(23,926)	(27,114)	(213,267)
Total Assets	¥8,899,400	¥8,154,418	$79,324,362
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 13 and 25)	¥7,567,390	¥7,190,731	$67,451,559
Call money and bills sold (Note 10)	20,194	35,832	180,000
Payables under securities lending transactions (Note 10)	163,682	24,238	1,458,975
Borrowed money (Notes 10 and 14)	121,601	39,052	1,083,885
Foreign exchanges (Note 8)	113	215	1,011
Other liabilities	63,221	61,541	563,524
Liability for employees' retirement benefits (Note 23)	38,681	37,452	344,786
Liability for reimbursement of deposit losses	294	350	2,620
Liability for contingent losses	1,112	1,159	9,911
Deferred tax liabilities (Note 24)	139,074	95,505	1,239,635
Deferred tax liabilities for land revaluation (Note 12)		0	
Acceptances and guarantees (Note 15)	17,740	15,284	158,125
Total liabilities	8,133,105	7,501,364	72,494,035
Equity (Notes 16, 17 and 29):			
Common stock, authorized, 1,000,000 thousand shares; issued, 379,203 thousand shares in 2017 and 2016	42,103	42,103	375,289
Capital surplus	30,301	30,301	270,092
Stock acquisition rights	569	518	5,075
Retained earnings	321,389	307,315	2,864,689
Treasury stock — at cost, 1,159 thousand shares in 2017 and 1,210 thousand shares in 2016	(1,072)	(1,121)	(9,562)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	371,008	274,404	3,306,961
Deferred losses on derivatives under hedge accounting	(1,772)	(2,684)	(15,801)
Land revaluation surplus (Note 12)	(13)	1	(117)
Defined retirement benefit plans	(4,906)	(5,556)	(43,733)
Total	757,607	645,282	6,752,894
Noncontrolling interests	8,687	7,770	77,432
Total equity	766,294	653,053	6,830,327
Total Liabilities and Equity	¥8,899,400	¥8,154,418	$79,324,362

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income:			
Interest income:			
Interest on loans and discounts	¥ 46,136	¥ 49,291	$411,233
Interest and dividends on securities	23,898	26,171	213,016
Other interest income	691	720	6,160
Fees and commissions	18,740	19,092	167,040
Other operating income (Note 18)	13,956	11,837	124,400
Other income (Note 19)	7,057	5,725	62,908
Total income	110,480	112,838	984,760
Expenses:			
Interest expenses:			
Interest on deposits	2,809	3,748	25,038
Interest on borrowed money	590	647	5,264
Other interest expenses	1,683	1,303	15,006
Fees and commissions	6,672	6,393	59,476
Other operating expenses (Note 20)	7,107	4,266	63,347
General and administrative expenses	60,251	58,919	537,052
Other expenses (Note 21)	3,664	3,601	32,661
Total expenses	82,779	78,879	737,848
Income Before Income Taxes	27,701	33,958	246,911
Income Taxes (Note 24):			
Current	7,685	9,793	68,504
Deferred	540	2,041	4,817
Net Income	19,475	22,123	173,589
Net Income Attributable to Noncontrolling Interests	873	801	7,788
Net Income Attributable to Owners of the Parent	¥ 18,601	¥ 21,322	$165,801

	Yen		U.S. dollars
	2017	2016	2017
Per Share Information (Notes 2. q and 29):			
Basic net income	¥49.20	¥56.41	$0.43
Diluted net income	49.11	56.31	0.43
Cash dividends applicable to the year	12.00	12.00	0.10

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net Income	¥ 19,475	¥ 22,123	$ 173,589
Other Comprehensive Income (Loss) (Note 27):	98,212	(60,406)	875,408
Unrealized gain (loss) on available-for-sale securities	96,650	(54,569)	861,488
Deferred gain (loss) on derivatives under hedge accounting	912	(489)	8,129
Land revaluation surplus		0	
Defined retirement benefit plans	649	(5,348)	5,790
Comprehensive Income (Loss)	¥117,687	¥(38,283)	$1,048,997
Total Comprehensive Income (Loss) Attributable to:			
Owners of the parent	¥116,766	¥(39,009)	$1,040,795
Noncontrolling interests	920	726	8,202

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	Thousands	Millions of yen											
							Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at April 1, 2015 (as restated)	377,884	¥42,103	¥30,301	¥515	¥290,491	¥(1,208)	¥328,898	¥(2,195)	¥ 63	¥ (207)	¥688,762	¥7,047	¥695,810
Net income attributable to owners of the parent					21,322						21,322		21,322
Cash dividends, ¥12.00 per share					(4,535)						(4,535)		(4,535)
Purchases of treasury stock						(43)					(43)		(43)
Disposals of treasury stock	108				(24)	130					105		105
Disposals of land revaluation surplus					61						61		61
Net change in the year				2			(54,494)	(489)	(61)	(5,348)	(60,391)	722	(59,668)
Balance at March 31, 2016	377,992	42,103	30,301	518	307,315	(1,121)	274,404	(2,684)	1	(5,556)	645,282	7,770	653,053
Net income attributable to owners of the parent					18,601						18,601		18,601
Cash dividends, ¥12.00 per share					(4,536)						(4,536)		(4,536)
Purchases of treasury stock						(11)					(11)		(11)
Disposals of treasury stock	50				(6)	60					54		54
Disposals of land revaluation surplus					14						14		14
Net change in the year				50			96,603	912	(14)	649	98,201	916	99,118
Balance at March 31, 2017	378,043	¥42,103	¥30,301	¥569	¥321,389	¥(1,072)	¥371,008	¥(1,772)	¥(13)	¥(4,906)	¥757,607	¥8,687	¥766,294

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at March 31, 2016	$375,289	$270,092	$4,622	$2,739,243	$(9,999)	$2,445,886	$(23,930)	$ 15	$(49,523)	$5,751,697	$69,259	$5,820,957
Net income attributable to owners of the parent				165,801						165,801		165,801
Cash dividends, $0.10 per share				(40,433)						(40,433)		(40,433)
Purchases of treasury stock					(103)					(103)		(103)
Disposals of treasury stock				(54)	540					486		486
Disposals of land revaluation surplus				132						132		132
Net change in the year			452			861,074	8,129	(132)	5,790	875,314	8,172	883,487
Balance at March 31, 2017	$375,289	$270,092	$5,075	$2,864,689	$(9,562)	$3,306,961	$(15,801)	$(117)	$(43,733)	$6,752,894	$77,432	$6,830,327

