

ANNUAL REPORT

YEAR ENDED March 31, 2018

2018



The Akita Bank, Ltd.

Profile

Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and five consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on the current medium-term management plan, Akigin Mirai Project, the Bank will execute its role as a regional bank, which its network covers the area in eastern Japan and expand our financial services including international operations emphasizing relations with regional clients.

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In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2018	2017	2018
Total income	¥47,492	¥47,465	\$447,025
Total expenses	40,737	41,078	383,443
Income before income taxes	6,754	6,387	63,573
Net income attributable to owners of parent	4,733	4,741	44,550

	Yen	U.S. dollars (Note 1)
Net income per share	¥263.65	\$2.48

	Millions of yen		Thousands of U.S. dollars (Note 1)
As of March 31	2018	2017	2018
Total assets	¥3,146,827	¥2,980,211	\$29,619,983
Trading account securities and securities	795,977	975,876	7,492,253
Loans and bills discounted	1,672,607	1,636,780	15,743,665
Deposits	2,545,808	2,454,366	23,962,801
Total net assets	178,509	175,258	1,680,242

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥106.24 = U.S.\$1.00, the exchange rate prevailing as of March 31, 2018.
 (2) Capital adequacy ratio stood at 11.24% and 11.55% as of March 31, 2018 and 2017, respectively, in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.
 (3) Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of previous fiscal year.

Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31

	Millions of yen				
	2018	2017	2016	2015	2014
Total income	¥47,492	¥47,465	¥56,331	¥48,063	¥47,822
Net income attributable to owners of parent	4,733	4,741	6,578	6,916	6,699

	Yen				
Net income per share	¥263.65	¥261.26	¥35.82	¥37.27	¥35.64

	Percent				
	2018	2017	2016	2015	2014
Income ratio					
Net income to total assets	0.15	0.15	0.21	0.23	0.24
Net income to owned capital	2.72	2.78	3.87	4.40	4.66
Capital adequacy ratio					
Domestic guidelines	11.24	11.55	12.04	11.96	12.08

Notes: (1) The Bank's capital adequacy ratio and net income to owned capital ratio are calculated in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

(2) Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of previous fiscal year.

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
ASSETS			
Cash and due from banks (Note 38)	¥ 571,797	¥ 302,307	\$ 5,382,125
Call loans and bills bought	18,382	11,101	173,023
Monetary claims bought	7,909	11,082	74,444
Trading account securities (Note 4)	645	651	6,071
Securities (Notes 5 and 12)	795,331	975,224	7,486,172
Loans and bills discounted (Note 6)	1,672,607	1,636,780	15,743,665
Foreign exchanges (Note 7)	2,433	5,147	22,900
Other assets (Notes 8 and 12)	56,674	19,242	533,452
Premises and equipment (Notes 9 and 31)	20,403	20,487	192,046
Intangible assets (Note 10)	1,204	1,399	11,332
Net defined benefit asset (Note 20)	3,098	2,261	29,160
Deferred tax assets (Note 14)	360	109	3,388
Customers' liabilities for acceptances and guarantees (Note 13)	8,089	7,839	76,138
Reserve for possible loan losses (Note 6)	(12,109)	(13,424)	(113,977)
Reserve for investment losses	(0)	(0)	(0)
Total assets	¥3,146,827	¥2,980,211	\$29,619,983

