Bank of Kyoto

Annual Report 2018

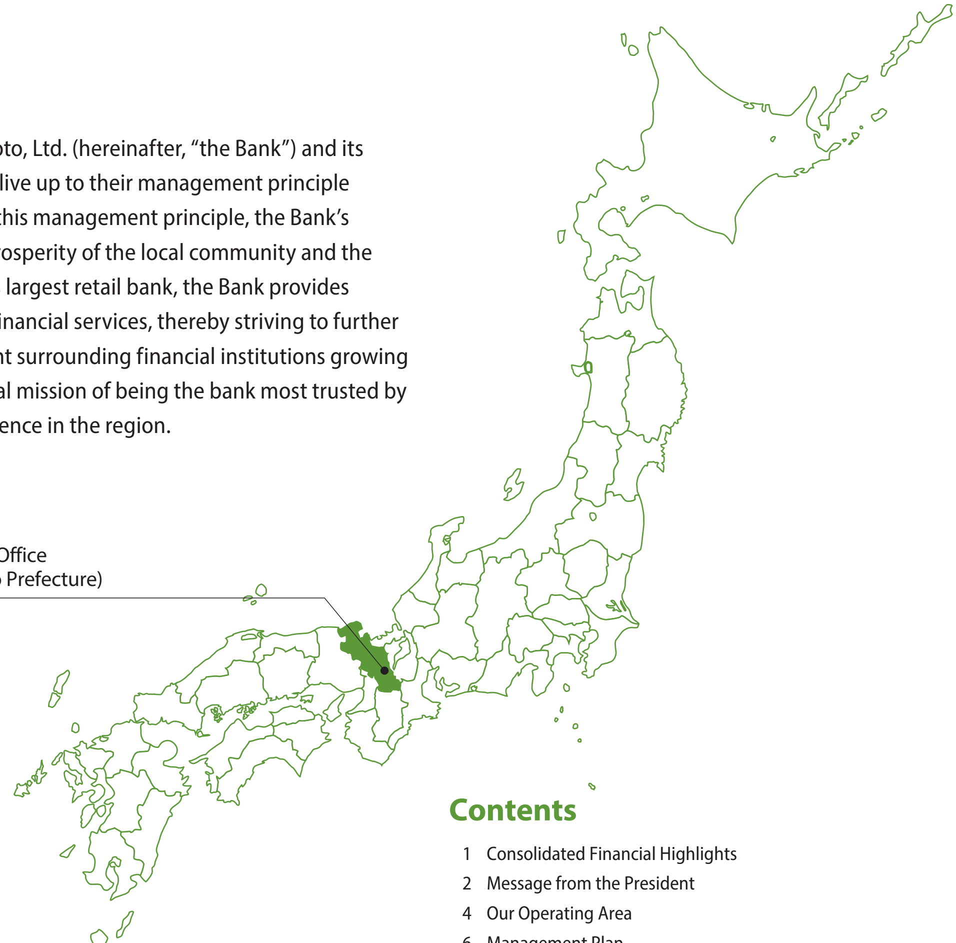
For the year ended March 31, 2018

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.

Head Office
(Kyoto Prefecture)



Non-Consolidated Basis

Total Assets: ¥9,467.2 billion (7th among regional banks)	Total Deposits: ¥7,825.7 billion (8th among regional banks)
Loans and Bills Discounted: ¥5,274.1 billion (9th among regional banks)	Unrealized Gains on Securities: ¥751.2 billion (1st among regional banks)
Capital Ratio: 11.01% (domestic standards)	Credit Rating: A (R&I) A (S&P) (As of May 18, 2018)

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.

Cover: "I Love Kyoto Campaign" and "I Love Shiga Campaign" posters

Because we want to cultivate a sense of loving Kyoto in a wide range of people, we have been developing the "I Love Kyoto Campaign" since 1982. In addition, in Shiga Prefecture, we have been developing the "I Love Shiga Campaign" since 2013, introducing people to Shiga's rich natural landscape, historical heritage, traditional culture and suchlike.

Cover Photographs

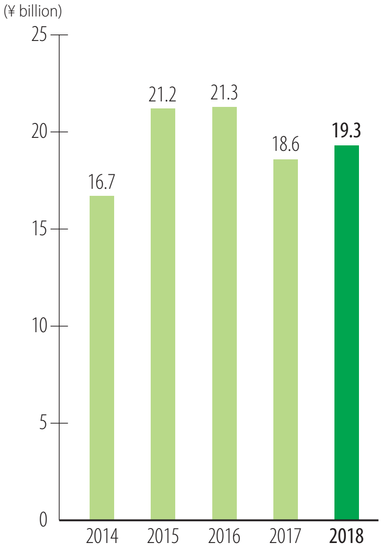
1 Kaizu-Osaki's cherry blossoms (Takashima City, Shiga Prefecture)
2 The Otowa Waterfall at Kiyomizu Temple (Higashiyama Ward, Kyoto City)
3 Autumn leaves at Tokoji Temple (Higashiomi City, Shiga Prefecture)
4 The thatched villages of Miyama (Nantan City, Kyoto Prefecture)

Consolidated Financial Highlights

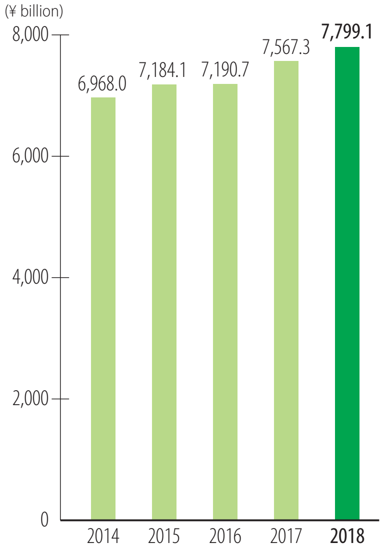
	Millions of yen			Thousands of U.S. dollars
	2018	2017	2016	2018
For the Year				
Total Income	¥ 112,520	¥ 110,480	¥ 112,838	$ 1,059,112
Total Expenses	84,196	82,779	78,879	792,511
Income before Income Taxes	28,323	27,701	33,958	266,600
Net Income Attributable to Owners of the Parent	19,323	18,601	21,322	181,883
At Year-End				
Total Assets	¥9,478,592	¥8,899,400	¥8,154,418	$89,218,682
Deposits (including NCDs)	7,799,129	7,567,390	7,190,731	73,410,478
Loans and Bills Discounted	5,266,282	4,978,745	4,598,410	49,569,678
Securities	3,077,351	2,865,072	2,807,154	28,966,031
Noncontrolling Interests	2,246	8,687	7,770	21,148
Common Stock	42,103	42,103	42,103	396,307
Total Equity	932,365	766,294	653,053	8,776,029
Capital Ratio (Domestic Standards)	11.39%	12.49%	13.36%	

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 ¥106.24 to US$1.00, the approximate rate of exchange at March 31, 2018.
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).
4. Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

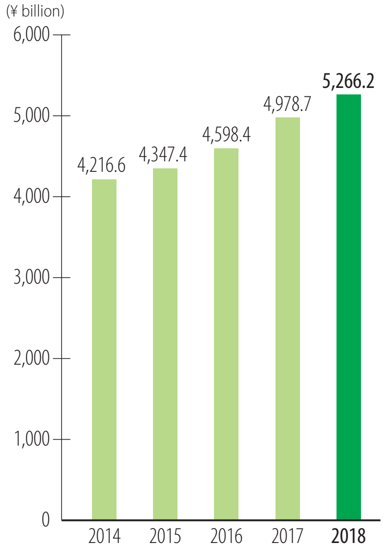
Net Income Attributable to Owners of the Parent



Deposits (including NCDs)



Loans and Bills Discounted



Message from the President

Fiscal Year Ended March 31, 2018

Below, I present a review of the fiscal year ended March 31, 2018, the first year of our three-year 6th medium-term management plan "Timely & Speedy," running from fiscal 2017 to fiscal 2019.

Deposits and negotiable certificates of deposit increased by ¥229.8 billion, mainly for individual and corporate deposits, to a year-end balance of ¥7,825.7 billion.

Turning next to loans and bills discounted, as lending to corporations increased due to our active response to demand for funding, and loans to individuals, chiefly mortgage loans, also increased steadily, overall loans and bills discounted increased by ¥287.2 billion during the fiscal year to a year-end balance of ¥5,274.1 billion, exceeding ¥5 trillion for the first time.

As we move to strengthen Group capabilities, Kyogin Securities Co., Ltd. commenced operations in May 2017, serving as a one-stop brokerage for all branches, and specialists at each bank branch provide product-related services. Kyogin Securities was able to become profitable in its first fiscal year of operations, thanks to the support of its many customers, who opened 11,882 accounts and placed ¥49.0 billion in assets under management.

As a result of initiatives to reinforce collaboration among Group companies and collective marketing activities, consolidated ordinary profit totaled ¥26,931 million and net income attributable to owners of the parent was ¥19,323 million.

Aiming for Further Growth

Sound and Dependable Bank Management

Since its founding, the Bank of Kyoto has lived up to its management principle of "Serving the Prosperity of the

Community." To put this management principle into practice, we believe nothing is more important than being able to consistently provide high-quality financial services to our customers in the region, and have emphasized sound and dependable bank management to this end.

The earnings environment for regional financial institutions has been challenging as monetary easing becomes entrenched for the long term. Even under these circumstances, the Bank has held firmly to its tradition of sound and dependable bank management. As a financial institution with deep roots in its community, the Bank of Kyoto will aggressively contribute to the revitalization of the regional economy by helping local companies grow and develop with its consulting functions and business viability assessments.

Moreover, we are making concerted efforts to raise awareness of compliance among all of our executives and employees, while working to reinforce the corporate governance structure.

Taking on the Challenge of Comprehensive Financial Services

Traditional bank businesses, mainly deposits and loans, have been under pressure amid changes in the socio-economic landscape, such as the rapidly aging society and diversification of options companies have for raising funds.

On the other hand, business opportunities have steadily increased for consulting individual customers about asset formation and inheritance, for supporting corporate customers in their plans to expand sales channels and move into overseas markets, and for providing them with information about business succession and M&As.

The Bank seeks to tap into this diversification of earnings opportunities, including the functions of Group companies, by building on its reputation and experience as a bank that meets its customers' expectations, while precisely meeting the diversifying needs of its customers in these changing times.

This autumn, we are taking on the challenge of offering comprehensive financial services with plans to commence trust business operations at the Bank of Kyoto, and expand banking, securities and trust business services, beginning with Kyogin Securities opening the Kusatsu Branch, as well as initiatives to improve convenience for customers.

Productivity Improvements and Work Style Reforms

Based on its Aims for Visible Productivity Innovation, which were drawn up in June 2017, the Bank of Kyoto is implementing measures to increase customer convenience, expand centralization, and lighten workloads on salespeople. For its customers, the Bank will maximize the benefits of its network of 174 branches, which is its unique advantage as a wide-area regional bank.

As a first step, we are reviewing all business processes from a customer standpoint, including paperless transactions and centralized office paperwork. As places where we interact with customers, we are transforming branches into venues for engaging with more customers for longer periods of time. We are creating environments where our bank employees can truly harness their skills and provide customers with services with higher added value.

At the same time, we continue to advance work style reforms, seeking to improve the work-life balance of bank employees. While increasing job satisfaction and motivation, we are focusing on the development and enhancement of each employee's skills with the ultimate aim of increasing productivity and providing higher-quality financial services.

The operating environment surrounding the Bank is undergoing monumental changes. We will strike a balance between continuity and change by developing new services in tune with these changes while placing even more importance on sound and dependable bank management. As a financial foundation that is essential to the local economy and people's lifestyles, the Bank of Kyoto will never stop contributing to the development of the region through an eternal relationship. By continuing to grow alongside the region, we will fulfill our mission as a regional financial institution.

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

Nobuhiro Doi

President
The Bank of Kyoto, Ltd.

Our Operating Area

The Industry of Kyoto Prefecture

In Kyoto Prefecture, the economy possesses various strengths that are embedded in Kyoto's unique added-value industrial structure, including high-tech industries developed by adding a new wisdom to the excellent techniques of traditional industries, as well as the tourism industry and the traditional industries built upon the city's 1,200 years of history and culture.