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Operating Activities:			
Income before income taxes	¥ 27,701	¥ 33,958	$ 246,911
Depreciation	4,701	5,093	41,910
Equity in loss of an affiliated company	12		113
Decrease in allowance for possible loan losses	(3,187)	(3,174)	(28,415)
Increase in liability for employees' retirement benefits	2,164	876	19,296
(Decrease) increase in liability for reimbursement of deposit losses	(56)	41	(499)
(Decrease) increase in liability for contingent losses	(47)	29	(418)
Interest income	(70,725)	(76,183)	(630,410)
Interest expense	5,083	5,698	45,309
Gains on securities	(9,775)	(5,955)	(87,135)
Losses on money held in trust	1,726	120	15,384
Foreign exchange (gain) loss	(1,552)	4,888	(13,840)
Losses on sales of fixed assets	114	129	1,016
Net decrease (increase) in trading securities	449	(350)	4,003
Net increase in loans	(380,334)	(250,950)	(3,390,093)
Net increase in deposits	248,058	124,016	2,211,054
Net increase (decrease) in negotiable certificates of deposit	128,600	(117,405)	1,146,272
Net increase (decrease) in borrowed money (excluding subordinated loans)	85,548	(15,756)	762,534
Net (increase) decrease in due from banks (excluding due from Bank of Japan)	(2,601)	59	(23,191)
Net (increase) decrease in call loans and bills bought	(17,465)	421	(155,675)
Net (decrease) increase in call money	(15,638)	15,403	(139,388)
Net increase (decrease) in payables under securities lending transactions	139,444	(15,447)	1,242,929
Net (increase) decrease in foreign exchanges (assets)	(4,453)	14	(39,699)
Net (decrease) increase in foreign exchanges (liabilities)	(101)	67	(908)
Net increase in lease receivables and investment assets	(128)	(588)	(1,141)
Interest and dividends received (cash basis)	74,385	81,421	663,032
Interest paid (cash basis)	(5,028)	(5,769)	(44,818)
Other, net	2,889	(4,144)	25,753
Subtotal	209,782	(223,485)	1,869,884
Income taxes — paid	(9,054)	(10,406)	(80,709)
Net cash provided by (used in) operating activities	200,727	(233,892)	1,789,175
Investing Activities:			
Purchases of securities	(1,014,343)	(925,355)	(9,041,296)
Proceeds from sales of securities	780,726	657,026	6,958,971
Proceeds from redemption of securities	322,248	519,353	2,872,342
Increase in money held in trust	(47,000)	(1,500)	(418,932)
Purchases of tangible fixed assets	(3,143)	(3,058)	(28,019)
Proceeds from sales of tangible fixed assets	476	559	4,251
Purchases of intangible fixed assets	(838)	(893)	(7,476)
Increase in investments in an affiliated company	(103)		(922)
Other, net	(21)	(8)	(189)
Net cash provided by investing activities	38,001	246,124	338,727
Financing Activities:			
Repayments of subordinated loans	(3,000)		(26,740)
Dividends paid by the Bank	(4,536)	(4,535)	(40,433)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(4)	(29)
Net cash used in financing activities	(7,539)	(4,539)	(67,203)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	(9)	(15)
Net Increase in Cash and Cash Equivalents	231,188	7,682	2,060,684
Cash and Cash Equivalents at Beginning of Year	590,351	582,668	5,262,064
Cash and Cash Equivalents at End of Year (Note 3)	¥ 821,539	¥ 590,351	$ 7,322,749

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2017

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and the Enforcement Regulation for the Banking Law and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2017 and 2016 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. *Consolidation* — The consolidated financial statements as of March 31, 2017 include the accounts of the Bank and its 8 (7 in 2016) significant subsidiaries (together, the "Group").

Kyogin Securities Co., Ltd. was newly established and included in the scope of consolidation.

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (0 in 2016) affiliated company is accounted for by the equity method.

Sky Ocean Asset Management Co., Ltd. was newly included as an affiliated company accounted for by the equity method as a result of purchase of shares.

Of the consolidated subsidiaries, 8 and 7 in 2016 and 2015, respectively, have fiscal years ending on March 31, which is the same as the fiscal year end date of the Bank.

Investments in the remaining unconsolidated subsidiaries and an affiliated company are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. *Cash Equivalents* — For purposes of the consolidated statements of cash flows, the Group considers deposits with Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

c. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

d. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

f. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan (the "ASBJ") Practical Issues Task Force No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of these changes on profit before income taxes for the year ended March 31, 2017 is immaterial.

g. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

h. *Long-Lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective tangible fixed assets.

i. *Allowance for Possible Loan Losses* — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as legal bankruptcy or virtual bankruptcy, a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as possible bankruptcy, which are currently neither legally nor virtually bankrupt but are likely to become bankrupt, and for claims to debtors which had restructured loans, allowances are provided at the amounts deemed necessary based on an overall solvency assessment performed after deducting amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceed a pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.

For other claims, an allowance is provided based on historical loan loss experience.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Subsidiaries provide for the liability for employees' severance payments based on amounts that would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

The Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

k. *Liability for Reimbursement of Deposit Losses* — A liability for reimbursement of deposits which was derecognized as a liability is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

l. *Liability for Contingent Losses* — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

m. *Foreign Currency Transactions* — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

n. *Stock Options* — Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

o. *Leases* — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

With regard to finance lease transactions entered into prior to April 1, 2008, that were not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets at the transaction date.

The Group applied the revised accounting standard effective April 1, 2008.

p. *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

q. *Per Share Information* — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

3. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2017 and 2016, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and due from banks	**¥826,631**	¥592,840	**$7,368,134**
Interest-bearing deposits included in due from banks (other than due from Bank of Japan)	**(5,091)**	(2,489)	**(45,385)**
Cash and cash equivalents	**¥821,539**	¥590,351	**$7,322,749**

4. Securities

Securities at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Japanese government bonds	**¥ 769,486**	¥ 943,278	**$ 6,858,778**
Japanese local government bonds	**423,685**	364,174	**3,776,500**
Japanese corporate bonds	**726,780**	794,913	**6,478,118**
Japanese corporate stocks	**685,610**	517,558	**6,111,157**
Other securities	**259,509**	187,229	**2,313,122**
Total	**¥2,865,072**	¥2,807,154	**$25,537,678**

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, were ¥752 million ($6,710 thousand) and ¥651 million as of March 31, 2017 and 2016, respectively.

The cost and aggregate fair value of available-for-sale securities at March 31, 2017 and 2016 were as follows:

	Millions of yen									
	2017					2016				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 176,624	¥ 682,124	¥505,500	¥506,340	¥ 840	¥ 176,086	¥ 514,176	¥338,090	¥340,680	¥2,590
Japanese government bonds	752,980	769,486	16,506	17,998	1,492	911,878	941,278	29,400	29,400	
Japanese local government bonds	416,792	423,685	6,892	7,834	942	354,326	364,174	9,847	9,858	11
Japanese corporate bonds	721,603	726,780	5,176	5,707	531	786,704	794,913	8,209	8,265	56
Japanese bonds — total	1,891,376	1,919,952	28,575	31,541	2,965	2,052,909	2,100,366	47,456	47,523	67
Foreign bonds	164,254	161,446	(2,807)	410	3,218	126,546	127,855	1,309	1,369	59
Other	95,338	96,035	697	1,734	1,036	51,749	57,735	5,985	6,687	701
Other — total	259,593	257,482	(2,110)	2,145	4,255	178,295	185,591	7,295	8,056	761
Total	¥2,327,594	¥2,859,559	¥531,964	¥540,026	¥8,061	¥2,407,292	¥2,800,134	¥392,842	¥396,261	¥3,418

	Thousands of U.S. dollars				
	2017				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,574,336	$ 6,080,087	$4,505,750	$4,513,243	$ 7,492
Japanese government bonds	6,711,651	6,858,778	147,127	160,430	13,303
Japanese local government bonds	3,715,061	3,776,500	61,439	69,836	8,397
Japanese corporate bonds	6,431,979	6,478,118	46,139	50,872	4,733
Japanese bonds — total	16,858,692	17,113,397	254,705	281,139	26,433
Foreign bonds	1,464,075	1,439,048	(25,027)	3,663	28,690
Other	849,794	856,007	6,213	15,456	9,243
Other — total	2,313,870	2,295,056	(18,813)	19,119	37,933
Total	$20,746,899	$25,488,541	$4,741,642	$4,813,502	$71,859

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2017 and 2016.