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
LIABILITIES			
Deposits (Notes 12 and 15)	¥2,545,808	¥2,454,366	\$23,962,801
Negotiable certificates of deposit	141,400	137,365	1,330,948
Call money and bills sold	35,499	30,085	334,139
Payables under securities lending transactions (Note 12)	124,528	102,680	1,172,138
Borrowed money (Notes 12 and 16)	85,219	45,291	802,136
Foreign exchanges (Note 17)	45	8	423
Other liabilities (Note 19)	11,166	9,093	105,101
Reserve for directors' bonuses	20	20	188
Net defined benefit liability (Note 20)	2,562	4,734	24,115
Reserve for directors' retirement benefits	18	19	169
Reserve for reimbursement of dormant deposits	615	641	5,788
Reserve for contingent losses	631	633	5,939
Deferred tax liabilities (Note 14)	11,092	10,528	104,405
Deferred tax liability for land revaluation (Note 21)	1,621	1,643	15,257
Acceptances and guarantees (Note 13)	8,089	7,839	76,138
Total liabilities	¥2,968,318	¥2,804,953	\$27,939,740
NET ASSETS			
Capital stock (Note 35)	14,100	14,100	132,718
Capital surplus	9,212	6,271	86,709
Retained earnings (Note 37)	118,729	115,214	1,117,554
Treasury stock (Note 35)	(506)	(515)	(4,762)
Total stockholders' equity	141,536	135,070	1,332,228
Valuation difference on available-for-sale securities (Note 22)	34,224	32,776	322,138
Deferred losses on hedges	(1)	(39)	(9)
Land revaluation excess (Note 21)	3,029	3,073	28,510
Remeasurements of defined benefit plans (Note 20)	(978)	(1,868)	(9,205)
Total accumulated other comprehensive income	36,274	33,941	341,434
Stock option rights (Note 36)	69	70	649
Non-controlling interests	628	6,176	5,911
Total net assets	178,509	175,258	1,680,242
Total liabilities and net assets	¥3,146,827	¥2,980,211	\$29,619,983

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2018 and 2017

Thousands of
U.S. dollars (Note 1)

	2018	2017	2018
Income			
Interest income			
Interest on loans and discounts	¥17,460	¥18,497	\$164,344
Interest and dividends on securities	10,809	12,534	101,741
Other interest income (Note 23)	205	204	1,929
Fees and commissions (Note 24)	6,517	6,549	61,342
Other operating income (Note 25)	8,975	6,915	84,478
Other income (Note 26)	3,524	2,763	33,170
Total income	47,492	47,465	447,025
Expenses			
Interest expenses			
Interest on deposits	689	972	6,485
Interest on borrowings, call money and bills sold	782	939	7,360
Other interest expenses (Note 27)	259	798	2,437
Fees and commissions (Note 28)	2,439	2,526	22,957
Other operating expenses (Note 29)	10,513	10,537	98,955
General and administrative expenses	24,515	24,471	230,751
Other expenses (Notes 30 and 31)	1,537	831	14,467
Total expenses	40,737	41,078	383,443
Income before income taxes	6,754	6,387	63,573
Income taxes (Note 14)			
Current	1,908	323	17,959
Deferred	(779)	1,097	(7,332)
Net income	5,625	4,966	52,946
Net income attributable to non-controlling interests	892	224	8,396
Net income attributable to owners of parent	¥ 4,733	¥ 4,741	\$ 44,550
Net income	¥ 5,625	¥ 4,966	\$ 52,946
Other comprehensive income (Note 32)			
Valuation difference on available-for-sale securities	1,503	(5,747)	14,147
Deferred gains on hedges	37	171	348
Remeasurements of defined benefit plans	890	1,052	8,377
Total other comprehensive income	2,431	(4,523)	22,882
Comprehensive income	¥ 8,057	¥ 442	\$ 75,837
Comprehensive income attributable to:			
Owners of parent	¥ 7,109	¥ 191	\$ 66,914
Non-controlling interests	948	251	8,923
	Yen		U.S. dollars (Note 1)
Net income per share (Note 42)	¥263.65	¥261.26	\$2.48

Notes: (1) See notes to consolidated financial statements.

(2) Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of previous fiscal year.

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen				
	Stockholders' equity				Total
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2016	¥14,100	¥6,271	¥112,797	¥(454)	¥132,715
Changes of items during the period					
Dividends from surplus	—	—	(1,277)	—	(1,277)
Net income attributable to owners of parent	—	—	4,741	—	4,741
Purchase of treasury stock	—	—	—	(1,135)	(1,135)
Disposal of treasury stock	—	—	(0)	3	3
Cancellation of treasury stock	—	—	(1,070)	1,070	—
Reversal of revaluation reserve for land	—	—	23	—	23
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	2,416	(61)	2,355
Balance at March 31, 2017	¥14,100	¥6,271	¥115,214	¥(515)	¥135,070
Changes of items during the period					
Dividends from surplus	—	—	(1,256)	—	(1,256)
Net income attributable to owners of parent	—	—	4,733	—	4,733
Additional purchase of stock in subsidiary	—	2,940	—	—	2,940
Purchase of treasury stock	—	—	—	(10)	(10)
Disposal of treasury stock	—	—	(4)	20	16
Reversal of revaluation reserve for land	—	—	43	—	43
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	2,940	3,515	9	6,465
Balance at March 31, 2018	¥14,100	¥9,212	¥118,729	¥(506)	¥141,536