Top Nationally 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 analysis 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%)

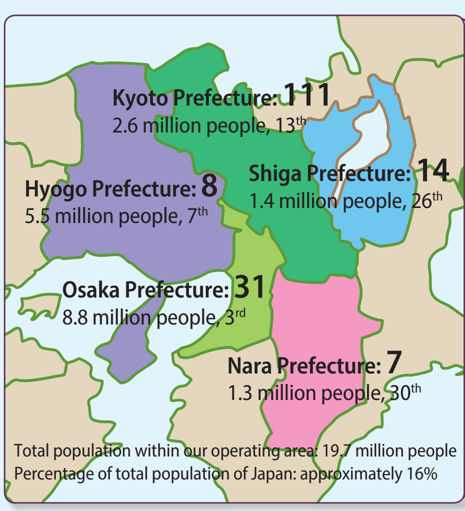
(Source)
METI: FY2014 industry statistics
(domestic market share in %)

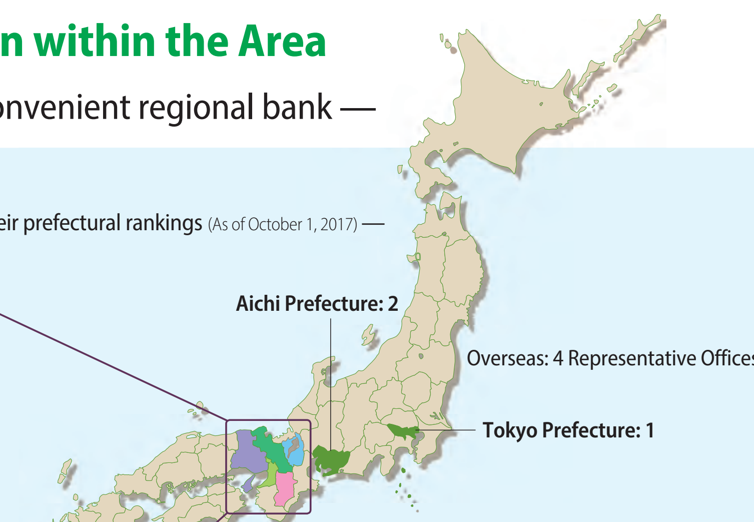
Operating Area and Population within the Area

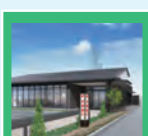
— Aiming to be a comprehensive and convenient regional bank —

Our Network

— The populations within areas in our operating area and their prefectural rankings (As of October 1, 2017) —





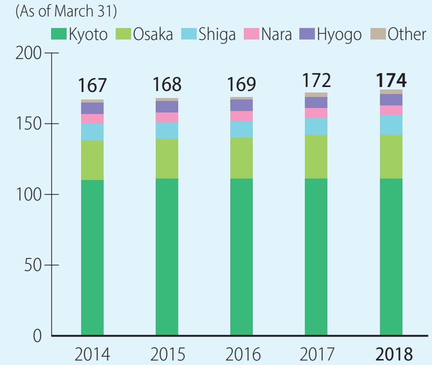


November 2018: Nagahama Branch to Open (planned)

As a "next-generation Bank branch" aiming to strengthen its consulting capabilities, we will relocate to a new branch in Nagahama City and hold a grand opening. This branch will include "semi-self-terminals" that customers can operate themselves together with Bank employees, and space to display the latest IT technology.

Number of Branches in Our Operating Area

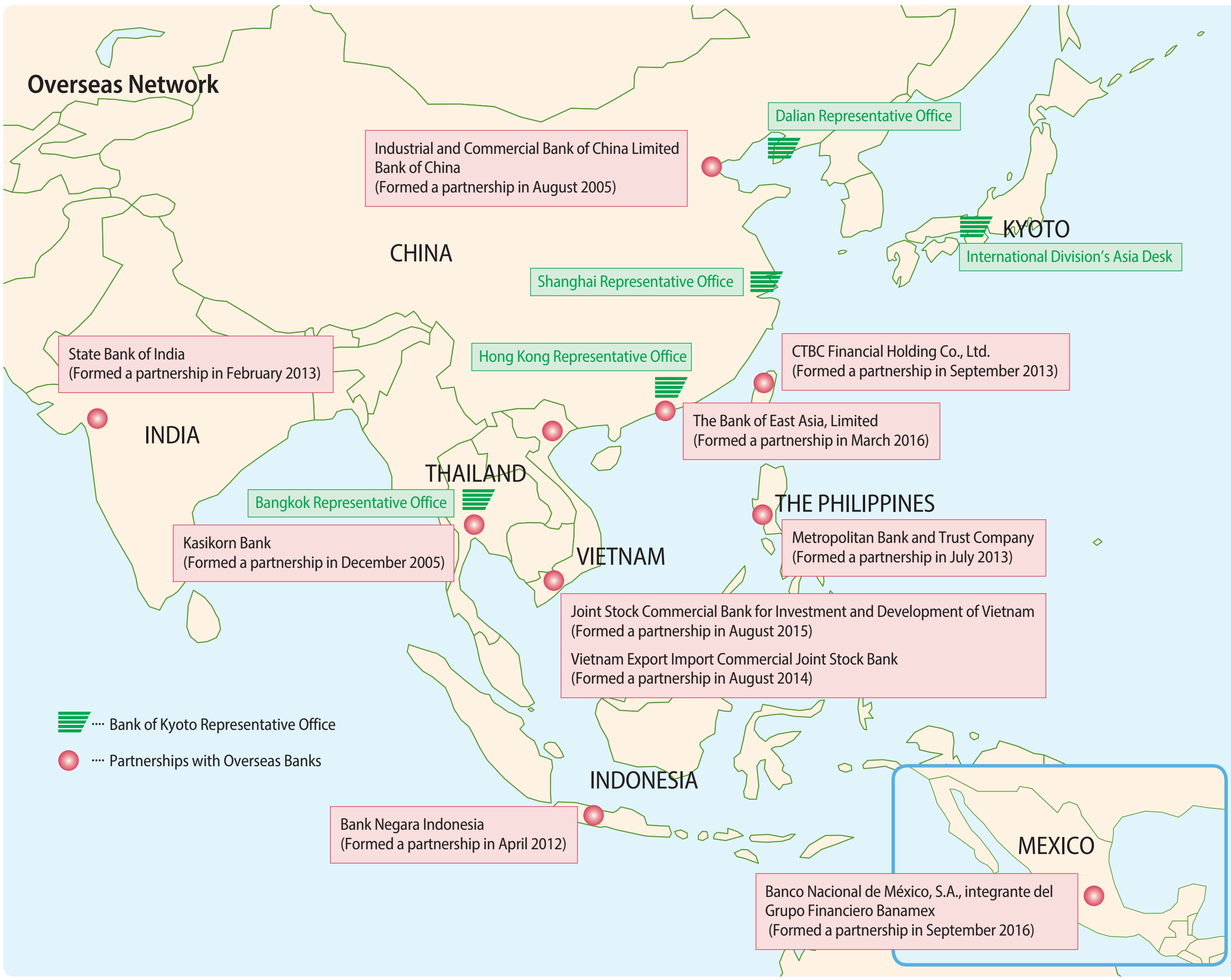
(As of March 31)



Support for Overseas Operations

The Bank makes use of its overseas network to support customers who are engaged in conducting business operations globally.

Creation of an Overseas Network



Fiscal 2017 Loans to Overseas Subsidiaries of Japanese Companies

Stand-by L/Cs Total of 17 L/Cs executed		
For China	RMB denominated	13 L/Cs
For China	USD denominated	1 L/C
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 24 loans executed		
For China	USD denominated	1 loan
For China	JPY denominated	1 loan
For Thailand	THB denominated	15 loans
For Hong Kong	USD denominated	3 loans
For U.S.	USD denominated	2 loans
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 —

Since April 2017, we have been working to implement our 6th medium-term management plan "Timely & Speedy." 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

We will 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.

Strategic Policies 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.
- In particular, we will provide financial investment products and advice for asset formation on a comprehensive basis that also includes Kyogin Securities.

For Corporate Customers and Individual Business Owners

Connecting Customers to Each Other, 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.

Main Performance Targets (Final Year of Plan)

• Balance of deposits + NCDs	¥8.0 trillion	• Balance of investment trusts + assets in custody of Kyogin Securities	¥500.0 billion
• Total loan balance	¥5.7 trillion	• Net income (consolidated)	¥20.0 billion or more

Approach Regarding Various Payment Services

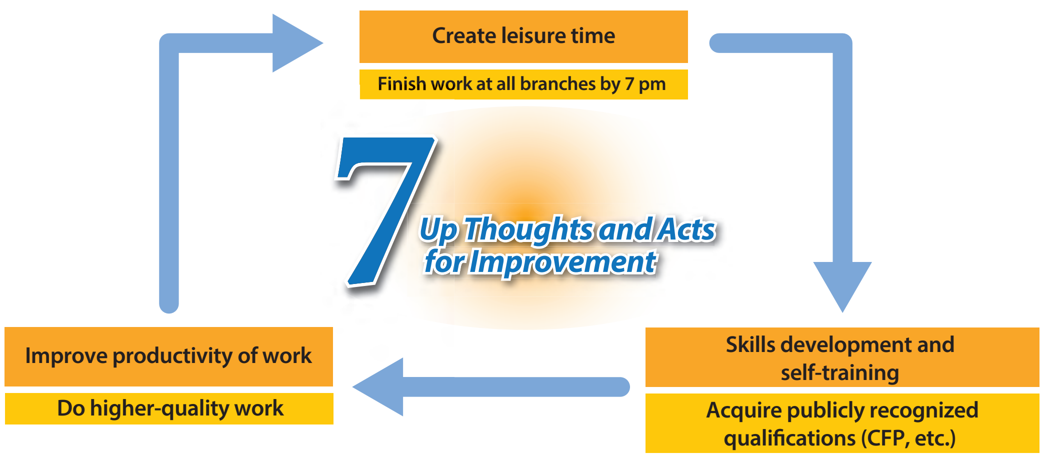
The Bank's customers have been able to charge their Rakuten Edy electronic money from their bank accounts since October 2017, and charge their LINE Pay electronic money from their bank accounts since November 2017.

Aiming to Provide a Motivating Workplace

The Bank is committed to improving the workplace environment such that all employees can fully demonstrate their capabilities and individualities, and strive to provide higher-quality financial services that exceed customer expectations.

Work Style Reform

We are promoting the Bank of Kyoto's work style reform program (7 Up Thoughts and Acts for Improvement)



Promoting Women's Participation and Advancement

The Bank promotes the Kirameki Career Support Program, which includes the holding of various seminars. The program seeks to fully establish the conditions that make it possible for female employees to participate and advance in the workplace.

Recognized as a 2018 Certified Health & Productivity Management Outstanding Organization

The Bank's initiatives to address health issues and promote health were evaluated, and the Bank was recognized as a 2018 Certified Health & Productivity Management Outstanding Organization (large enterprises category) White 500 under the Certified Health & Productivity Management Organization Recognition Program, administered by the Ministry of Economy, Trade and Industry together with the Nippon Kenko Kaigi (Japan Health Council).

2018
健康経営優良法人
Health and productivity
ホワイト500

Financial Review (Consolidated)

Financial and Economic Environment

During the fiscal year under review, the Japanese economy saw a moderate expansion against the backdrop of the favorable economic conditions of low interest rates and low inflation, along with the recovery of overseas economies and favorable exports, as well as a recovery in consumer spending. In this period in the corporate sector, production activity was solid and business performance was favorable. Capital investment also increased. Meanwhile, consumer spending maintained its strength, although a tendency to economize persisted. The replacement of durable consumer goods was favorable due to improvements in employment and income conditions, and spending by overseas tourists increased overall. Although this recovery was sustained, the yen began to strengthen and stock prices began to decline in a reversal of trends from the outset of the year, as a result of the turmoil in the U.S. financial markets. As the year ended, a sense of uncertainty about the future increased as concerns persisted about rising prices of raw materials, more serious labor shortages, and the rise of protectionism in the U.S.

Under these conditions, the Group promoted various measures based on the main theme of "Fully Leverage Consulting Capabilities: Connect" of the Group's 6th medium-term management plan "Timely & Speedy" (fiscal 2017–2019). As a result, the Group achieved the following business results for the consolidated fiscal year under review regarding its financial condition, business progress and results, and cash flows.

Business Progress and Results

Consolidated ordinary income amounted to ¥110,232 million, a decrease of ¥174 million year on year, mainly due to a decline in other operating income, etc., despite increases in interest income and in fees and commissions.

Consolidated ordinary expenses totaled ¥83,301 million, a year-on-year increase of ¥709 million, mainly due to higher interest expenses and other operating expenses, etc.

As a result, consolidated ordinary profit decreased ¥883 million year on year to ¥26,931 million. However, net income attributable to owners of the parent increased ¥722 million to ¥19,323 million due to the posting of a special gain on revision of the retirement benefit plan.

Earnings in the banking business, the core business of the Bank of Kyoto Group, were ordinary income of ¥101,053 million, a decrease of ¥1,004 million from the previous fiscal year. Segment profit was ¥24,338 million, down ¥801 million. In others, ordinary income was ¥12,281 million, an increase of ¥1,477 million, while segment profit was ¥2,613 million, a year-on-year decrease of ¥81 million.

Main Accounts

Regarding main accounts, deposits amounted to ¥6,878.9 billion, an increase of ¥236.6 billion from the previous fiscal year, due to solid increases in deposits held by individuals and corporations. Negotiable certificates of deposit came to ¥920.1 billion, a decrease of ¥4.9 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥231.7 billion to ¥7,799.1 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 ¥287.5 billion compared to the previous fiscal year to ¥5,266.2 billion.