Available-for-sale securities sold during the fiscal year:

	Millions of yen					
	2017			2016		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:						
Equity securities	¥ 33,590	¥ 3,663	¥ 191	¥ 36,841	¥2,010	¥1,924
Debt securities	565,184	5,345	759	477,785	3,022	23
Other securities	181,743	3,911	2,289	139,788	3,371	348
Total	¥780,518	¥12,920	¥3,240	¥654,414	¥8,404	¥2,296

	Thousands of U.S. dollars		
	2017		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 299,409	$ 32,652	$ 1,706
Debt securities	5,037,740	47,643	6,769
Other securities	1,619,965	34,866	20,403
Total	$6,957,115	$115,162	$28,879

The classification of securities was not changed in the years ended March 31, 2017 and 2016.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥1 million ($13 thousand) and ¥153 million, respectively, for the years ended March 31, 2017 and 2016.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank's self-assessment guidelines.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) For securities issued by obligors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

"Legal bankruptcy" refers to issuers who have already gone bankrupt from a legal and/or formal perspective. "Virtual bankruptcy" refers to issuers who have not yet gone legally or formerly bankrupt but who are substantially bankrupt because they are in serious financial difficulties and the possibility of restructuring is remote. "Possible bankruptcy" refers to issuers who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future. "Caution" refers to debtors who require close attention because there are problems with their borrowings. "Normal" refers to issuers other than those classified as "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy" and "caution" mentioned above.

5. Money Held in Trust

(1) Money held in trust classified as trading:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
	Carrying amount	Unrealized gains (losses) included in earnings	Carrying amount	Unrealized gains (losses) included in earnings	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥48,151		¥2,878		$429,191	

(2) No money held in trust was classified as held-to-maturity at March 31, 2017 and 2016.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2017 and 2016.

6. Net Unrealized Gains/Losses on Available-for-sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net unrealized gains on available-for-sale securities	¥ 531,964	¥ 392,842	$ 4,741,642
Deferred tax liabilities	(160,779)	(118,307)	(1,433,101)
Net unrealized gains on valuation (before adjustment)	371,185	274,534	3,308,540
Noncontrolling interests	(177)	(130)	(1,579)
Net unrealized gains on valuation	¥ 371,008	¥ 274,404	$ 3,306,961

7. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Bills discounted	¥ 23,514	¥ 25,774	$ 209,591
Loans on bills	100,080	102,204	892,061
Loans on deeds	4,402,026	4,032,012	39,237,242
Overdrafts	453,124	438,419	4,038,902
Total	¥4,978,745	¥4,598,410	$44,377,797

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥24,715 million ($220,295 thousand) and ¥27,180 million at March 31, 2017 and 2016, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans in legal bankruptcy	¥ 3,478	¥ 4,820	$ 31,003
Nonaccrual loans	72,269	82,698	644,171
Restructured loans	479	590	4,270
Total	¥76,226	¥88,109	$679,445

Loans in legal bankruptcy are loans in which interest accrual is discontinued (excluding the portion recognized as bad debt), based on management's judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors.

Nonaccrual loans are loans in which interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payments to debtors in financial difficulty to assist them in their recovery.

Past due loans (three months or more) are excluded loans that are classified as loans in legal bankruptcy and nonaccrual loans.

Restructured loans are loans on which the Bank grants concessions (e.g., reductions of the stated interest rate, deferrals of interest payments, extensions of maturity dates, waivers of the face amount, or other measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans, and accruing loans contractually past due by three months or more are excluded.

8. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets:			
Due from foreign correspondents	¥6,900	¥2,079	$61,505
Foreign bills of exchange purchased	1,202	1,406	10,714
Foreign bills of exchange receivable	309	472	2,759
Total	¥8,411	¥3,957	$74,978
Liabilities:			
Foreign bills of exchange sold	¥ 113	¥ 215	$ 1,011
Total	¥ 113	¥ 215	$ 1,011

9. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2017 and 2016, amounted to ¥78,520 million ($699,886 thousand) and ¥76,846 million, respectively.

10. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Securities	¥278,054	¥39,069	$2,478,425

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deposits	¥29,204	¥14,315	$ 260,308
Call money	11,219		100,000
Payables under securities lending transactions	163,682	24,238	1,458,975
Borrowed money	91,979	6,384	819,858

In addition, securities totaling ¥371,512 million ($3,311,456 thousand) and ¥368,741 million at March 31, 2017 and 2016, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash collateral paid for financial instruments	¥4,226		$37,668
Surety deposits	1,714	¥1,685	15,281

11. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2017 and 2016, such commitments amounted to ¥1,403,330 million ($12,508,518 thousand) and ¥1,329,641 million, respectively, of which ¥1,342,679 million ($11,967,911 thousand) and ¥1,280,639 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, there is a deterioration in the customer's creditworthiness, or other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, at the execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

12. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2017 and 2016, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥214 million ($1,910 thousand) and by ¥1,645 million, respectively.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

13. Deposits

Deposits at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current deposits	¥ 306,416	¥ 269,128	$ 2,731,231
Ordinary deposits	3,462,449	3,297,992	30,862,368
Savings deposits	83,248	83,265	742,029
Deposits at notice	13,707	18,983	122,177
Time deposits	2,535,596	2,498,446	22,600,911
Other deposits	240,866	226,408	2,146,948
Subtotal	6,642,283	6,394,225	59,205,667
Negotiable certificates of deposit	925,106	796,506	8,245,892
Total	¥7,567,390	¥7,190,731	$67,451,559

14. Borrowed Money

Borrowed money at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Subordinated loans	¥ 29,000	¥32,000	$ 258,490
Borrowing from banks and other	92,601	7,052	825,395
Total	¥121,601	¥39,052	$1,083,885

At March 31, 2017 and 2016, the weighted average interest rates applicable to borrowed money were 0.55% and 1.69%, respectively.

Annual maturities of borrowed money at March 31, 2017, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 92,319	$ 822,889
2019	130	1,158
2020	51	459
2021	20	178
2022	79	709
2023 and thereafter	29,000	258,490
Total	¥121,601	$1,083,885

15. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥19,091 million ($170,172 thousand) as of March 31, 2017.

16. Equity

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. *Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

17. Stock Options

Stock-based compensation expenses were ¥105 million ($938 thousand) and ¥108 million for the years ended March 31, 2017 and 2016, respectively.