	Millions of yen							
	Accumulated other comprehensive income					Stock option rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total			
Balance at March 31, 2016	¥38,549	¥(210)	¥3,096	¥(2,920)	¥38,515	¥57	¥5,934	¥177,221
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,277)
Net income attributable to owners of parent	—	—	—	—	—	—	—	4,741
Purchase of treasury stock	—	—	—	—	—	—	—	(1,135)
Disposal of treasury stock	—	—	—	—	—	—	—	3
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	23
Net changes of Items other than stockholders' equity	(5,773)	171	(23)	1,052	(4,573)	12	241	(4,318)
Total changes of items during the period	(5,773)	171	(23)	1,052	(4,573)	12	241	(1,963)
Balance at March 31, 2017	¥32,776	¥ (39)	¥3,073	¥(1,868)	¥33,941	¥70	¥6,176	¥175,258
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,256)
Net income attributable to owners of parent	—	—	—	—	—	—	—	4,733
Additional purchase of stock in subsidiary	—	—	—	—	—	—	—	2,940
Purchase of treasury stock	—	—	—	—	—	—	—	(10)
Disposal of treasury stock	—	—	—	—	—	—	—	16
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	43
Net changes of Items other than stockholders' equity	1,448	37	(43)	890	2,333	(0)	(5,547)	(3,214)
Total changes of items during the period	1,448	37	(43)	890	2,333	(0)	(5,547)	3,251
Balance at March 31, 2018	¥34,224	¥ (1)	¥3,029	¥ (978)	¥36,274	¥69	¥ 628	¥178,509

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2017	\$132,718	\$59,026	\$1,084,469	\$(4,847)	\$1,271,366
Changes of items during the period					
Dividends from surplus	—	—	(11,822)	—	(11,822)
Net income attributable to owners of parent	—	—	44,550	—	44,550
Additional purchase of stock in subsidiary	—	27,673	—	—	27,673
Purchase of treasury stock	—	—	—	(94)	(94)
Disposal of treasury stock	—	—	(37)	188	150
Reversal of revaluation reserve for land	—	—	404	—	404
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	27,673	33,085	84	60,852
Balance at March 31, 2018	\$132,718	\$86,709	\$1,117,554	\$(4,762)	\$1,332,228

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
Balance at March 31, 2017	\$308,509	\$(367)	\$28,925	\$(17,582)	\$319,474	\$658	\$58,132	\$1,649,642
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(11,822)
Net income attributable to owners of parent	—	—	—	—	—	—	—	44,550
Additional purchase of stock in subsidiary	—	—	—	—	—	—	—	27,673
Purchase of treasury stock	—	—	—	—	—	—	—	(94)
Disposal of treasury stock	—	—	—	—	—	—	—	150
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	404
Net changes of Items other than stockholders' equity	13,629	348	(404)	8,377	21,959	(0)	(52,211)	(30,252)
Total changes of items during the period	13,629	348	(404)	8,377	21,959	(0)	(52,211)	30,600
Balance at March 31, 2018	\$322,138	\$ (9)	\$28,510	\$ (9,205)	\$341,434	\$649	\$ 5,911	\$1,680,242

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2018 and 2017

Thousands of
U.S. dollars (Note 1)