As for securities, as a result of appropriate fund management while closely monitoring market trends, securities ended the year at ¥3,077.3 billion, an increase of ¥212.2 billion year on year. Appraisal gains (unrealized) yielded from mark-to-market accounting increased ¥220.2 billion year on year, reaching ¥752.1 billion at the end of the year under review.

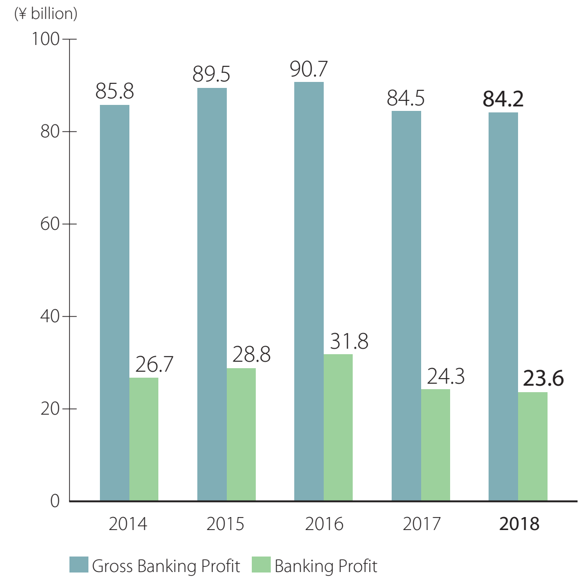
In addition, total assets ended the year at ¥9,478.5 billion, an increase of ¥579.1 billion compared with the end of the previous fiscal year. Equity stood at ¥410.7 billion, an increase of ¥18.0 billion due to higher retained earnings, etc.

Cash Flows

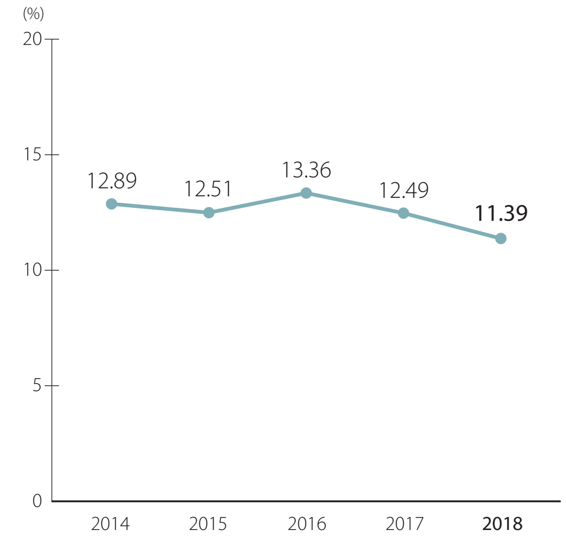
Net cash provided by operating activities during the fiscal year under review was ¥46.9 billion. Net cash used in investing activities was ¥2.1 billion, and net cash used in financing activities was ¥21.4 billion.

As a result, the balance of cash and cash equivalents increased ¥23.4 billion year on year to ¥844.9 billion.

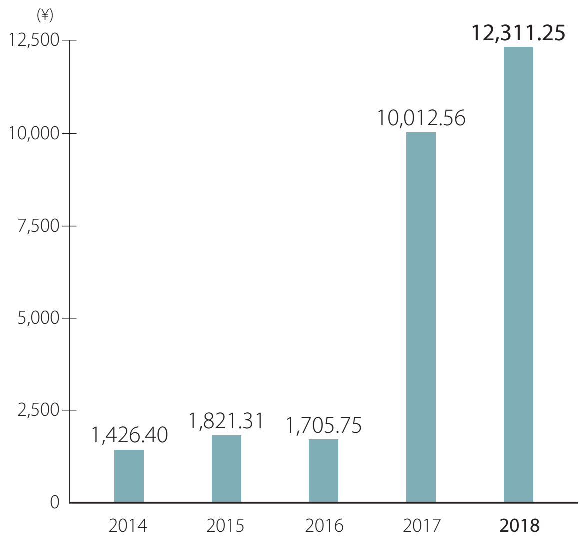
Gross Banking Profit/Banking Profit



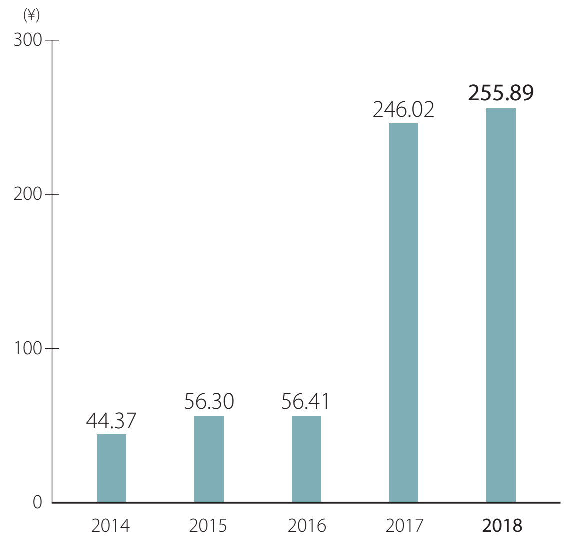
Capital Ratio (Domestic)



Net Assets per Share



Net Income per Share



Note: Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 11.01% on a non-consolidated basis and 11.39% 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)	11.01%	11.39%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	20.90%	21.19%

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, 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.

Disclosed Assets Based on the Financial Reconstruction Law

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 2017, the Bank's total disclosed assets, excluding normal assets, amounted to ¥69.2 billion (US$651 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 57.6%. 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.

Financial Reconstruction Law Standard (Non-Consolidated)

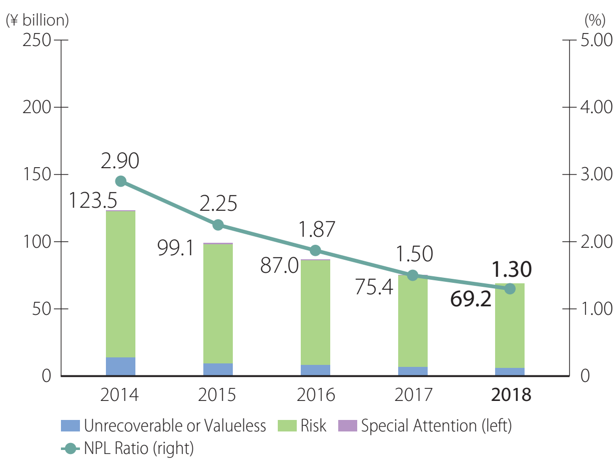
(Billions of yen)

	2018/3	Change from Mar. 31, 2017	2017/3
Unrecoverable or Valueless	¥ 6.2	¥ (0.7)	¥ 6.9
Risk	62.6	(5.3)	67.9
Special Attention	0.3	(0.1)	0.4
Subtotal (A)	69.2	(6.2)	75.4
Non-Classified	5,257.8	306.0	4,951.8
Total	¥5,327.0	¥299.8	¥5,027.2

(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.

Financial Reconstruction Law Standard (Non-Consolidated)



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

(Billions of yen)

	2018/3	Change from Mar. 31, 2017	2017/3
Allowance for Possible Loan Losses (B)	¥ 8.9	¥(1.3)	¥10.2
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	53.6	(4.4)	58.0
Coverage Ratio (B)+(C)/(A)	90.4%	0.0%	90.4%

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. 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)

	2018/3	Change from Mar. 31, 2017	2017/3
Loans in Legal Bankruptcy	¥ 3.9	¥ 0.5	¥ 3.4
Nonaccrual Loans	65.7	(6.5)	72.2
Accruing Loans			
Three Months or More	0.0	0.0	—
Restructured Loans	0.3	(0.1)	0.4
Total	¥ 70.1	¥ (6.1)	¥ 76.2
Total Loans Outstanding (term-end balance)	¥5,266.2	¥287.5	¥4,978.7

Community-Based Finance

— Contributing to the Sustainable Development of the Regional Community —

Our Approach to Social Contribution

At the Bank of Kyoto, "Serving the Prosperity of the Community" has been one of our management 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 Basic Policy on Promoting Community-Based Finance

The Bank will "Aggressively harness its consulting function to support the stable management and development of small- and medium-sized corporations while contributing to the revitalization of the regional economy."

Approach to Initiatives

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

The following three points are the pillars of our initiatives in community-based finance, through which we help local small- and medium-sized corporations deal with management issues, while revitalizing regional economies at the same time.

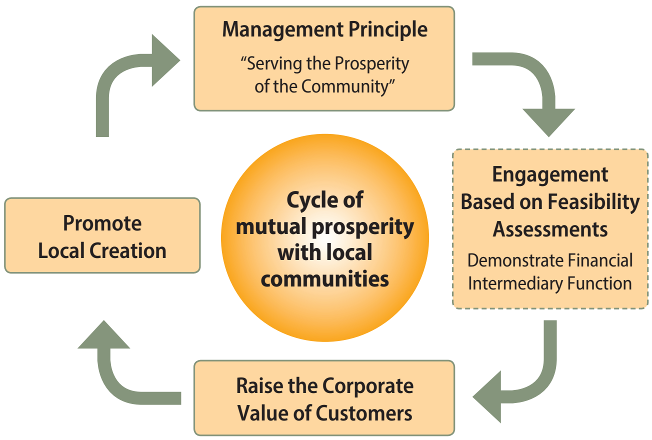
(1) Harness consulting capabilities for customers

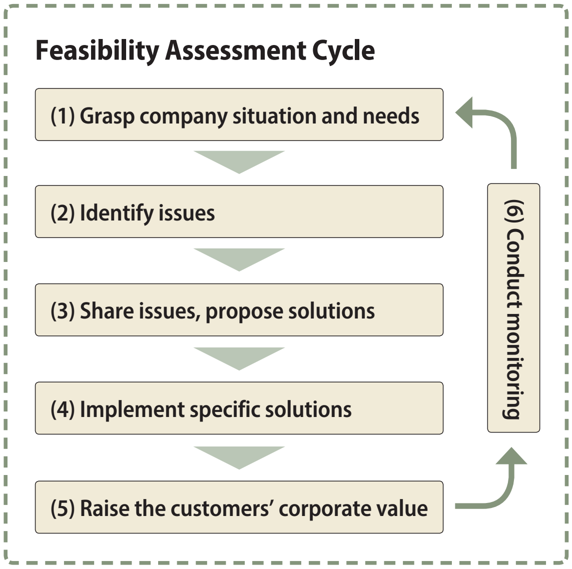
(2) Proactively participate in regional revitalization

(3) Develop frameworks for initiatives (personnel training, performance evaluations, active information dissemination)

Promoting Feasibility Assessments

The Bank appropriately assesses the business content and growth potential of companies at various 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."

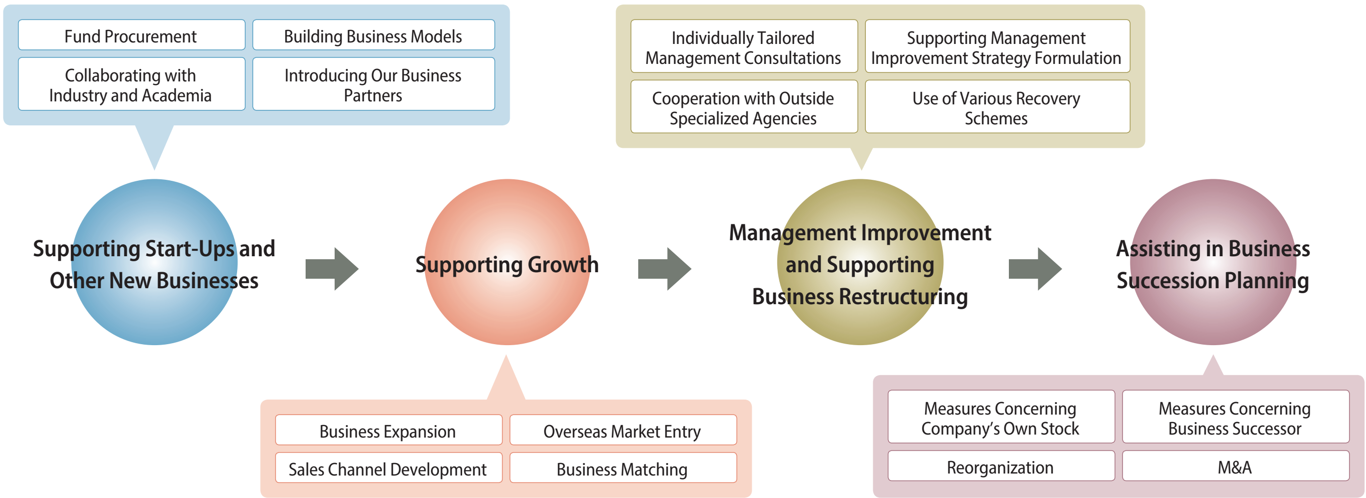




Initiatives for Corporate Customers and Individual Business Owners

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

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. The Bank works to improve its local support systems, and has reached a new basic agreement with Tokyo Stock Exchange, Inc. for holding seminars about listing on the stock market. The Bank has also strengthened its ties with the Japan Finance Corporation to better serve its customers.