The stock options outstanding as of March 31, 2017, were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock option	12 directors and 6 executive officers of the Bank	87,100 shares	July 29, 2008	¥1 ($0.01)	From July 30, 2008, to July 29, 2038
2009 Stock option	12 directors and 5 executive officers of the Bank	111,900 shares	July 29, 2009	¥1 ($0.01)	From July 30, 2009, to July 29, 2039
2010 Stock option	12 directors and 7 executive officers of the Bank	143,700 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010, to July 29, 2040
2011 Stock option	12 directors and 8 executive officers of the Bank	149,800 shares	August 1, 2011	¥1 ($0.01)	From August 2, 2011, to August 1, 2041
2012 Stock option	13 directors and 10 executive officers of the Bank	164,800 shares	July 30, 2012	¥1 ($0.01)	From July 31, 2012, to July 30, 2042
2013 Stock option	13 directors and 8 executive officers of the Bank	144,400 shares	July 30, 2013	¥1 ($0.01)	From July 31, 2013, to July 30, 2043
2014 Stock option	13 directors and 10 executive officers of the Bank	124,400 shares	July 30, 2014	¥1 ($0.01)	From July 31, 2014, to July 30, 2044
2015 Stock option	10 directors and 14 executive officers of the Bank	75,100 shares	July 30, 2015	¥1 ($0.01)	From July 31, 2015, to July 30, 2045
2016 Stock option	9 directors and 14 executive officers of the Bank	158,400 shares	July 28, 2016	¥1 ($0.01)	From July 29, 2016, to July 28, 2046

The stock option activity was as follows:

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option
Year Ended March 31, 2016								
Non-vested								
March 31, 2015 — Outstanding							124,400	
Granted								75,100
Canceled							(2,600)	
Vested							(121,800)	
March 31, 2016 — Outstanding								75,100
Vested								
March 31, 2015 — Outstanding	59,100	77,400	103,500	108,600	136,600	127,200		
Vested							121,800	
Exercised	(10,200)	(13,200)	(19,700)	(22,700)	(24,200)	(22,400)	(29,400)	
Canceled								
March 31, 2016 — Outstanding	48,900	64,200	83,800	85,900	112,400	104,800	92,400	

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option
Year Ended March 31, 2017									
Non-vested									
March 31, 2016 -— Outstanding								75,100	
Granted									158,400
Canceled									
Vested								75,100	
March 31, 2017 — Outstanding									158,400
Vested									
March 31, 2016 — Outstanding	48,900	64,200	83,800	85,900	112,400	104,800	92,400		
Vested								75,100	
Exercised	(5,100)	(6,600)	(7,800)	(8,000)	(11,100)	(10,000)	(8,100)	(8,800)	
Canceled									
March 31, 2017 — Outstanding	43,800	57,600	76,000	77,900	101,300	94,800	84,300	66,300	
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	
Fair value price at grant date	¥978 ($8)	¥805 ($7)	¥686 ($6)	¥678 ($6)	¥526 ($4)	¥762 ($6)	¥902 ($8)	¥1,439 ($12)	¥659 ($5)

The fair value of stock options granted in 2017 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	45.1%
Estimated remaining outstanding period:	One and a half years
Estimated dividend:	¥12 per share
Risk free interest rate:	–0.36%

18. Other Operating Income

Other operating income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gains on foreign exchange transactions — net	¥ 181	¥ 606	$ 1,619
Gains on sales of bonds	9,256	6,394	82,509
Gains on sales of derivatives		449	
Lease receipts	4,075	3,947	36,330
Other	442	439	3,940
Total	¥13,956	¥11,837	$124,400

19. Other Income

Other income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Recovery of loans previously charged off	¥ 1	¥ 1	$ 9
Gains on sales of stocks and other securities	3,761	2,012	33,525
Reversal of allowance for possible loan losses	1,108	1,146	9,880
Gains on sales of tangible fixed assets	73	148	656
Other	2,113	2,416	18,836
Total	¥7,057	¥5,725	$62,908

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Losses on sales of bonds	¥3,048	¥ 372	$27,172
Lease costs	3,523	3,382	31,407
Other	534	511	4,767
Total	¥7,107	¥4,266	$63,347

21. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Charge-off claims	¥ 62	¥ 26	$ 560
Losses on sales of stocks and other securities	191	1,924	1,706
Losses on devaluation of stocks and other securities	0	154	6
Losses on invests in money held in trust	1,726	120	15,384
Losses on sales of tangible fixed assets	187	277	1,673
Equity in loss of an affiliated company	12		113
Other	1,482	1,097	13,214
Total	¥3,664	¥3,601	$32,661

22. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 238	¥ 259	$ 2,124
Due after one year	1,592	1,830	14,194
Total	¥1,830	¥2,089	$16,318

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gross leased investment assets	¥10,815	¥10,638	$96,402
Estimated residual values	10	12	94
Unearned interest income	(1,046)	(1,078)	(9,325)
Leased investment assets	¥ 9,779	¥ 9,572	$87,170

Maturities of lease receivables and investment assets for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	2017	2017	2017	2017
2018	¥173	$1,546	¥ 3,390	$30,223
2019	115	1,033	2,855	25,451
2020	63	563	2,086	18,595
2021	35	314	1,344	11,982
2022	10	91	679	6,056
2023 and thereafter	4	42	459	4,092
Total	¥403	$3,593	¥10,815	$96,402

The minimum future rentals to be received under noncancelable operating leases at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥3	¥5	$33
Due after one year	2	4	26
Total	¥6	¥9	$60

23. Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans.

(1) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year (as restated)	**¥59,868**	¥52,498	**$533,635**
Current service cost	**2,573**	2,057	**22,942**
Interest cost	**298**	524	**2,664**
Actuarial gains	**552**	6,981	**4,923**
Benefits paid	**(2,131)**	(2,193)	**(19,002)**
Others	**0**	0	**5**
Balance at end of year	**¥61,162**	¥59,868	**$545,169**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥22,415**	¥23,623	**$199,800**
Expected return on plan assets	**448**	472	**3,995**
Actuarial gains (losses)	**420**	(845)	**3,748**
Contributions from the employer	**730**	759	**6,508**
Benefits paid	**(1,534)**	(1,594)	**(13,681)**
Others	**0**	0	**5**
Balance at end of year	**¥22,480**	¥22,415	**$200,377**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded defined benefit obligation	**¥ 50,673**	¥ 49,660	**$ 451,671**
Plan assets	**(22,480)**	(22,415)	**(200,377)**
	28,192	27,244	**251,294**
Unfunded defined benefit obligation	**10,488**	10,208	**93,492**
Net liability arising from defined benefit obligation	**¥ 38,681**	¥ 37,452	**$ 344,786**

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Liability for retirement benefits	**¥38,681**	¥37,452	**$344,786**
Asset for retirement benefits			
Net liability arising from defined benefit obligation	**¥38,681**	¥37,452	**$344,786**

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥2,573**	¥2,057	**$22,937**
Interest cost	**298**	524	**2,664**
Expected return on plan assets	**(448)**	(472)	**(3,995)**
Recognized actuarial gains	**1,068**	126	**9,520**
Net periodic benefit costs	**¥3,492**	¥2,234	**$31,126**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Actuarial losses	**¥(936)**	¥(7,701)	**$(8,345)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service cost			
Unrecognized actuarial gains	**¥7,071**	¥8,008	**$63,034**