	Millions of yen		
	2018	2017	2018
Cash flows from operating activities			
Income before income taxes	¥ 6,754	¥ 6,387	\$ 63,573
Depreciation and amortization	1,680	1,557	15,813
Losses on impairment of fixed assets	200	59	1,882
Net change in reserve for possible loan losses	(1,315)	(3,718)	(12,377)
Net change in reserve for investment losses	(0)	(0)	(0)
Net change in net defined benefit liability	(2,149)	(3,045)	(20,227)
Net change in reserve for directors' retirement benefits	(0)	(3)	(0)
Net change in reserve for reimbursement of dormant deposits	(26)	68	(244)
Net change in reserve for contingent losses	(2)	34	(18)
Gain on fund management	(28,475)	(31,237)	(268,025)
Financing expenses	1,731	2,710	16,293
Net (gain) loss related to securities transactions	(447)	2,152	(4,207)
Net (gain) loss on money held in trust	115	(9)	1,082
Net foreign exchange (gains) losses	3,999	(266)	37,641
Net loss on disposal of premises and equipment	149	50	1,402
Net change in loans and bills discounted	(37,005)	(40,768)	(348,315)
Net change in deposits	91,442	31,690	860,711
Net change in negotiable certificates of deposit	4,034	(4,212)	37,970
Net change in borrowed money (excluding subordinated borrowing)	39,927	(3,169)	375,818
Net change in due from banks (excluding deposit paid to Bank of Japan)	392	(610)	3,689
Net change in call loans	(4,119)	(9,847)	(38,770)
Net change in call money	5,413	15,211	50,950
Net change in payable under securities lending transactions	21,847	(39,749)	205,638
Net change in foreign exchanges assets	2,713	(3,343)	25,536
Net change in foreign exchanges liabilities	36	(30)	338
Proceeds from fund management	29,129	32,598	274,181
Payments for finance	(1,804)	(3,207)	(16,980)
Net change in trading account securities	6	(283)	56
Other, net	(34,451)	2,986	(324,275)
Sub-total	99,778	(47,995)	939,175
Income taxes paid	(1,158)	(958)	(10,899)
Net cash provided by (used in) operating activities	98,620	(48,953)	928,275
Cash flows from investing activities			
Purchases of securities	(316,266)	(417,021)	(2,976,901)
Proceeds from sales of securities	252,383	130,583	2,375,592
Proceeds from redemption of securities	241,596	339,964	2,274,058
Increase in money held in trust	(1,000)	—	(9,412)
Decrease in money held in trust	1,000	987	9,412
Purchases of premises and equipment	(1,312)	(995)	(12,349)
Proceeds from sales of premises and equipment	72	115	677
Payments for retirement of premises and equipment	(110)	(30)	(1,035)
Purchases of intangible fixed assets	(275)	(292)	(2,588)
Net cash provided by (used in) investing activities	176,087	53,312	1,657,445
Cash flows from financing activities			
Purchases of treasury stock	(10)	(1,135)	(94)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(1,256)	(1,277)	(11,822)
Cash dividends paid to non-controlling interests	(9)	(9)	(84)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,545)	—	(33,367)
Net cash provided by (used in) financing activities	(4,821)	(2,422)	(45,378)
Effect of exchange rate change on cash and cash equivalents	(4)	(0)	(37)
Net increase (decrease) in cash and cash equivalents	269,882	1,936	2,540,304
Cash and cash equivalents at beginning of year	295,753	293,817	2,783,819
Cash and cash equivalents at end of year (Note 38)	¥565,635	¥295,753	\$5,324,124

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2018 and 2017

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan, and the original consolidated financial statements in Japanese language are audited by Ernst & Young ShinNihon LLC, the Bank's accounting auditor. Note that Ernst & Young ShinNihon LLC ended its tenure as accounting auditor upon the conclusion of the 115th Annual General Meeting of Shareholders due to the expiry of its tenure. Accordingly, the Bank has appointed Deloitte Touche Tohmatsu LLC as the new accounting auditor.

In preparing these consolidated financial statements in English language, 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. The amount of net income attributable to owners of parent in these consolidated financial statements after such modification is the same as that in the audited original consolidated financial statements issued domestically.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, at the rate of ¥106.24 to U.S.\$1.00, the prevailing exchange rate at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. Principles of Consolidation

Consolidated subsidiaries

The consolidated financial statements include the accounts of the Bank and five of its subsidiaries, including The Akita Guarantee Service Ltd. and others, whose fiscal year end is consistent to that of the Bank. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of a limited partnership due to insignificance.

3. Summary of Significant Accounting Policies

(a) Trading account securities

Trading account securities are stated at fair value and the cost of securities sold is determined by the moving average method.

(b) 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 stated at amortized cost computed using the straight-line method and (2) available-for-sale securities are stated at fair value with unrealized holding gains and losses, net of applicable taxes, reported as valuation difference on available-for-sale securities in a separate component of net assets. Securities whose fair values cannot be reliably estimated are stated at cost determined using the moving-average cost method.

Securities held in money trusts, of which funds are principally invested in securities and are separately managed from other beneficiaries, are carried at fair value with unrealized holding gains and losses included in earnings.