Supporting Growth

Utilizing our broad branch network and information network, we actively work to help customers develop sales channels through business matching and holding business meetings. In addition, we hold seminars and events for the purpose of personnel recruitment and retention of our customers. Moreover, leveraging our broad overseas network, we strongly help our customers with entering new markets overseas, local business matching, trade transactions, and procuring funds for their local overseas subsidiaries.

Supporting Management Improvement and Business Restructuring

For our customers requiring management improvement and business restructuring, the Bank endeavors to increase their corporate value by helping them solve management issues.

In the Management Support Office of the Credit Examination Division, which is in charge of assisting with management improvement and business restructuring, we leverage our close relationships with external specialized organizations and our regional restructuring support network to proactively help customers formulate management improvement plans and offer financial support based on a cooperative framework with other financial institutions.

Initiatives to Support Restructuring via Collaboration with External Organizations

Through collaboration with external specialized organizations, such as the Small and Medium Enterprise (SME) revitalization support councils and the Regional Economy Vitalization Corporation of Japan, the Bank utilizes a variety of restructuring methods, including sponsor support for rehabilitation and debt-debt swaps (DDS), to support the efforts of customers to improve management and restructure businesses.

Utilization of the Regional Restructuring Support Network

The Bank takes a unified approach with local communities to help customers restructure through its regional restructuring support network, which includes the Kyoto Restructuring Network Council and the North Kinki Small and Medium-Size Company Support Liaison Council.

Measures Concerning Assisting in Business Succession and M&As

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.

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.

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.

Investment in Green Bonds

In November 2017, the Bank started investing in Green Bonds, which are bonds that are issued exclusively for environmentally friendly projects, such as the intended usage of the funds being CO_2 reduction. Looking ahead, we will continue to contribute to the formation of a sustainable society through financing.

Becoming the Best Supporter of Communities

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 providing assistance to growth industries, and cooperating on administrative policies and suchlike.

Collaborating with Local Governments, Educational Institutions, etc.

The Bank is further promoting local creation by deepening collaboration in a wide range of fields, including by concluding partnership agreements with local governments and educational institutions within our operating area.

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 11 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

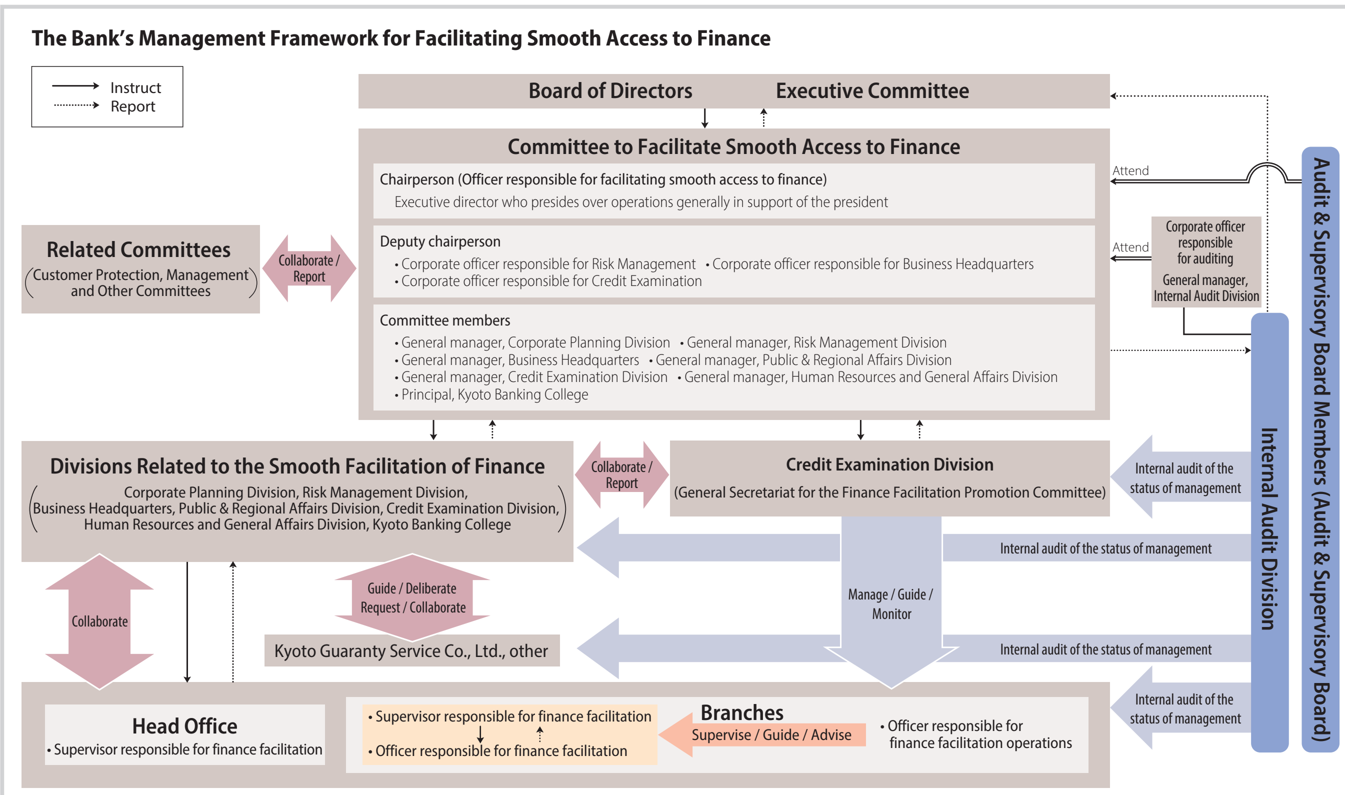
Historically, the Bank has facilitated lending and management improvement/business restructuring services based on a complete understanding of the facts and characteristics of the client. To serve an even more active role in finance facilitation, we have established a policy and standards for finance 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.



As of July 1, 2018

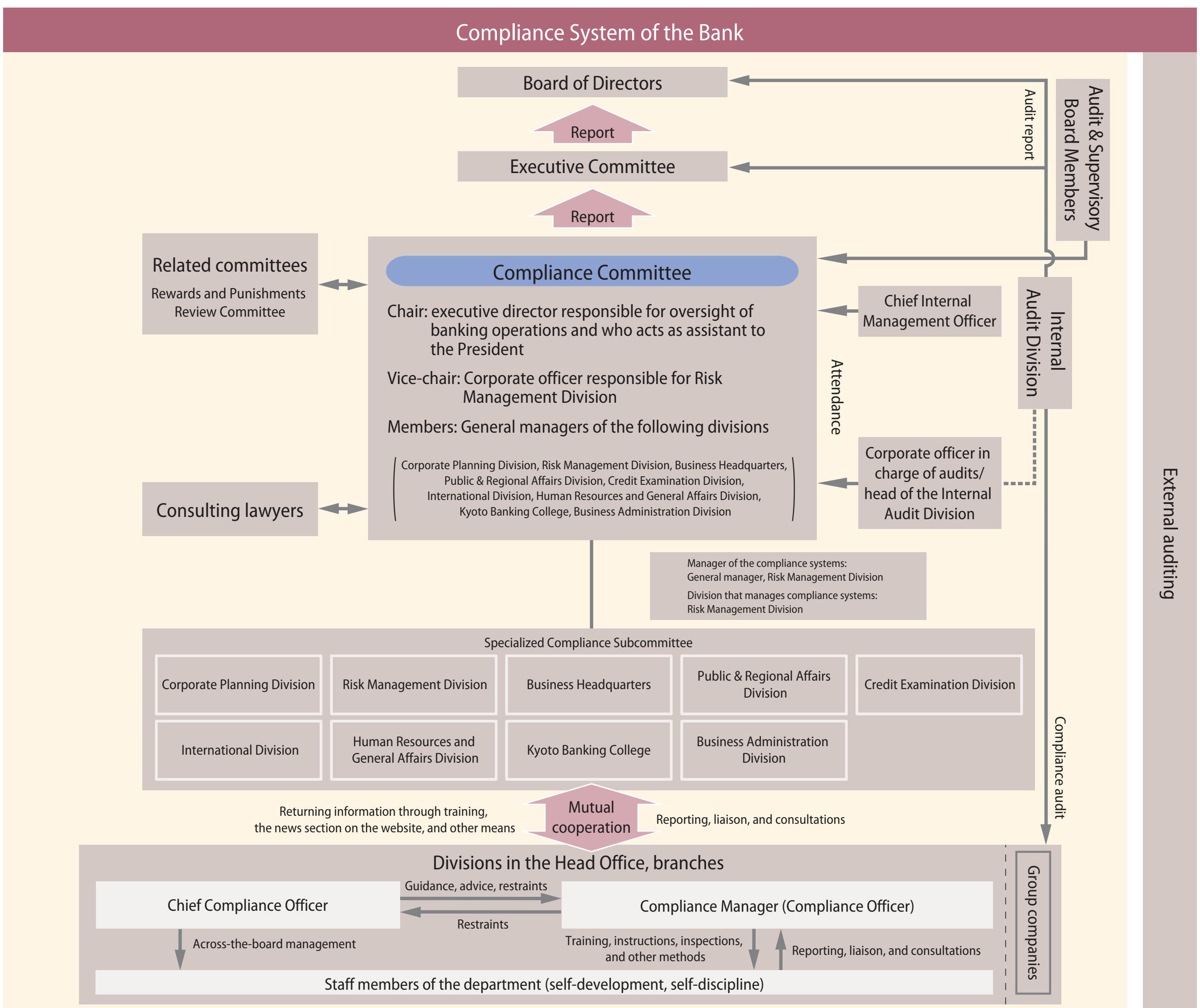
Compliance Structures

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.

In light of international requests for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) in recent years, the Bank believes responding to these requests is a critical management issue, and has taken steps to enhance related measures by setting up the Anti-Money Laundering Office within the Risk Management Division. The Bank also makes every effort to block relationships with anti-social forces through a framework developed based on its Basic Stance on Anti-Social Forces.



As of July 1, 2018

System for Anti-Money Laundering/Countering the Financing of Terrorism

The Bank is strengthening its systems for Anti-Money Laundering /Countering the Financing of Terrorism (AML/CFT), acknowledging AML/CFT as a critical management issue for ensuring business adequacy.

Specifically, the Bank has created the Anti-Money Laundering/ Countering the Financing of Terrorism Committee, headed by the manager in charge of preventing money laundering, to centrally manage and directly respond to problems related to AML/CFT measures.

As the organization in charge of AML/CFT measures, the Risk Management Division works with other divisions to identify and assess AML/CFT risks the Bank directly faces, and to implement the appropriate countermeasures designed to mitigate those risks. As a basic policy for AML/CFT, the Bank has created and publicly released its Anti-Money Laundering/Countering the Financing of Terrorism Policy.

Anti-Money Laundering/Countering the Financing of Terrorism Policy

The Bank of Kyoto Group establishes the governance structure and sets the following policies, procedures and approaches in order to comply with all legal and regulatory requirements and obligations to implement appropriate Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) measures for ensuring business adequacy.

1. Management Policy

The Board acknowledges AML/CFT as a critical management issue and establishes the AML/CFT framework to respond to emerging regulatory policy and any other relevant affairs in a timely and appropriate manner as an integrated organization.

2. Organizational Framework

The Director of the Risk Management Division is appointed as the Anti-Money Laundering Compliance Officer. The Risk Management Division is responsible for the implementation of AML/CFT policies and procedures in coordination with other relevant departments and business units throughout the Group.

3. Risk-Based Approach

The Group adopts a Risk-Based Approach in identifying and assessing Money Laundering/Terrorist Financing (ML/TF) risks which the Group is exposed, and in implementing the appropriate countermeasures designed to mitigate those risks.

4. Customer Due Diligence

The Group establishes Know Your Customer (KYC) procedures to understand customer attributes and receive customer verifications at the Time of Transaction in a timely and appropriate manner. The countermeasures are updated based on the results of the periodic investigation and analysis on customer transaction records.

5. Sanctions and Asset Freezing

All transactions are screened against various sanctions lists and any transactions found to involve specially designated individuals/entities will be blocked. The Group implements appropriate measures to 'freeze' accounts, funds, or other assets of designated individuals/ entities in which a targeted government or authority has an interest.

6. Reporting of Suspicious Transactions

The Group establishes procedures to ensure prompt reporting of suspicious transactions and activity detected by the bank's monitoring and screening systems and personnel to all relevant authorities.

7. Correspondent Banking Due Diligence

The Group aims to collect sufficient information related to correspondent banks in order to evaluate and implement appropriate countermeasures to mitigate any ML/TF risks presented by correspondent banking relationships. The Group and its correspondent banks are prohibited from transacting with shell banks and accounts with high anonymity.