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Debt investments	**46%**	45%
Equity investments	**34**	40
Cash and cash equivalents	**9**	6
Others	**11**	9
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets was determined considering the long-term rates of return which were expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	**0.5%**	0.5%
Expected rate of return on plan assets	**2.0**	2.0
Expected salary increase rate	**3.9**	3.9

24. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.0% and 33.0%, respectively, for the years ended March 31, 2017 and 2016.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for possible loan losses	¥ 6,931	¥ 6,801	$ 61,786
Liability for employees' retirement benefits	2,852	11,477	25,424
Devaluation of stocks and other securities	11,850	3,039	105,627
Depreciation	322	346	2,874
Other	4,171	5,846	37,182
Less valuation allowance	(2,908)	(3,063)	(25,920)
Total	¥ 23,220	¥ 24,448	$ 206,975
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥160,779	¥118,307	$1,433,101
Other	62	54	559
Total	¥160,842	¥118,361	$1,433,661
Net deferred tax assets	¥ 1,452	¥ 1,591	$ 12,948
Net deferred tax liabilities	139,074	95,505	1,239,635

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, was as follows:

	2016
Normal effective statutory tax rate	33.0%
Expenses not deductible for income tax purposes	0.3
Income not taxable for income tax purposes	(1.6)
Per capita inhabitant tax	0.3
Increase in valuation allowance for deferred tax assets	(0.0)
Effect of reduction of income tax rates on deferred tax assets	3.3
Others	(0.5)
Actual effective tax rate	34.8%

A reconciliation for the year ended March 31, 2017, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

25. Financial Instruments and Related Disclosures

In March, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Basic policy for financial instruments

The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

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

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, interest rate caps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2017. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans, time deposits and currency-denominated available-for-sale securities.

③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of nonperforming loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit-risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for possible loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. In managing credit for specific borrowers, the Bank has established a Credit Examination Division independent from business divisions, and the Bank is implementing strict credit screening. Obligor's ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank's stance on market risk has been set out in the Market Risk Guidelines and the Bank is taking steps to strengthen market risk management. The Securities & International Division, which is responsible for conducting market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. Regarding quantitative analysis of the risk associated with the Bank's investment in securities, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and submits a report on risk valuations at the monthly asset liability management ("ALM") meeting.

For stocks, the Bank measures its positions and profit and loss on a daily basis and reports these to management in line with the risk management policy on stocks. A semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities held by the Group, the results of which are subject to audit by the Internal Audit Division and the independent auditor. In addition, the Bank established the ALM Office within the Risk Management Office in the Risk Management Division to unify the management of market risk (including risk for deposits and loans), credit risk, and other risks, and to adequately control risks within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks," "Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2017 and 2016 was ¥21.3 billion ($189 million) and ¥15.8 billion.

VaR by risk type at March 31, 2017 and 2016, was as follows:

	Billions of yen		Millions of U.S. dollars
	2017	2016	2017
Interest rate fluctuation risk	¥12.8	¥10.3	$114
Market price fluctuation risk (*)	8.4	5.4	74
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥21.3	¥15.8	$189

(*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

③ Liquidity risk management
The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on fair value of financial instruments
The fair value of financial instruments includes market prices, as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments
Accounts that had immaterial amounts on the consolidated balance sheet were not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined were not included in the following table (see (b)).

	Millions of yen		
March 31, 2017	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 826,631	¥ 826,631	
Securities:			
Held-to-maturity bonds			
Available-for-sale securities	2,859,559	2,859,559	
Loans and bills discounted	4,978,745		
Allowance for possible loan losses (*1)	(22,725)		
	4,956,019	4,969,465	¥13,445
Total	¥8,642,210	¥8,655,655	¥13,445
Deposits (other than negotiable certificates of deposit)	¥6,642,283	¥6,642,719	¥ 435
Negotiable certificates of deposit	925,106	925,108	1
Payables under securities lending transactions	163,682	163,682	
Borrowed money	121,601	121,945	344
Total	¥7,852,674	¥7,853,456	¥ 782
Derivatives (*2):			
Hedge accounting not applied	¥ (769)	¥ (769)	
Hedge accounting applied	(3,942)	(3,942)	
Total	¥ (4,711)	¥ (4,711)	

	Millions of yen		
March 31, 2016	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 592,840	¥ 592,840	
Securities:			
Held-to-maturity bonds	2,000	2,001	¥ 1
Available-for-sale securities	2,800,134	2,800,134	
Loans and bills discounted	4,598,410		
Allowance for possible loan losses (*1)	(25,870)		
	4,572,540	4,613,664	41,124
Total	¥7,967,515	¥8,008,641	¥41,125
Deposits (other than negotiable certificates of deposit)	¥6,394,225	¥6,395,600	¥ 1,375
Negotiable certificates of deposit	796,506	796,519	12
Total	¥7,190,731	¥7,192,119	¥ 1,387
Derivatives (*2):			
Hedge accounting not applied	¥ 1,249	¥ 1,249	
Hedge accounting applied	(2,237)	(2,237)	
Total	¥ (988)	¥ (988)	

	Thousands of U.S. dollars		
March 31, 2017	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	$ 7,368,134	$ 7,368,134	
Securities:			
Held-to-maturity bonds			
Available-for-sale securities	25,488,541	25,488,541	
Loans and bills discounted	44,377,797		
Allowance for possible loan losses (*1)	(202,563)		
	44,175,234	44,295,080	$119,845
Total	$77,031,910	$77,151,756	$119,845
Deposits (other than negotiable certificates of deposit)	$59,205,667	$59,209,551	$ 3,884
Negotiable certificates of deposit	8,245,892	8,245,908	15
Payables under securities lending transactions	1,458,975	1,458,975	
Borrowed money	1,083,885	1,086,959	3,073
Total	$69,994,420	$70,001,394	$ 6,973
Derivatives (*2):			
Hedge accountings not applied	$ (6,854)	$ (6,854)	
Hedge accountings applied	(35,138)	(35,138)	
Total	$ (41,992)	$ (41,992)	

(*1) General and specific allowances for possible loan losses corresponding to "Loans and bills discounted" were deducted.
(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

Call loans and bills bought

The carrying amount is presented as the fair value since fair value approximates such carrying amount because of their short maturities (within one year).

Securities

The fair value of stocks is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings, and terms of the bonds. Information on securities by classification is included in Note 4.

Loans and bills discounted

For floating rate loans, the carrying amount is presented as a fair value as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed-rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings, and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value since the fair value is expected to approximate the carrying amount based on the estimated loan periods, interest rates, and other conditions.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flow discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

Payables under securities lending transactions

The terms of all liabilities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

Borrowed money

Floating rate-borrowed money reflect market interest rates in short periods, and the credit standing of the Bank and its consolidated subsidiaries has not significantly changed from when the money was borrowed. The fair value of floating rate borrowed money is, therefore consolidated to approximate the carrying value and is deemed equal to the carrying value. The present value of fixed-rate borrowed money which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money whose term is short(within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

Derivatives

Fair value information for derivatives is included in Note 26.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

The following instruments were not included in "Securities: Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Non-listed stocks (*1) (*2)	**¥3,395**	¥3,381	**$30,261**
Investments in venture funds (*3)	**2,026**	1,638	**18,066**
Total	**¥5,421**	¥5,020	**$48,327**

(*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

(*2) With respect to non-listed stocks, losses on devaluation of ¥0 million ($6 thousand) and ¥0 million were recorded for the years ended March 31, 2017 and 2016, respectively.