For available-for-sale securities, in cases where the fair value has fallen significantly from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the Bank considers recognizing a loss on impairment. The Bank considers the decline to be significant when the fair value of the available-for-sale securities declines more than 30% of the carrying amount. When the fair value of the available-for-sale securities declines 50% or more, the securities are stated at fair value on the consolidated balance sheets and the difference between the fair value and the acquisition price is recognized as a loss. When the fair value of the available-for-sale securities declines from 30% to less than 50% of the carrying amount, the Bank recognizes a loss based on the recoverability of the securities after examining the trends of market prices and the financial position of the issuers.

(c) Derivatives

Derivatives are carried at fair value which is based on market quotation.

(d) Premises and equipment

The Bank's depreciation policies are in line with the Corporation Tax Act of Japan. Depreciation is charged using the declining balance method over the estimated useful lives of respective assets. The straight-line method is applied to buildings acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings:	3–50 years
Others:	3–20 years

Depreciation of premises and equipment owned by consolidated subsidiaries is predominantly charged using the declining balance method over the estimated useful lives of respective assets.

(e) Intangible assets

Intangible assets are amortized using the straight-line method. Cost of software held for internal-use is amortized over its estimated useful life (mainly 5 years).

(f) Leased assets

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease periods as the useful life of assets with zero residual value. The Bank leases mainly peripheral devices and automobiles, included in premises and equipment, and software, included in intangible assets.

(g) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

The Bank has established a credit rating system in accordance with the provisions set forth in the Guidelines issued by the Japanese Institute of Certified Public Accountants under which customers are classified into five categories for self-assessment purposes: "Bankrupt Obligors," "Substantially

Bankrupt Obligors," "Potential Bankrupt Obligors," "Cautious Obligors" and "Normal Obligors."

For loans to Bankrupt and Substantially Bankrupt Obligors, the Bank has provided a reserve for possible loan losses based on the amount claimed, net of the expected recovery amount from collateral and guarantee. For loans to Potential Bankrupt Obligors, the Bank has provided a reserve at an amount deemed necessary to cover possible losses which are estimated based on the expected recovery amount from collateral and guarantee as well as other factors of solvency, including the Obligors' future cash flows.

For loans to all other obligors, reserves are maintained at rate derived from default experiences for a certain period in the past.

The Bank applied the DCF method to estimate a reserve for possible loan losses, if future cash flows of principal and interest are reasonably estimated, for (1) loans to Potential Bankrupt Obligors, where the loan balance, net of the amount secured by collateral, exceeds a certain amount and (2) loans to obligors with restructured loans and their loan balance exceeds a certain amount. Thus, the difference between the amount calculated by discounting future cash flows of principal and interest using the original interest rate of respective loans and its book value is accounted for as reserve for loan losses.

The collectability of all loans is assessed by branches and the credit supervisory division, with an internal audit by the asset review and inspection division, in accordance with the Bank's policies and rules for the self-assessment of asset quality.

The consolidated subsidiaries calculate their reserve for possible loan losses as the amount deemed necessary to cover possible losses, which is estimated based on the actual historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific loans.

(h) Reserve for investment losses

Reserve for investment losses is provided for possible losses at the estimated amounts based on the financial position of securities' issuers.

(i) Reserve for employees' retirement benefits

For the calculation of retirement benefit obligation, the Bank applies the benefit formula basis as the method of attributing expected benefit to period. Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (10 years), commencing from the next fiscal year after incurrence.

The consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit cost.

(j) Reserve for directors' bonuses

Reserve for directors' bonuses is provided as the amount of the estimated bonuses which are attributable to each fiscal year.

(k) Reserve for retirement benefits to directors

Consolidated subsidiaries of the Bank accrue 100% of obligations for their retirement benefits according to the internal rules, which are based under the assumption that all directors terminate their services at the year end.

(l) Reserve for reimbursement of dormant deposits

Reserve for the reimbursement of dormant deposits which were de-recognized as liabilities under certain conditions is provided for possible losses on the future claims.

(m) Reserve for contingent losses

The Bank provides a reserve for future payments under the Responsibility-sharing System with Credit Guarantee Corporations, at an amount estimated based on historical experience.