8. Training

The Group aims to provide regular and targeted trainings to enhance bank personnel's understanding of their respective roles and responsibilities, and expertise in carrying out the Group AML/ CFT policies.

9. Monitoring and Testing

The Group aims to continually strengthen the Group AML/ CFT policies, procedures and systems through routine and comprehensive assessments conducted by the independent Internal Audit Division.

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.

Money Laundering / Financing of Terrorism Risk

Money Laundering / Financing of Terrorism risk is defined as incidents that occur due to ineffective AML/CFT measures. These are incidents where banking operations are used to launder money, exposing the Bank to fines or other sanctions from both domestic and international financial authorities, or to losses from the severance of correspondent arrangements with overseas financial institutions.

The Bank has created AML/CFT rules and management systems, and implements measures to identify, assess and mitigate risks related to AML/CFT that it directly faces.

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 Profile

I Financial Section

II Corporate Profile

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets:			
Cash and due from banks (Notes 3 and 25)	¥ 854,822	¥ 826,631	$ 8,046,148
Call loans and bills bought	47,348	51,377	445,674
Monetary claims bought	12,847	12,182	120,928
Trading securities	125	55	1,177
Money held in trust (Note 5)	48,033	48,151	452,119
Securities (Notes 4, 10, 15 and 25)	3,077,351	2,865,072	28,966,031
Loans and bills discounted (Notes 7, 11 and 25)	5,266,282	4,978,745	49,569,678
Foreign exchanges (Note 8)	20,606	8,411	193,965
Lease receivables and investment assets (Note 22)	10,417	10,171	98,054
Other assets (Note 10)	55,674	19,739	524,043
Tangible fixed assets (Note 9):	78,670	80,827	740,494
Buildings	29,009	30,100	273,056
Land (Note 12)	43,944	44,427	413,637
Construction in progress	172	66	1,621
Other tangible fixed assets	5,543	6,232	52,179
Intangible fixed assets:	2,996	2,763	28,202
Software	2,688	2,451	25,303
Other intangible fixed assets	308	312	2,899
Deferred tax assets (Note 24)	1,471	1,452	13,848
Deferred tax assets for land revaluation (Note 12)	5	5	54
Customers' liabilities for acceptances and guarantees (Note 15)	23,961	17,740	225,544
Allowance for possible loan losses	(22,021)	(23,926)	(207,285)
Total Assets	¥9,478,592	¥8,899,400	$89,218,682
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 13 and 25)	¥7,799,129	¥7,567,390	$73,410,478
Call money and bills sold (Note 10)	26,560	20,194	250,000
Payables under securities lending transactions (Note 10)	303,360	163,682	2,855,426
Borrowed money (Notes 10 and 14)	110,141	121,601	1,036,726
Foreign exchanges (Note 8)	210	113	1,982
Other liabilities	41,284	63,221	388,598
Liability for employees' retirement benefits (Note 23)	30,267	38,681	284,898
Liability for reimbursement of deposit losses	336	294	3,162
Liability for contingent losses	916	1,112	8,621
Deferred tax liabilities (Note 24)	210,059	139,074	1,977,213
Acceptances and guarantees (Note 15)	23,961	17,740	225,544
Total liabilities	8,546,227	8,133,105	80,442,653
Equity (Notes 16, 17 and 30):			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2018 and 2017*	42,103	42,103	396,307
Capital surplus	34,332	30,301	323,160
Stock acquisition rights	511	569	4,812
Retained earnings	336,148	321,389	3,164,048
Treasury stock — at cost, 331 thousand shares in 2018 and 231 thousand shares in 2017	(1,813)	(1,072)	(17,072)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	523,550	371,008	4,928,001
Deferred gains or losses on derivatives under hedge accounting	(1,382)	(1,772)	(13,014)
Land revaluation surplus (Note 12)	(13)	(13)	(123)
Defined retirement benefit plans	(3,318)	(4,906)	(31,239)
Total	930,118	757,607	8,754,880
Noncontrolling interests	2,246	8,687	21,148
Total equity	932,365	766,294	8,776,029
Total Liabilities and Equity	¥9,478,592	¥8,899,400	$89,218,682

* Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Income:			
Interest income:			
Interest on loans and discounts	¥ 45,353	¥ 46,136	$ 426,900
Interest and dividends on securities	29,803	23,898	280,525
Other interest income	1,005	691	9,459
Fees and commissions	19,145	18,740	180,206
Other operating income (Note 18)	9,805	13,956	92,295
Other income (Note 19)	7,407	7,057	69,725
Total income	112,520	110,480	1,059,112
Expenses:			
Interest expenses:			
Interest on deposits	2,798	2,809	26,341
Interest on borrowed money	528	590	4,971
Other interest expenses	2,241	1,683	21,098
Fees and commissions	7,021	6,672	66,093
Other operating expenses (Note 20)	8,329	7,107	78,406
General and administrative expenses	60,514	60,251	569,603
Other expenses (Note 21)	2,761	3,664	25,996
Total expenses	84,196	82,779	792,511
Income Before Income Taxes	28,323	27,701	266,600
Income Taxes (Note 24):			
Current	6,017	7,685	56,640
Deferred	2,684	540	25,266
Net Income	19,621	19,475	184,693
Net Income Attributable to Noncontrolling Interests	298	873	2,809
Net Income Attributable to Owners of the Parent	¥ 19,323	¥ 18,601	$ 181,883

	Yen		U.S. dollars
	2018	2017	2018
Per Share Information (Notes 2. q and 30):			
Basic net income*	¥255.89	¥246.02	$2.40
Diluted net income*	255.46	245.55	2.40
Cash dividends applicable to the year*	60.00	60.00	0.56

* Per share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net Income	¥ 19,621	¥ 19,475	$ 184,693
Other Comprehensive Income (Note 27)	154,678	98,212	1,455,934
Unrealized gains on available-for-sale securities	152,700	96,650	1,437,320
Deferred gains or losses on derivatives under hedge accounting	390	912	3,671
Defined retirement benefit plans	1,587	649	14,942
Comprehensive Income	¥174,300	¥117,687	$1,640,627
Total Comprehensive Income Attributable to:			
Owners of the parent	¥173,843	¥116,766	$1,636,330
Noncontrolling interests	456	920	4,297

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2018

	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, 2016 (as restated)	75,598	¥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, ¥60.00 per share*					(4,536)						(4,536)		(4,536)
Purchases of treasury stock	(2)					(11)					(11)		(11)
Disposals of treasury stock	13				(6)	60					54		54
Disposals of land revaluation surplus					14						14		14
Net change in the year				50	14,073		96,603	912	(14)	649	98,201	916	99,118
Balance at March 31, 2017	75,608	42,103	30,301	569	321,389	(1,072)	371,008	(1,772)	(13)	(4,906)	757,607	8,687	766,294
Net income attributable to owners of the parent					19,323						19,323		19,323
Cash dividends, ¥60.00 per share*					(4,537)						(4,537)		(4,537)
Purchase of shares of consolidated subsidiaries			622								622		622
Sales of shares of consolidated subsidiaries			(154)								(154)		(154)
Increase by share exchanges	660		3,562			3,611					7,173		7,173
Purchases of treasury stock	(798)					(4,525)					(4,525)		(4,525)
Disposals of treasury stock	37				(26)	173					146		146
Net change in the year				(58)			152,542	390		1,587	154,462	(6,440)	148,022
Balance at March 31, 2018	75,508	¥42,103	¥34,332	¥511	¥336,148	¥(1,813)	¥523,550	¥(1,382)	¥(13)	¥(3,318)	¥930,118	¥ 2,246	¥932,365

	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, 2017	$396,307	$285,219	$5,359	$3,025,126	$(10,097)	$3,492,168	$(16,686)	$(123)	$(46,182)	$7,131,092	$ 81,769	$7,212,861
Net income attributable to owners of the parent				181,883						181,883		181,883
Cash dividends, $0.56 per share*				(42,710)						(42,710)		(42,710)
Purchase of shares of consolidated subsidiaries		5,860								5,860		5,860
Sales of shares of consolidated subsidiaries		(1,450)								(1,450)		(1,450)
Increase by share exchanges		33,531			33,989					67,520		67,520
Purchases of treasury stock					(42,597)					(42,597)		(42,597)
Disposals of treasury stock				(251)	1,632					1,381		1,381
Net change in the year			(547)			1,435,833	3,671		14,942	1,453,899	(60,620)	1,393,279
Balance at March 31, 2018	$396,307	$323,160	$4,812	$3,164,048	$(17,072)	$4,928,001	$(13,014)	$(123)	$(31,239)	$8,754,880	$ 21,148	$8,776,029

* Share and per share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Operating Activities:			
Income before income taxes	¥ 28,323	¥ 27,701	$ 266,600
Depreciation	4,510	4,701	42,457
Losses on impairment of long-lived assets	717		6,757
Gains on revision of retirement benefit plan	(2,285)		(21,514)
Equity in loss of an affiliated company	14	12	139
Decrease in allowance for possible loan losses	(1,904)	(3,187)	(17,926)
(Decrease) increase in liability for employees' retirement benefits	(3,840)	2,164	(36,145)
Increase (decrease) in liability for reimbursement of deposit losses	42	(56)	395
Decrease in liability for contingent losses	(196)	(47)	(1,844)
Interest income	(76,161)	(70,725)	(716,885)
Interest expense	5,568	5,083	52,411
Gains on securities	(1,435)	(9,775)	(13,507)
Losses on money held in trust	67	1,726	632
Foreign exchange loss (gain)	3,359	(1,552)	31,621
Losses on sales of fixed assets	175	114	1,649
Net (increase) decrease in trading securities	(69)	449	(658)
Net increase in loans	(287,537)	(380,334)	(2,706,489)
Net increase in deposits	236,692	248,058	2,227,900
Net (decrease) increase in negotiable certificates of deposit	(4,953)	128,600	(46,624)
Net increase in borrowed money (excluding subordinated loans)	1,540	85,548	14,501
Net increase in due from banks (excluding due from Bank of Japan)	(4,780)	(2,601)	(45,000)
Net decrease (increase) in call loans and bills bought	3,363	(17,465)	31,662
Net increase (decrease) in call money	6,365	(15,638)	59,919
Net increase in payables under securities lending transactions	139,678	139,444	1,314,741
Net increase in foreign exchanges (assets)	(12,195)	(4,453)	(114,787)
Net increase (decrease) in foreign exchanges (liabilities)	97	(101)	914
Net increase in lease receivables and investment assets	(246)	(128)	(2,316)
Interest and dividends received (cash basis)	78,507	74,385	738,963
Interest paid (cash basis)	(5,654)	(5,028)	(53,219)
Other, net	(53,180)	2,889	(500,565)
Subtotal	54,584	209,782	513,782
Income taxes — paid	(7,586)	(9,054)	(71,408)
Net cash provided by operating activities	46,997	200,727	442,374
Investing Activities:			
Purchases of securities	(1,185,208)	(1,014,343)	(11,155,952)
Proceeds from sales of securities	798,208	780,726	7,513,253
Proceeds from redemption of securities	388,246	322,248	3,654,427
Decrease in money held in trust	47		443
(Increase) in money held in trust		(47,000)	
Purchases of tangible fixed assets	(2,100)	(3,143)	(19,772)
Proceeds from sales of tangible fixed assets	2	476	19
Purchases of intangible fixed assets	(1,315)	(838)	(12,380)
Purchases of investments in an affiliated company		(103)	
Other, net	(44)	(21)	(420)
Net cash provided by (used in) investing activities	(2,165)	38,001	(20,381)
Financing Activities:			
Repayments of subordinated loans	(13,000)	(3,000)	(122,364)
Expenses for the purchase of treasury stock	(4,499)		(42,354)
Dividends paid by the Bank	(4,537)	(4,536)	(42,710)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(3)	(30)
Payments of changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(206)		(1,943)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	831		7,824
Net cash used in financing activities	(21,415)	(7,539)	(201,579)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5)	(1)	(55)
Net Increase In Cash and Cash Equivalents	23,410	231,188	220,358
Cash and Cash Equivalents at Beginning of Year	821,539	590,351	7,732,861
Cash and Cash Equivalents at End of Year (Note 3)	¥ 844,950	¥ 821,539	$ 7,953,220

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2018

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 2018 and 2017 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollar.

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 ¥106.24 to $1, the approximate rate of exchange at March 31, 2018. 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, 2018 include the accounts of the Bank and its 8 (8 in 2017) significant subsidiaries (together, the "Group").

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 (1 in 2017) affiliated company is accounted for by the equity method.

Of the consolidated subsidiaries, 8 in 2018 and 2017, 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 subsidiary 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, 2017, 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.

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. In addition, the Bank has transferred a portion of its defined benefit corporate pension plan to a defined contribution pension plan, effective from April 1, 2017. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans. They introduced defined contribution pension plan, effective from April 1, 2017. They apply the simplified method to state the retirement benefit expenses and the liability for retirement benefits for employees.

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 Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, stock options are presented as stock acquisition rights 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.

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.