(*3) The fair values of investments in venture funds cannot be reliably determined, so they are not subject to fair value disclosure.

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
March 31, 2017	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 746,534					
Securities:						
Held-to-maturity bonds						
Available-for-sale	290,867	¥ 589,095	¥ 510,663	¥201,094	¥ 372,402	¥ 82,353
Loans and bills discounted (*)	1,053,512	830,221	783,865	469,504	711,054	1,039,122
Total	¥2,090,914	¥1,419,316	¥1,294,528	¥670,599	¥1,083,457	¥1,121,476

	Millions of yen					
March 31, 2016	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 515,837					
Securities:						
Held-to-maturity bonds	2,000					
Available-for-sale	272,856	¥ 517,118	¥ 748,206	¥364,303	¥256,802	¥ 12,140
Loans and bills discounted (*)	1,085,456	808,583	718,073	421,039	542,778	917,590
Total	¥1,876,150	¥1,325,701	¥1,466,280	¥785,343	¥799,581	¥929,730

	Thousands of U.S. dollars					
March 31, 2017	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	$ 6,654,195					
Securities:						
Held-to-maturity bonds						
Available-for-sale	2,592,629	$ 5,250,875	$ 4,551,770	$1,792,446	$3,319,393	$ 734,057
Loans and bills discounted (*)	9,390,434	7,400,134	6,986,942	4,184,904	6,337,947	9,262,171
Total	$18,637,259	$12,651,010	$11,538,712	$5,977,351	$9,657,341	$9,996,229

(*) At March 31, 2017 and 2016, loans and bills discounted of ¥75,747 million ($675,174 thousand) and ¥87,519 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, were not included in the table. At March 31, 2017 and 2016, loans and bills discounted of ¥15,716 million ($140,088 thousand) and ¥17,368 million, respectively, that did not have fixed maturities were not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of yen					
March 31, 2017	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥6,245,013	¥366,995	¥30,273			
Negotiable certificates of deposit	922,686	2,419				
Payables under securities lending transactions	163,682					
Borrowed money	92,319	181	99	¥29,000		
Total	¥7,423,703	¥369,597	¥30,373	¥29,000		

	Millions of yen					
March 31, 2016	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥5,961,381	¥397,404	¥35,438			
Negotiable certificates of deposit	796,506					
Borrowed money	6,978	30	44	¥16,000	¥16,000	
Total	¥6,764,866	¥397,434	¥35,482	¥16,000	¥16,000	

	Thousands of U.S. dollars					
March 31, 2017	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	$55,664,621	$3,271,200	$269,844			
Negotiable certificates of deposit	8,224,322	21,569				
Payables under securities lending transactions	1,458,975					
Borrowed money	822,889	1,618	887	$258,490		
Total	$66,170,808	$3,294,389	$270,732	$258,490		

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

26. Derivatives

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements, and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

	Millions of yen			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥72,013	¥64,962	¥1,374	¥1,374
Receive floating and pay fixed	72,013	64,962	(661)	(661)
Other:				
Sold	¥ 35	¥ 35		¥ 11
Bought	35	35		(7)
Total			¥ 712	¥ 716

	Millions of yen			
	2016			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥91,348	¥86,432	¥ 2,037	¥ 2,037
Receive floating and pay fixed	91,348	86,432	(1,027)	(1,027)
Other:				
Sold	¥ 58	¥ 58		¥ 11
Bought	58	58		(7)
Total			¥ 1,010	¥ 1,014

	Thousands of U.S. dollars			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$641,890	$579,037	$12,251	$12,251
Receive floating and pay fixed	641,890	579,037	(5,899)	(5,899)
Other:				
Sold	$ 314	$ 314		$ 106
Bought	314	314		(67)
Total			$ 6,351	$ 6,390

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows or option-pricing models.

(2) Currency-related Transactions

	Millions of yen			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥87,685	¥2,322	¥(2,052)	¥(2,052)
Bought	59,665	2,186	570	570
Currency options:				
Sold	¥12,757	¥5,427	¥ (356)	¥ 83
Bought	12,757	5,427	356	23
Total			¥(1,481)	¥(1,375)

	Millions of yen			
	2016			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥36,969	¥3,112	¥ (19)	¥ (19)
Bought	61,727	2,884	258	258
Currency options:				
Sold	¥20,345	¥6,085	¥(573)	¥ 57
Bought	20,345	6,085	573	92
Total			¥ 238	¥388

	Thousands of U.S. dollars			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$781,580	$20,699	$(18,295)	$(18,295)
Bought	531,825	19,489	5,089	5,089
Currency options:				
Sold	$113,709	$48,375	$ (3,179)	$ 740
Bought	113,709	48,375	3,179	206
Total			$(13,206)	$(12,259)

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related Transactions

	Millions of yen		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥85,585	¥65,463	¥(2,487)

	Millions of yen		
	2016		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥79,642	¥79,401	¥(3,824)

	Thousands of U.S. dollars		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$762,865	$583,501	$(22,172)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.
2. The fair values of the above derivatives were principally based on quoted market prices, such as those from Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans and time deposits.

(2) Currency-related Transactions

	Millions of yen		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥23,635		¥(1,454)

	Millions of yen		
	2016		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥22,536		¥1,587

	Thousands of U.S. dollars		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	$210,677		$(12,965)

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Audit Committee Report No. 25.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were currency-denominated available-for-sale securities.

27. Other Comprehensive (Loss) Income

The components of other comprehensive (loss) income for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrealized (losses) gains on available-for-sale securities:			
Gains (losses) arising during the year	¥148,800	¥(83,341)	$1,326,330
Reclassification adjustments to profit or loss	(9,678)	(5,954)	(86,269)
Amount before income tax effect	139,122	(89,295)	1,240,061
Income tax effect	42,472	(34,726)	378,572
Total	96,650	(54,569)	861,488
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	56	(1,723)	505
Reclassification adjustments to profit or loss	1,257	1,094	11,211
Amount before income tax effect	1,314	(628)	11,717
Income tax effect	402	(139)	3,587
Total	912	(489)	8,129
Defined retirement benefit plans:			
Losses arising during the year	(131)	(7,827)	(1,175)
Reclassification adjustments to profit or loss	1,068	126	9,520
Amount before income tax effect	936	(7,701)	8,345
Income tax effect	286	(2,353)	2,555
Total	649	(5,348)	5,790
Land revaluation surplus		0	
Total other comprehensive (loss) income	¥ 98,212	¥(60,406)	$ 875,408

28. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.

The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment of the Group.

The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc.

2. Methods of Measurement of Operating Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit of the reportable segment is based on "net operating income." "Net operating income" does not include certain other income and expenses, income taxes, and noncontrolling interests.