On October 1, 2017, the Bank effected a one-for-five reverse stock split. All prior year share and per share figures have been restated to reflect the impact of the reverse stock split, and to provide data on a basis comparable to the year ended March 31, 2018. Such restatements include calculations regarding the Bank's weighted-average number of common shares, basic net income per share, diluted net income per share, and cash dividends per share.

r. *Business Combinations* — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

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, 2018 and 2017, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash and due from banks	**¥854,822**	¥826,631	**$8,046,148**
Due from banks, excluding due from the Bank of Japan	**(9,872)**	(5,091)	**(92,927)**
Cash and cash equivalents	**¥844,950**	¥821,539	**$7,953,220**

4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japanese government bonds	¥ 566,556	¥ 769,486	$ 5,332,795
Japanese local government bonds	567,246	423,685	5,339,293
Japanese corporate bonds	658,219	726,780	6,195,594
Japanese corporate stocks	922,738	685,610	8,685,414
Other securities	362,590	259,509	3,412,933
Total	¥3,077,351	¥2,865,072	$28,966,031

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥562 million ($5,298 thousand) and ¥752 million as of March 31, 2018 and 2017, respectively.

Held-to-maturity debt securities at March 31, 2018, were as follows:

	Millions of yen				
	2018				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	¥2,502	¥2,500	¥(1)	¥0	¥ (1)
Japanese corporate bonds	2,009	2,007	(2)	0	(2)
Japanese bonds — total	¥4,511	¥4,507	¥ (3)	¥ 0	¥ (4)

	Thousands of U.S. dollars				
	2018				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	$23,551	$23,534	$(17)	$1	$(18)
Japanese corporate bonds	18,915	18,895	(19)	0	(20)
Japanese bonds — total	$42,467	$42,430	$(37)	$1	$(38)

There were no held-to-maturity debt securities during the year ended March 31, 2017.

The cost and aggregate fair value of available-for-sale securities at March 31, 2018 and 2017 were as follows:

	Millions of yen									
	2018					2017				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 181,970	¥ 919,404	¥737,434	¥738,326	¥ 891	¥ 176,624	¥ 682,124	¥505,500	¥506,340	¥ 840
Japanese government bonds	554,683	566,556	11,872	12,352	480	752,980	769,486	16,506	17,998	1,492
Japanese local government bonds	559,237	564,744	5,507	6,283	776	416,792	423,685	6,892	7,834	942
Japanese corporate bonds	652,532	656,210	3,677	4,090	412	721,603	726,780	5,176	5,707	531
Japanese bonds — total	1,766,453	1,787,510	21,057	22,727	1,669	1,891,376	1,919,952	28,575	31,541	2,965
Foreign bonds	179,117	176,407	(2,710)	352	3,062	164,254	161,446	(2,807)	410	3,218
Other	186,772	183,188	(3,583)	2,134	5,718	95,338	96,035	697	1,734	1,036
Other — total	365,890	359,596	(6,293)	2,487	8,780	259,593	257,482	(2,110)	2,145	4,255
Total	¥2,314,313	¥3,066,512	¥752,198	¥763,540	¥11,342	¥2,327,594	¥2,859,559	¥531,964	¥540,026	¥8,061

	Thousands of U.S. dollars				
	2018				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,712,822	$ 8,654,034	$6,941,212	$6,949,607	$ 8,395
Japanese government bonds	5,221,043	5,332,795	111,751	116,271	4,520
Japanese local government bonds	5,263,903	5,315,741	51,838	59,146	7,308
Japanese corporate bonds	6,142,059	6,176,678	34,618	38,505	3,886
Japanese bonds — total	16,627,007	16,825,215	198,207	213,922	15,715
Foreign bonds	1,685,973	1,660,462	(25,510)	3,317	28,827
Other	1,758,024	1,724,293	(33,730)	20,093	53,824
Other — total	3,443,997	3,384,756	(59,241)	23,410	82,651
Total	$21,783,827	$28,864,006	$7,080,178	$7,186,940	$106,761

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2018 and 2017.

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

	Millions of yen					
	2018			2017		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:						
Equity securities	¥ 14,414	¥2,226	¥ 204	¥ 33,590	¥ 3,663	¥ 191
Debt securities	607,998	2,228	479	565,184	5,345	759
Other securities	175,800	1,075	3,398	181,743	3,911	2,289
Total	¥798,213	¥5,530	¥4,083	¥780,518	¥12,920	¥3,240

	Thousands of U.S. dollars		
	2018		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 135,674	$20,961	$ 1,926
Debt securities	5,722,879	20,972	4,512
Other securities	1,654,748	10,122	31,992
Total	$7,513,302	$52,055	$38,432

The classification of securities was not changed in the years ended March 31, 2018 and 2017.

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 for the year ended March 31, 2017. The devaluation of available-for-sale securities did not occur for the year ended March 31, 2018.

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	
	2018		2017		2018	
	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	¥48,033		¥48,151		$452,119	

(2) No money held in trust was classified as held-to-maturity at March 31, 2018 and 2017.

(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, 2018 and 2017.

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
	2018	2017	2018
Net unrealized gains on available-for-sale securities	¥ 752,198	¥ 531,964	$ 7,080,178
Deferred tax liabilities	(228,257)	(160,779)	(2,148,506)
Other	(54)		(516)
Net unrealized gains on valuation (before adjustment)	523,886	371,185	4,931,156
Noncontrolling interests	(335)	(177)	(3,154)
Net unrealized gains on valuation	¥ 523,550	¥ 371,008	$ 4,928,001

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bills discounted	¥ 26,605	¥ 23,514	$ 250,424
Loans on bills	99,231	100,080	934,029
Loans on deeds	4,694,510	4,402,026	44,187,783
Overdrafts	445,936	453,124	4,197,441
Total	¥5,266,282	¥4,978,745	$49,569,678

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 ¥27,497 million ($258,821 thousand) and ¥24,715 million at March 31, 2018 and 2017, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loans in legal bankruptcy	¥ 3,963	¥ 3,478	$ 37,308
Nonaccrual loans	65,792	72,269	619,285
Past due loans (three months or more)	6		56
Restructured loans	387	479	3,647
Total	¥70,150	¥76,226	$660,297

Loans in legal bankruptcy are loans in which the 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, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Assets:			
Due from foreign correspondents	¥19,402	¥6,900	$182,626
Foreign bills of exchange purchased	892	1,202	8,398
Foreign bills of exchange receivable	312	309	2,940
Total	¥20,606	¥8,411	$193,965
Liabilities:			
Foreign bills of exchange sold	¥ 205	¥ 113	$ 1,933
Accrued foreign bills of exchange	5		49
Total	¥ 210	¥ 113	$ 1,982

9. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2018 and 2017, amounted to ¥80,953 million ($761,991 thousand) and ¥78,520 million, respectively.

10. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Securities	¥422,297	¥278,054	$3,974,935

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deposits	¥ 16,113	¥29,204	$ 151,675
Call money	10,624	11,219	100,000
Payables under securities lending transactions	303,360	163,682	2,855,426
Borrowed money	93,586	91,979	880,894

In addition, securities totaling ¥340,667 million ($3,206,583 thousand) and ¥371,512 million at March 31, 2018 and 2017, 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
	2018	2017	2018
Cash collateral paid for financial instruments	¥36,752	¥4,226	$345,933
Surety deposits	1,722	1,714	16,210

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, 2018 and 2017, such commitments amounted to ¥1,481,447 million ($13,944,350 thousand) and ¥1,403,330 million, respectively, of which ¥1,418,255 million ($13,349,548 thousand) and ¥1,342,679 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, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥214 million. At March 31, 2018, the carrying amount of the land after the above one-time revaluation was greater than the fair value.

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, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Current deposits	**¥ 334,706**	¥ 306,416	**$ 3,150,477**
Ordinary deposits	**3,726,133**	3,462,449	**35,072,794**
Savings deposits	**83,907**	83,248	**789,789**
Deposits at notice	**14,827**	13,707	**139,562**
Time deposits	**2,498,342**	2,535,596	**23,516,025**
Other deposits	**221,058**	240,866	**2,080,748**
Subtotal	**6,878,975**	6,642,283	**64,749,396**
Negotiable certificates of deposit	**920,153**	925,106	**8,661,081**
Total	**¥7,799,129**	¥7,567,390	**$73,410,478**

14. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Subordinated loans	**¥ 16,000**	¥ 29,000	**$ 150,602**
Borrowing from banks and other	**94,141**	92,601	**886,124**
Total	**¥110,141**	¥121,601	**$1,036,726**

At March 31, 2018 and 2017, the weighted average interest rates applicable to borrowed money were 0.45% and 0.55%, respectively.

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

	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	**2018**	**2018**
2019	¥ 94,016	$ 884,942
2020	39	368
2021	20	188
2022	66	625
2023		
2024 and thereafter	16,000	150,602
Total	¥110,141	$1,036,726

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 ¥25,676 million ($241,679 thousand) as of March 31, 2018.

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.

On October 1, 2017, the Bank made the one-for-five reverse stock split for each outstanding share.

17. Stock Options

Stock-based compensation expenses were ¥88 million ($832 thousand) and ¥105 million for the years ended March 31, 2018 and 2017, respectively.

The stock options outstanding as of March 31, 2018, 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	17,420 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	22,380 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	28,740 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	29,960 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	32,960 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	28,880 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	24,880 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	15,020 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	31,680 shares	July 28, 2016	¥1 ($0.01)	From July 29, 2016, to July 28, 2046
2017 Stock Option	8 directors and 11 executive officers of the Bank	15,900 shares	July 30, 2017	¥1 ($0.01)	From July 31, 2017, to July 30, 2047

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

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	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	

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

	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	2017 Stock option
Year Ended March 31, 2018										
Non-vested										
March 31, 2017 — Outstanding									31,680	
Granted										15,900
Canceled										
Vested									31,680	
March 31, 2018 — Outstanding										15,900
Vested										
March 31, 2017 — Outstanding	8,760	11,520	15,200	15,580	20,260	18,960	16,860	13,260		
Vested									31,680	
Exercised	(2,340)	(3,180)	(3,760)	(3,860)	(4,620)	(4,180)	(3,760)	(3,180)	(8,620)	
Canceled										
March 31, 2018 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	10,080	23,060	
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)	¥1 ($0.01)
Average stock price at exercise	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	¥5,290 ($49.79)	
Fair value price at grant date	¥4,890 ($46.02)	¥4,025 ($37.88)	¥3,430 ($32.28)	¥3,390 ($31.90)	¥2,630 ($24.75)	¥3,810 ($35.86)	¥4,510 ($42.45)	¥7,195 ($67.72)	¥3,295 ($31.01)	¥5,225 ($49.18)

"Average stock price at exercise" and "Fair value price at grant date" has been converted to the price after the one-for-five reverse stock split implemented on October 1, 2017.

The fair value of stock options granted in 2018 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	42.2%
Estimated remaining outstanding period:	One year and ten month
Estimated dividend:	¥60 per share
Risk free interest rate:	(0.11)%

18. Other Operating Income

Other operating income for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Gains on foreign exchange transactions — net	**¥ 390**	¥ 181	**$ 3,679**
Gains on trading securities	**1,324**		**12,465**
Gains on sales of bonds	**3,303**	9,256	**31,094**
Lease receipts	**4,294**	4,075	**40,424**
Other	**492**	442	**4,631**
Total	**¥9,805**	¥13,956	**$92,295**

19. Other Income

Other income for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Recovery of loans previously charged off	**¥ 9**	¥ 1	**$ 87**
Gains on sales of stocks and other securities	**2,226**	3,761	**20,961**
Gains on invests in money held in trust	**51**		**487**
Reversal of allowance for possible loan losses	**447**	1,108	**4,212**
Gains on sales of tangible fixed assets	**2**	73	**19**
Gains on revision of retirement benefit plan	**2,285**		**21,514**
Other	**2,384**	2,113	**22,442**
Total	**¥7,407**	¥7,057	**$69,725**

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Losses on sales of bonds	¥3,878	¥3,048	$36,505
Lease costs	3,709	3,523	34,914
Other	742	534	6,986
Total	¥8,329	¥7,107	$78,406

21. Other Expenses

Other expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Charge-off claims	¥ 163	¥ 62	$ 1,539
Losses on sales of stocks and other securities	217	191	2,042
Losses on devaluation of stocks and other securities		0	
Losses on invests in money held in trust	119	1,726	1,120
Losses on sales of tangible fixed assets	177	187	1,669
Losses on impairment of long-lived assets	717		6,757
Equity in loss of an affiliated company	14	12	139
Other	1,352	1,482	12,727
Total	¥2,761	¥3,664	$25,996

22. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 233	¥ 238	$ 2,199
Due after one year	1,615	1,592	15,203
Total	¥1,848	¥1,830	$17,403

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gross leased investment assets	¥11,004	¥10,815	$103,582
Estimated residual values	10	10	102
Unearned interest income	(1,046)	(1,046)	(9,852)
Leased investment assets	¥ 9,968	¥ 9,779	$ 93,832

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	2018	2018	2018	2018
2019	¥168	$1,585	¥ 3,527	$ 33,206
2020	115	1,085	2,785	26,216
2021	87	821	2,074	19,523
2022	62	587	1,343	12,648
2023	22	210	771	7,260
2024 and thereafter	12	121	502	4,727
Total	¥468	$4,411	¥11,004	$103,582

The minimum future rentals to be received under noncancelable operating leases at March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥8	¥3	$ 77
Due after one year	5	2	50
Total	¥13	¥6	$128

23. Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. In addition, the Bank has transferred a portion of its defined benefit corporate pension plan to a defined contribution pension plan, effective from April 1, 2017. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans. They introduced defined contribution pension plan, effective from April 1, 2017. They apply the simplified method to state the retirement benefit expenses and the liability for retirement benefits for employees.

(1) The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year (as restated)	¥61,161	¥59,868	$575,695
Current service cost	2,095	2,573	19,732
Interest cost	273	298	2,575
Actuarial gains	260	552	2,453
Benefits paid	(2,115)	(2,131)	(19,915)
Decrease due to the transfer to the defined contribution pension plan	(6,370)		(59,966)
Others	1	0	10
Balance at end of year	¥55,307	¥61,161	$520,585

(2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥22,480	¥22,415	$211,599
Expected return on plan assets	473	448	4,457
Actuarial gains (losses)	794	420	7,480
Contributions from the employer	6,174	730	58,120
Benefits paid	(1,559)	(1,534)	(14,674)
Decrease due to the transfer to the defined contribution pension plan	(3,325)		(31,306)
Others	1	0	10
Balance at end of year	¥25,039	¥22,480	$235,687

(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, 2018 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 44,930	¥ 50,673	$ 422,916
Plan assets	(25,039)	(22,480)	(235,687)
	19,891	28,192	187,228
Unfunded defined benefit obligation	10,376	10,488	97,669
Net liability arising from defined benefit obligation	¥ 30,267	¥ 38,681	$ 284,898

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Liability for retirement benefits	¥30,267	¥38,681	$284,898
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥30,267	¥38,681	$284,898

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥2,095	¥2,573	$19,728
Interest cost	273	298	2,575
Expected return on plan assets	(473)	(448)	(4,457)
Recognized actuarial gains	994	1,068	9,365
Net periodic benefit costs	¥2,890	¥3,492	$27,211

In addition to the above, the amount to be recognized as "Gain on revision of retirement benefit plan" was ¥2,285 million ($21,514 thousand) for the year ended March 31, 2018 due to the effect resulting from a transfer of a portion of its defined benefit pension plan to defined contribution pension plan.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial losses	¥(2,288)	¥(936)	$(21,537)

Actuarial losses for the current consolidated fiscal year include reclassification adjustments of ¥759 million ($7,144 thousand) due to the effect resulting from a transfer of a portion of its defined benefit pension plan to defined contribution pension plan.

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost			
Unrecognized actuarial gains	¥4,783	¥7,071	$45,027

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2018	2017
Debt investments	37%	46%
Equity investments	30	34
Cash and cash equivalents	22	9
Others	11	11
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, 2018 and 2017, were set forth as follows:

	2018	2017
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

The amount to be paid to defined contribution pension plan was ¥324 million ($3,051 thousand) for the year ended March 31, 2018.

The effect resulting from a transfer of a portion of its defined benefit pension plan to defined contribution pension plan for the year ended March 31, 2018 was as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease in defined benefit obligation	¥(6,370)	$(59,966)
Total amount of plan assets transferred to defined contribution pension plan	3,325	31,306
Subtotal	(3,044)	(28,659)
Recognized actuarial losses	759	7,144
Total	¥(2,285)	$(21,514)

The gain resulting from the transfer is recognized as "Gain on revision of retirement benefit plan" in the consolidated statement of income for the year ended March 31, 2018.

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% for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for possible loan losses	¥ 6,309	¥ 6,931	$ 59,389
Liability for employees' retirement benefits	2,788	2,852	26,249
Devaluation of stocks and other securities	9,270	11,850	87,262
Depreciation	347	322	3,268
Other	4,034	4,171	37,979
Less valuation allowance	(3,021)	(2,908)	(28,439)
Total	¥ 19,729	¥ 23,220	$ 185,710
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥228,257	¥160,779	$2,148,506
Other	60	62	568
Total	¥228,317	¥160,842	$2,149,075
Net deferred tax assets	¥ 1,471	¥ 1,452	$ 13,848
Net deferred tax liabilities	¥210,059	¥139,074	$1,977,213

A reconciliation for the years ended March 31, 2018 and 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, 2018. 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 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 is taking steps to strengthen market risk management, based on the Market Risk Guidelines. The Risk Management Division, which is responsible for conducting market risk management, unifies the management of market risk (including risk for deposits, loans, stocks and other securities), credit risk, and other risks, and adequately controls risks within the scope of the Bank's capital to secure stable earnings.

To this end, the Risk Management Division 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.

To effectively control market risk for stocks and other securities of instruments which has market risk, the Bank 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. Regarding the Bank's investment in securities, the Bank regularly monitors the market value of securities and reports these to management.

For stocks, the Bank sets the limits on acceptable risk quantities based on the economic capital and the profit, and a semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities, the results of which are subject to audit by the Internal Audit Division.

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 based on risk appetite at monthly ALM meetings by reporting on market risk quantities of each instrument, 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, 2018 and 2017 was ¥31.4 billion ($295 million) and ¥21.3 billion.

VaR by risk type at March 31, 2018 and 2017, was as follows:

	Billions of yen		Millions of U.S. dollars
	2018	2017	**2018**
Interest rate fluctuation risk	**¥15.7**	¥12.8	**$147**
Market price fluctuation risk (*)	**15.6**	8.4	**146**
Foreign currency fluctuation risk	**0.1**	0.1	**0**
Total	**¥31.4**	¥21.3	**$295**

(*) 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, 2018	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 854,822	¥ 854,822	
Securities:			
Held-to-maturity bonds	4,511	4,507	¥ (3)
Available-for-sale securities	3,066,512	3,066,512	
Loans and bills discounted	5,266,282		
Allowance for possible loan losses (*1)	(20,900)		
	5,245,381	5,256,522	11,140
Total	¥9,171,228	¥9,182,365	¥11,136
Deposits (other than negotiable certificates of deposit)	¥6,878,975	¥6,879,040	¥ 64
Negotiable certificates of deposit	920,153	920,154	0
Payables under securities lending transactions	303,360	303,360	
Borrowed money	110,141	110,159	17
Total	¥8,212,631	¥8,212,714	¥ 82
Derivatives (*2):			
Hedge accounting not applied	¥ 1,631	¥ 1,631	
Hedge accounting applied	(1,534)	(1,534)	
Total	¥ 96	¥ 96	

	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)	

	Thousands of U.S. dollars		
March 31, 2018	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	$ 8,046,148	$ 8,046,148	
Securities:			
Held-to-maturity bonds	42,467	42,430	$ (37)
Available-for-sale securities	28,864,006	28,864,006	
Loans and bills discounted	49,569,678		
Allowance for possible loan losses (*1)	(196,731)		
	49,372,947	49,477,812	104,865
Total	$86,325,569	$86,430,398	$104,828
Deposits (other than negotiable certificates of deposit)	$64,749,396	$64,750,004	$ 607
Negotiable certificates of deposit	8,661,081	8,661,090	8
Payables under securities lending transactions	2,855,426	2,855,426	
Borrowed money	1,036,726	1,036,890	163
Total	$77,302,631	$77,303,411	$ 779
Derivatives (*2):			
Hedge accountings not applied	$ 15,358	$ 15,358	
Hedge accountings applied	(14,446)	(14,446)	
Total	$ 912	$ 912	

(*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 flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the 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 flows 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
	2018	2017	2018
Non-listed stocks (*1) (*2)	¥3,257	¥3,395	$30,665
Investments in venture funds (*3)	2,993	2,026	28,176
Total	¥6,251	¥5,421	$58,842

(*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 were recorded for the year ended March 31, 2017. No devaluation occurred for the year ended March 31, 2018.

(*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, 2018	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	¥ 776,856					
Securities:						
Held-to-maturity bonds		¥ 500	¥ 2,000	¥ 500	¥ 1,500	
Available-for-sale	193,571	600,671	386,646	153,009	448,712	¥ 156,187
Loans and bills discounted (*)	1,062,663	931,712	742,722	516,176	768,633	1,159,462
Total	¥2,033,091	¥1,532,883	¥1,131,369	¥669,686	¥1,218,845	¥1,315,649

	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

	Thousands of U.S. dollars					
March 31, 2018	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	$ 7,312,280					
Securities:						
Held-to-maturity bonds		$ 4,706	$ 18,825	$ 4,706	$ 14,118	
Available-for-sale	1,822,021	5,653,908	3,639,371	1,440,225	4,223,574	$ 1,470,138
Loans and bills discounted (*)	10,002,479	8,769,879	6,990,988	4,858,593	7,234,874	10,913,612
Total	$19,136,781	$14,428,494	$10,649,185	$6,303,525	$11,472,568	$12,383,751

(*) At March 31, 2018 and 2017, loans and bills discounted of ¥69,756 million ($656,593 thousand) and ¥75,747 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, 2018 and 2017, loans and bills discounted of ¥15,155 million ($142,656 thousand) and ¥15,716 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, 2018	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)	¥6,461,990	¥392,491	¥24,494			
Negotiable certificates of deposit	920,153					
Payables under securities lending transactions	303,360					
Borrowed money	94,016	59	66	¥16,000		
Total	¥7,779,520	¥392,550	¥24,560	¥16,000		

	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		

	Thousands of U.S. dollars					
March 31, 2018	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)	$60,824,459	$3,694,381	$230,556			
Negotiable certificates of deposit	8,661,081					
Payables under securities lending transactions	2,855,426					
Borrowed money	884,942	557	625	$150,602		
Total	$73,225,909	$3,694,938	$231,181	$150,602		

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			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥52,883	¥44,846	¥ 967	¥ 967
Receive floating and pay fixed	52,883	44,846	(482)	(482)
Other:				
Sold	¥ 17			¥ 11
Bought	17			(7)
Total			¥ 484	¥ 488

	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

	Thousands of U.S. dollars			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$497,777	$422,124	$ 9,104	$ 9,104
Receive floating and pay fixed	497,777	422,124	(4,544)	(4,544)
Other:				
Sold	$ 165			$ 112
Bought	165			(71)
Total			$ 4,560	$ 4,601

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			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥89,526	¥ 1,451	¥1,141	¥1,141
Bought	61,051	1,323	5	5
Currency options:				
Sold	¥30,330	¥14,396	¥ (896)	¥ 76
Bought	30,330	14,396	896	241
Total			¥1,147	¥1,465

	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)

	Thousands of U.S. dollars			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$842,678	$ 13,662	$10,747	$10,747
Bought	574,654	12,459	51	51
Currency options:				
Sold	$285,487	$135,507	$ (8,434)	$ 717
Bought	285,487	135,507	8,434	2,273
Total			$10,798	$13,790

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		
	2018		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥73,464	¥73,057	¥(1,916)

	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)

	Thousands of U.S. dollars		
	2018		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$691,500	$687,663	$(18,041)

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		
	2018		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥14,011	¥2,082	¥381

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

	Thousands of U.S. dollars		
	2018		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	$131,883	$19,597	$3,595

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 Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized gains on available-for-sale securities:			
Gains arising during the year	¥221,625	¥148,800	$2,086,086
Reclassification adjustments to profit or loss	(1,447)	(9,678)	(13,623)
Amount before income tax effect	220,178	139,122	2,072,463
Income tax effect	67,477	42,472	635,143
Total	152,700	96,650	1,437,320
Deferred gains or losses on derivatives under hedge accounting:			
(Losses) gains arising during the year	(589)	56	(5,544)
Reclassification adjustments to profit or loss	1,151	1,257	10,835
Amount before income tax effect	562	1,314	5,291
Income tax effect	172	402	1,620
Total	390	912	3,671
Defined retirement benefit plans:			
Gains (losses) arising during the year	534	(131)	5,026
Reclassification adjustments to profit or loss	1,754	1,068	16,510
Amount before income tax effect	2,288	936	21,537
Income tax effect	700	286	6,594
Total	1,587	649	14,942
Total other comprehensive income	¥154,678	¥ 98,212	$1,455,934

28. Business Combination

Year Ended March 31, 2018

1. Acquisition of additional shares in consolidated subsidiaries

(1) Outline of the business combination

① Name and business description of acquired companies

Name of the acquired companies	Business description
Kyoto Credit Service Co., Ltd.	Credit card services
Kyoto Card Service Co., Ltd.	Credit card services
Kyoto Research Institute, Inc.	Research and business consulting services

② Date of the business combination
October 2, 2017 and November 21, 2017

③ Legal form of the business combination
Acquisition of shares by cash

④ Name of the companies subsequent to the business combination
No change to the names of the companies

⑤ Other matters concerning the outline of transactions
Under circumstances where customers need diversification, we believe it was necessary to provide comprehensive financial services as a whole group to exercise our consulting function, and we reconsidered the capital structure of subsidiaries.