3. Information about Operating Income, Profit (Loss), Assets, Liabilities, and Other Items was as follows.

	Millions of yen				
	2017				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 101,609	¥ 8,797	¥ 110,406		¥ 110,406
Intersegment	449	2,007	2,456	¥ (2,456)	
Total	¥ 102,058	¥10,804	¥ 112,862	¥ (2,456)	¥ 110,406
Segment profit (Note 3)	¥ 25,139	¥ 2,694	¥ 27,833	¥ (18)	¥ 27,815
Segment assets (Note 4)	8,892,887	49,891	8,942,779	(43,379)	8,899,400
Segment liabilities (Note 5)	8,139,071	26,612	8,165,683	(32,577)	8,133,105
Other:					
Depreciation	4,643	58	4,701		4,701
Interest income (Note 3)	70,653	149	70,802	(76)	70,725
Interest expense (Note 3)	5,075	71	5,146	(63)	5,083
Equity in losses of an affiliated company		12	12		12
Investments in an affiliated company accounted by equity method		90	90		90
Increase in tangible and intangible fixed assets	3,941	40	3,982		3,982

	Millions of yen				
	2016				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 104,203	¥ 8,485	¥ 112,689		¥ 112,689
Intersegment	450	2,089	2,540	¥ (2,540)	
Total	¥ 104,654	¥10,575	¥ 115,230	¥ (2,540)	¥ 112,689
Segment profit (Note 3)	¥ 31,442	¥ 2,664	¥ 34,107	¥ (19)	¥ 34,088
Segment assets (Note 4)	8,143,667	43,904	8,187,571	(33,153)	8,154,418
Segment liabilities (Note 5)	7,500,642	25,531	7,526,174	(24,809)	7,501,364
Other:					
Depreciation	5,013	79	5,093		5,093
Interest income (Note 3)	76,098	179	76,278	(95)	76,183
Interest expense (Note 3)	5,689	85	5,774	(75)	5,698
Increase in tangible and intangible fixed assets	3,928	23	3,951		3,951

	Thousands of U.S. dollars				
	2017				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 905,691	$ 78,412	$ 984,103		$ 984,103
Intersegment	4,002	17,891	21,893	$ (21,893)	
Total	$ 909,693	$ 96,303	$ 1,005,997	$ (21,893)	$ 984,103
Segment profit (Note 3)	$ 224,077	$ 24,017	$ 248,095	$ (166)	$ 247,928
Segment assets (Note 4)	79,266,313	444,709	79,711,022	(386,660)	79,324,362
Segment liabilities (Note 5)	72,547,209	237,208	72,784,417	(290,382)	72,494,035
Other:					
Depreciation	41,389	520	41,910		41,910
Interest income (Note 3)	629,764	1,328	631,093	(682)	630,410
Interest expense (Note 3)	45,238	635	45,873	(563)	45,309
Equity in losses of an affiliated company		113	113		113
Investments in affiliated company accounted by equity method		809	809		809
Increase in tangible and intangible fixed assets	35,131	364	35,495		35,495

Notes: 1. "Operating income" was presented as a substitute for sales in industries. "Operating income" did not include certain other income.
2. "Other" included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, and several other businesses.
3. "Reconciliations" were eliminations of intersegment transactions.
4. "Reconciliations" were eliminations of intersegment assets.
5. "Reconciliations" were eliminations of intersegment liabilities (decrease by ¥37,484 million ($334,115 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥4,906 million ($43,733 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2017			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥46,756	¥36,916	¥26,733	¥110,406

	Millions of yen			
	2016			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥49,719	¥34,578	¥28,391	¥112,689

	Thousands of U.S. dollars			
	2017			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$416,764	$329,052	$238,286	$984,103

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2017 and 2016; therefore, geographical operating income information was not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2017 and 2016; therefore, geographical tangible fixed assets information was not presented.

3. Information about major customers

Operating income from transactions with a specific customer did not reach 10% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2017 and 2016; therefore, major customer information was not presented.

29. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2017				
Basic EPS — Net income available to common shareholders	¥18,601	378,036	¥49.20	$0.43
Effect of dilutive securities — Convertible bonds and stock acquisition rights		725		
Diluted EPS — Net income for computation	¥18,601	378,762	¥49.11	$0.43
For the year ended March 31, 2016				
Basic EPS — Net income available to common shareholders	¥21,322	377,967	¥56.41	
Effect of dilutive securities — Convertible bonds and stock acquisition rights		643		
Diluted EPS — Net income for computation	¥21,322	378,611	¥56.31	

The Company applied the revised accounting standard and guidance for (a) presentation of the consolidated balance sheet and (b) presentation of the consolidated statement of income, effective April 1, 2015.

The impact of the change on basic and diluted EPS for the year ended March 31, 2017 was insignificant.

30. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2017, was approved at the Bank's general meeting of shareholders held on June 29, 2017:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.00 ($0.05) per share	¥2,268	$20,218

Accounting for Transfers between Retirement Benefit Plans

On April 1, 2017, the Bank transferred partially the defined benefit pension plan to a defined contribution pension plan. "Accounting for Transfer between Retirement Benefit Plans" (ASBJ, Guidance No. 1 of December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ, Practical Issues Task Force No. 2 of February 7, 2007) were applied with the portion transferred to retirement contribution pension plans as partial termination of retirement benefit plans.

As a result, a gain will be recognized in other income in the amount of ¥2,285 million ($20,373 thousand) for the fiscal year ending March 31, 2018.

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20 Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

We have audited the accompanying consolidated balance sheet of The Bank of Kyoto, Ltd. (the "Bank") and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank of Kyoto, Ltd. and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2017

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2017

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets:			
Cash and due from banks	¥ 825,986	¥ 592,264	$ 7,362,393
Call loans	51,377	34,166	457,949
Monetary claims bought	6,828	6,520	60,861
Trading securities	55	504	491
Money held in trust	48,151	2,878	429,191
Securities	2,869,252	2,806,538	25,574,942
Loans and bills discounted	4,986,979	4,606,441	44,451,195
Foreign exchanges	8,411	3,957	74,978
Other assets	15,369	13,947	136,998
Tangible fixed assets:	80,125	81,214	714,197
Buildings	29,693	29,822	264,675
Land	44,170	43,513	393,708
Construction in progress	66	886	596
Other tangible fixed assets	6,194	6,991	55,217
Intangible fixed assets:	2,719	2,848	24,237
Software	2,414	2,548	21,523
Other intangible fixed assets	304	299	2,713
Deferred tax assets	5		51
Customers' liabilities for acceptances and guarantees	17,740	15,284	158,125
Allowance for possible loan losses	(20,115)	(22,899)	(179,300)
Total Assets	¥8,892,887	¥8,143,667	$79,266,313
Liabilities and Equity			
Liabilities:			
Deposits	¥7,595,953	¥7,212,243	$67,706,158
Call money	20,194	35,832	180,000
Payables under securities lending transactions	163,682	24,238	1,458,975
Borrowed money	121,071	38,432	1,079,161
Foreign exchanges	113	215	1,011
Other liabilities	46,256	45,604	412,303
Liability for employees' retirement benefits	31,533	29,366	281,075
Liability for reimbursement of deposit losses	294	350	2,620
Liability for contingent losses	1,112	1,159	9,911
Deferred tax liabilities	141,120	97,915	1,257,866
Deferred tax liabilities for land revaluation		0	
Acceptances and guarantees	17,740	15,284	158,125
Total Liabilities	8,139,071	7,500,642	72,547,209
Equity:			
Common stock, authorized, 1,000,000 thousand shares; issued, 379,203 thousand shares in 2017 and 2016	42,103	42,103	375,289
Capital surplus	30,301	30,301	270,092
Stock acquisition rights	569	518	5,075
Retained earnings	312,876	299,623	2,788,806
Treasury stock — at cost, 1,159 thousand shares in 2017 and 1,210 thousand shares in 2016	(1,072)	(1,121)	(9,562)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	370,823	274,282	3,305,320
Deferred losses on derivatives under hedge accounting	(1,772)	(2,684)	(15,801)
Land revaluation surplus	(13)	1	(117)
Total Equity	753,816	643,025	6,719,104
Total Liabilities and Equity	¥8,892,887	¥8,143,667	$79,266,313