Through these transactions, we can strengthen our group management and strive to improve our corporate value.

(2) Overview of accounting treatments performed

The Bank accounted for the transactions with noncontrolling stockholders (a transaction under common control and other) in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (issued on September 13, 2013) and ASBJ Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued on September 13, 2013).

(3) Matters to be noted concerning acquisition of additional shares in subsidiaries

Acquisition cost and details by type of consideration

	Billions of yen	Millions of U.S. dollars
	2018	2018
Acquisition cost	¥549	$5,170
Consideration for acquisition — Cash and due from banks	¥549	$5,170

(4) Matters concerning changes in the Bank's ownership interests in relation to transactions with noncontrolling interests

① Main reasons for the change in capital surplus
Additional acquisition and partial sale of shares in subsidiaries

② Amount of capital surplus increased due to the transactions with noncontrolling stockholders
¥622 million ($5,861 thousand)

③ Amount of capital surplus decreased due to the transactions with noncontrolling interests
¥154 million ($1,451 thousand)

2. Making a subsidiary the Bank's wholly owned subsidiary by a share exchange

(1) Overview of the transaction

① Name and business description of the combined company

Name of the combined company	Business description
Kyoto Guaranty Service Co., Ltd.	Credit guarantee services

② Date of the business combination
December 25, 2017

③ Legal form of the business combination
Share exchange whereby Kyoto Guaranty Service Co., Ltd becomes a wholly owned subsidiary by the Bank

④ Name of the company subsequent to the business combination
No change to the name of the company

⑤ Other matters concerning the outline of the transaction
Under circumstances where customers need diversification, we believe it was necessary to provide comprehensive financial services as a whole group to exercise our consulting function, and we reconsidered the capital structure of subsidiaries.

Through this transaction, we can strengthen our group management and strive to improve corporate value.

(2) Overview of accounting treatments performed

The Bank accounted for the transaction as a transaction with noncontrolling stockholders (a transaction under common control and other) in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (issued on September 13, 2013) and ASBJ Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued on September 13, 2013).

(3) Matters to be noted concerning acquisition of additional shares in subsidiaries

① Acquisition cost and details by type of consideration

	Billions of yen	Millions of U.S. dollars
	2018	2018
Acquisition cost	¥3,926	$36,955
Consideration for acquisition — Treasury stocks	¥3,926	$36,955

② Share exchange ratio by type of stock, its calculation method and number of shares to be issued

a. Share exchange ratio by type of stock
The Bank allotted 216 shares of its common stock for 1 share of common stock of Kyoto Guaranty Service Co., Ltd.

b. Calculation method of share exchange ratio
The Bank appointed the Rutland Audit Firm as an independent advisor concerning the calculation of the share exchange ratio and requested the calculation in order to secure the fairness and reasonableness in deciding on the share exchange ratio. After the Bank and Kyoto Guaranty Service Co., Ltd. negotiated and discussed the share exchange ratio with reference to the outcome of the independent calculation, the Bank judged the above noted share exchange ratio was reasonable and both parties agreed and finalized the transaction.

c. Number of shares to be issued
660 thousand shares

(4) Matters concerning changes in the Bank's ownership interests in relation to the transaction with noncontrolling interests

① Main reasons for the change in capital surplus
Additional acquisition of shares in the subsidiary

② Amount of capital surplus increased due to the transaction with noncontrolling interests
¥3,562 million ($33,530 thousand)

29. 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				
	2018				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 99,985	¥10,323	¥ 110,309	¥ (77)	¥ 110,232
Intersegment	1,068	1,957	3,025	(3,025)	
Total	¥ 101,053	¥12,281	¥ 113,334	¥ (3,102)	¥ 110,232
Segment profit (Note 3)	¥ 24,338	¥ 2,613	¥ 26,951	¥ (20)	¥ 26,931
Segment assets (Note 4)	9,467,206	56,691	9,523,897	(45,304)	9,478,592
Segment liabilities (Note 5)	8,547,204	30,873	8,578,077	(31,850)	8,546,227
Other:					
Depreciation	4,430	80	4,510		4,510
Interest income (Note 3)	76,088	139	76,228	(66)	76,161
Interest expense (Note 3)	5,560	60	5,621	(52)	5,568
Equity in losses of an affiliated company		14	14		14
Investments in an affiliated company accounted by equity method		75	75		75
Increase in tangible and intangible fixed assets	3,223	192	3,415		3,415

	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 affiliated company accounted by equity method		90	90		90
Increase in tangible and intangible fixed assets	3,941	40	3,982		3,982

	Thousands of U.S. dollars				
	2018				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 941,129	$ 97,175	$ 1,038,304	$ (726)	$ 1,037,578
Intersegment	10,052	18,424	28,477	(28,477)	
Total	$ 951,182	$115,599	$ 1,066,782	$ (29,204)	$ 1,037,578
Segment profit (Note 3)	$ 229,085	$ 24,596	$ 253,681	$ (188)	$ 253,493
Segment assets (Note 4)	89,111,505	533,617	89,645,122	(426,440)	89,218,682
Segment liabilities (Note 5)	80,451,848	290,601	80,742,450	(299,797)	80,442,653
Other:					
Depreciation	41,698	759	42,457		42,457
Interest income (Note 3)	716,196	1,313	717,509	(624)	716,885
Interest expense (Note 3)	52,338	572	52,910	(498)	52,411
Equity in losses of an affiliated company		139	139		139
Investments in affiliated company accounted by equity method		714	714		714
Increase in tangible and intangible fixed assets	30,340	1,812	32,152		32,152

Notes: 1. "Operating income" was presented as a substitute for sales in industries. "Operating income" did not include certain other income. A downward reconciliation in ordinary income from external customers was made to adjust the gain on reversal of reserve for possible loan losses.
2. "Other" included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, security 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 ¥35,169 million ($331,037 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥3,318 million ($31,239 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2018			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	**¥46,057**	**¥35,333**	**¥28,841**	**¥110,232**

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

	Thousands of U.S. dollars			
	2018			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	**$433,520**	**$332,581**	**$271,475**	**$1,037,578**

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statement of income for the fiscal years ended March 31, 2018 and 2017; 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 sheet as of March 31, 2018 and 2017; therefore, geographical tangible fixed assets information was not presented.

3. Information about major customers

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal years ended March 31, 2018 and 2017; therefore, major customer information was not presented.

30. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2018 and 2017, 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, 2018				
Basic EPS — Net income available to common shareholders	**¥19,323**	**75,511**	**¥255.89**	**$2.40**
Effect of dilutive securities — Convertible bonds and stock acquisition rights		**126**		
Diluted EPS — Net income for computation	**¥19,323**	**75,638**	**¥255.46**	**$2.40**
For the year ended March 31, 2017				
Basic EPS — Net income available to common shareholders	¥18,601	75,607	¥246.02	
Effect of dilutive securities — Convertible bonds and stock acquisition rights		145		
Diluted EPS — Net income for computation	¥18,601	75,752	¥245.55	

Share and per share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split implemented on October 1, 2017.

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, 2016.

The impact of the change on basic and diluted EPS for the year ended March 31, 2018 was insignificant.

31. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2018, was approved at the Bank's general meeting of shareholders held on June 28, 2018:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.28) per share	**¥2,265**	**$21,322**

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
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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. and its consolidated subsidiaries as of March 31, 2018, 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, 2018, 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 28, 2018

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Assets:			
Cash and due from banks	¥ 852,672	¥ 825,986	$ 8,025,909
Call loans	47,348	51,377	445,674
Monetary claims bought	7,312	6,828	68,830
Trading securities	125	55	1,177
Money held in trust	48,033	48,151	452,119
Securities	3,081,118	2,869,252	29,001,490
Loans and bills discounted	5,274,185	4,986,979	49,644,068
Foreign exchanges	20,606	8,411	193,965
Other assets	49,400	15,369	464,990
Tangible fixed assets	77,958	80,125	733,794
Buildings	28,617	29,693	269,368
Land	43,687	44,170	411,214
Construction in progress	172	66	1,621
Other tangible fixed assets	5,480	6,194	51,589
Intangible fixed assets	2,845	2,719	26,787
Software	2,543	2,414	23,938
Other intangible fixed assets	302	304	2,849
Deferred tax assets	5	5	54
Customers' liabilities for acceptances and guarantees	23,961	17,740	225,544
Allowance for possible loan losses	(18,369)	(20,115)	(172,902)
Total Assets	¥9,467,206	¥8,892,887	$89,111,505
Liabilities and Equity			
Liabilities:			
Deposits	¥7,825,791	¥7,595,953	$73,661,437
Call money	26,560	20,194	250,000
Payables under securities lending transactions	303,360	163,682	2,855,426
Borrowed money	109,651	121,071	1,032,114
Foreign exchanges	210	113	1,982
Other liabilities	19,755	46,256	185,950
Liability for employees' retirement benefits	25,408	31,533	239,164
Liability for reimbursement of deposit losses	336	294	3,162
Liability for contingent losses	916	1,112	8,621
Deferred tax liabilities	211,252	141,120	1,988,442
Acceptances and guarantees	23,961	17,740	225,544
Total Liabilities	8,547,204	8,139,071	80,451,848
Equity:			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2018 and 2017	42,103	42,103	396,307
Capital surplus	30,616	30,301	288,185
Stock acquisition rights	511	569	4,812
Retained earnings	326,668	312,876	3,074,818
Treasury stock — at cost, 331 thousand shares in 2018 and 231 thousand shares in 2017	(1,813)	(1,072)	(17,072)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	523,310	370,823	4,925,743
Deferred losses on derivatives under hedge accounting	(1,382)	(1,772)	(13,014)
Land revaluation surplus	(13)	(13)	(123)
Total Equity	920,001	753,816	8,659,656
Total Liabilities and Equity	¥9,467,206	¥8,892,887	$89,111,505

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

2. 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 ¥106.24 to $1, the approximate rate of exchange at March 31, 2018.

3. Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd. Year Ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Income:			
Interest income:			
Interest on loans and discounts	¥ 45,312	¥ 46,091	$426,510
Interest and dividends on securities	29,772	23,872	280,242
Other interest income	1,003	689	9,442
Fees and commissions	16,021	15,128	150,800
Other operating income	3,698	9,443	34,809
Other income	7,533	6,906	70,907
Total Income	103,341	102,132	972,714
Expenses:			
Interest expenses:			
Interest on deposits	2,800	2,812	26,362
Interest on borrowed money	524	585	4,932
Other interest expenses	2,235	1,677	21,043
Fees and commissions	7,136	6,877	67,172
Other operating expenses	4,020	3,063	37,841
General and administrative expenses	58,235	58,517	548,154
Other expenses	2,657	3,571	25,011
Total Expenses	77,610	77,104	730,519
Income Before Income Taxes	25,730	25,027	242,194
Income Taxes:			
Current	4,749	6,867	44,709
Deferred	2,624	379	24,698
Net Income	¥ 18,356	¥ 17,780	$172,786

	Yen		U.S. dollars
	2018	2017	2018
Per Share Information:			
Basic net income	¥243.09	¥235.16	$2.28
Diluted net income	242.69	234.71	2.28
Cash dividends applicable to the year	60.00	60.00	0.56

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

2. 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 ¥106.24 to $1, the approximate rate of exchange at March 31, 2018.

3. Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

Corporate Profile

The Bank's Organization (As of July 1, 2018)

- 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 28, 2018)

Chairman
Hideo Takasaki

President
Nobuhiro Doi

Senior Managing Directors
Masahiko Naka
Hiroshi Hitomi
Masaya Anami

Managing Directors
Toshiro Iwahashi
Mikiya Yasui

Director & Counselor
Yasuo Kashihara

Directors
Hiroyuki Hata
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
Kazuhiro Waki
Hiroshi Nishimura
Minoru Wada
Kenji Hashi

Corporate Data (As of March 31, 2018)

Date of Establishment
October 1, 1941

Number of Employees
3,508 (Non-consolidated)

Number of Authorized Shares
200,000,000

Number of Issued Shares
75,840,688

Capital (Paid-in)
¥42,103 million

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

(As of May 18, 2018)

Major Shareholders (Number of shares in thousands and percentage)

Nippon Life Insurance Company	3,033	(4.01%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,678	(3.54%)
Meiji Yasuda Life Insurance Company	2,500	(3.31%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,392	(3.16%)
Japan Trustee Services Bank, Ltd. (trust account)	2,169	(2.87%)
KYOCERA Corporation	1,596	(2.11%)
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust — OMRON Corporation account)	1,528	(2.02%)
Japan Trustee Services Bank, Ltd. (trust account 5)	1,439	(1.90%)
Sompo Japan Nipponkoa Insurance Inc.	1,367	(1.81%)
Sumitomo Life Insurance Company	1,318	(1.74%)

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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

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