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥112.19 to US$1.00 on March 31, 2017, the final business day of the term.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd. Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Income:			
Interest income:			
Interest on loans and discounts	¥ 46,091	¥ 49,237	$410,835
Interest and dividends on securities	23,872	26,144	212,783
Other interest income	689	716	6,145
Fees and commissions	15,128	15,666	134,850
Other operating income	9,443	7,455	84,172
Other income	6,906	5,579	61,562
Total Income	102,132	104,799	910,350
Expenses:			
Interest expenses:			
Interest on deposits	2,812	3,752	25,066
Interest on borrowed money	585	639	5,218
Other interest expenses	1,677	1,296	14,953
Fees and commissions	6,877	6,669	61,300
Other operating expenses	3,063	372	27,306
General and administrative expenses	58,517	57,226	521,593
Other expenses	3,571	3,531	31,833
Total Expenses	77,104	73,489	687,271
Income Before Income Taxes	25,027	31,310	223,079
Income Taxes:			
Current	6,867	9,061	61,214
Deferred	379	1,812	3,382
Net Income	¥ 17,780	¥ 20,436	$158,482

	Yen		U.S. dollars
	2017	2016	2017
Per Share Information:			
Basic net income	¥47.03	¥54.06	$0.41
Diluted net income	46.94	53.97	0.41
Cash dividends applicable to the year	12.00	12.00	0.10

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥112.19 to US$1.00 on March 31, 2017, the final business day of the term.

Corporate Profile

The Bank's Organization (As of June 29, 2017)

- General Meeting of Shareholders
  - Audit & Supervisory Board
    Audit & Supervisory Board Members
    - Audit & Supervisory Board Secretariat
  - Board of Directors
  - Executive Committee
    - Corporate Planning Division
    - Risk Management Division
    - Business Headquarters
    - Public & Regional Affairs Division
    - Business departments:
      Head Office Business Department,
      Osaka Business Department,
      Tokyo Business Department,
      Domestic Branches and
      Sub-branches
    - Credit Examination Division
    - Treasury & Investment Division
    - International Division
      - Hong Kong Representative Office
      - Shanghai Representative Office
      - Dalian Representative Office
      - Bangkok Representative Office
    - General Secretariat
    - Human Resources and General Affairs Division
    - Kyoto Banking College
    - Business Administration Division
      - Business Operations Center
    - Systems Division
    - Productivity Innovation Headquarters Secretariat
  - Internal Audit Division

Board of Directors and Audit & Supervisory Board Members (As of June 29, 2017)

Chairman
Hideo Takasaki

President
Nobuhiro Doi

Senior Managing Directors
Masahiko Naka
Hiroshi Hitomi
Masaya Anami

Managing Director
Toshiro Iwahashi

Director & Counselor
Yasuo Kashihara

Directors
Mikiya Yasui
Norikazu Koishihara (external)
Junko Otagiri (external)

Standing Audit & Supervisory Board Member
Takayuki Matsumura

Audit & Supervisory Board Members
Yoshihiko Hamagishi
Nobuaki Sato (external)
Masaki Ishibashi (external)

Managing Executive Officers
Hideya Naka
Hirokazu Tagano
Keizo Tokomoto

Executive Officers
Masao Okuda
Yoshihiro Yamanaka
Hiroyuki Ando
Hiroyuki Hata
Kazuhiro Waki
Hiroshi Nishimura
Minoru Wada
Kenji Hashi

Corporate Data (As of March 31, 2017)

Date of Establishment
October 1, 1941

Number of Employees
3,428 (Non-consolidated)

Number of Authorized Shares
1,000,000,000

Number of Issued Shares
379,203,441

Capital (Paid-in)
42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A+
S&P* Rating *Standard & Poor's.
A

Major Shareholders (Number of shares in thousands and percentage)

Nippon Life Insurance Company	15,169	(4.00%)
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	13,393	(3.53%)
Meiji Yasuda Life Insurance Company	12,501	(3.29%)
Japan Trustee Services Bank, Ltd. (trust account)	10,479	(2.76%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,227	(2.16%)
KYOCERA Corporation	7,980	(2.10%)
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust — OMRON Corporation account)	7,640	(2.01%)
Sompo Japan Nipponkoa Insurance Inc.	7,136	(1.88%)
Sumitomo Life Insurance Company	6,590	(1.73%)
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hong Kong and Shanghai Banking Corporation, Tokyo Branch)	6,581	(1.73%)

International Service Network

• Head Office International Division
700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan
Phone: +81-75-361-2211
Fax: +81-75-343-1276
SWIFT: BOKF JP JZ

• Treasury & Investment Division
5F Tekko Building,
1-8-2 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Phone: +81-3-6212-3812
Fax: +81-3-5288-3862

• Hong Kong Representative Office
Suite 3006, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong, S.A.R.,
the People's Republic of China
Phone: +852-2525-0727
Fax: +852-2521-8538

• Shanghai Representative Office
18th FL, Hang Seng Bank Tower,
1000 Lujiazui Ring Road,
Pudong New Area, Shanghai,
the People's Republic of China
Phone: +86-21-6841-0575
Fax: +86-21-6841-1771

• Dalian Representative Office
21F Senmao Building,
147 Zhongshan Road Xigang
District, Dalian, the People's
Republic of China
Phone: +86-411-3960-8611
Fax: +86-411-3960-8618

• Bangkok Representative Office
Unit2014, 21st Floor, Park Ventures
Ecoplex 57 Wireless Road, Lumpini,
Pathumwan, Bangkok 10330,
Thailand
Phone: +66-2116-3040
Fax: +66-2116-3045

Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10	Centralized processing of clerical operations for the Bank
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services
Kyogin Securities Co., Ltd.	October 2016	3,000	Securities business

Bank of Kyoto

700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan

Phone: +81-75-361-2211
Fax: +81-75-343-1276
SWIFT: BOKF JP JZ

http://www.kyotobank.co.jp/

Waterless Printing. Naturally.

VEGETABLE OIL INK

FSC www.fsc.org MIX Paper from responsible sources FSC® C133146

Printed in Japan