(n) Foreign currency transaction

Foreign currency denominated assets and liabilities are translated into

Japanese yen at the exchange rate prevailing at the balance sheet date.

(o) Hedge accounting

(1) Hedge against interest rate risk

For interest rate derivatives to mitigate the interest rate risks arising from various financial assets and liabilities, the Bank applies the deferred hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (February 13, 2002). Under these rules, hedge effectiveness is assessed by specifying hedged items (such as securities and loans) and the corresponding hedging instruments (such as interest rate swaps).

(2) Hedge against foreign exchange risk

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank applies the deferred method of hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 25, the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (July 29, 2002). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt denominated in foreign currency as hedging instruments, by verifying the correlation between the hedged items and the foreign exchange positions of hedging instruments.

(p) Consumption taxes

Transactions are recorded exclusive of consumption taxes.

(q) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and deposit with the Bank of Japan.

(r) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to the operating loss carried forward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

4. Trading Account Securities

Trading account securities as of March 31, 2018 and 2017 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Amount in the balance sheet	¥645	¥651	\$6,071
Valuation gain (loss) included in income for the year	(0)	(0)	(0)

5. Securities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Japanese government bonds	¥195,444	¥316,363	\$1,839,646
Local government bonds	62,829	46,796	591,387
Corporate bonds	280,891	331,114	2,643,928
Share stocks	64,224	59,000	604,518
Other securities	191,941	221,949	1,806,673
Total	¥795,331	¥975,224	\$7,486,172

Fair value and valuation differences of securities as of March 31, 2018 and 2017 and other related information are stated below.

(a) Held-to-maturity debt securities

The Bank and its consolidated subsidiaries' investments in held-to-maturity debt securities as of March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		
	2018		
	Carrying value	Fair value	Difference
Japanese government bonds	¥598	¥616	¥18
	Millions of yen		
	2017		
	Carrying value	Fair value	Difference
Japanese government bonds	¥597	¥624	¥26
	Thousands of U.S. dollars (Note 1)		
	2018		
	Carrying value	Fair value	Difference
Japanese government bonds	\$5,628	\$5,798	\$169

(b) Available-for-sale securities

The Bank and its consolidated subsidiaries' investments in available-for-sale securities as of March 31, 2018 and 2017 were summarized in the following tables. For presentation purposes, the tables also include: (i) trading account securities, (ii) some negotiable certificates of deposits included in cash and deposits and (iii) a part of securities included in monetary claims bought on the consolidated balance sheets, but exclude the stocks of the Bank's subsidiaries and affiliates.

	Millions of yen		
	2018		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 60,818	¥ 28,184	¥32,634
Bonds:			
Japanese government bonds	194,845	188,161	6,684
Local government bonds	48,602	48,214	388
Corporate bonds	250,240	246,764	3,476
Bonds total	493,688	483,139	10,548
Others	104,307	96,920	7,387
Subtotal	658,814	608,244	50,570
Carrying value not exceeding cost:			
Stocks	1,516	1,795	(279)
Bonds:			
Local government bonds	14,227	14,300	(72)
Corporate bonds	30,651	30,740	(88)
Bonds total	44,879	45,040	(161)
Others	85,518	86,764	(1,245)
Subtotal	131,913	133,599	(1,686)
Total	¥790,728	¥741,844	¥48,884

	Millions of yen		
	2017		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 55,098	¥ 27,786	¥27,311
Bonds:			
Japanese government bonds	288,854	278,283	10,571
Local government bonds	32,430	31,985	444
Corporate bonds	291,965	287,389	4,576
Bonds total	613,250	597,657	15,592
Others	130,026	121,722	8,303
Subtotal	798,375	747,167	51,208
Carrying value not exceeding cost:			
Stocks	2,147	2,228	(80)
Bonds:			
Japanese government bonds	26,911	27,874	(963)
Local government bonds	14,365	14,500	(134)
Corporate bonds	39,148	39,388	(240)
Bonds total	80,425	81,763	(1,337)
Others	92,053	95,126	(3,072)
Subtotal	174,627	179,117	(4,490)
Total	¥973,003	¥926,285	¥46,717

	Thousands of U.S. dollars (Note 1)		
	2018		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	\$572,458	\$265,286	\$307,172
Bonds:			
Japanese government bonds	1,834,007	1,771,093	62,914
Local government bonds	457,473	453,821	3,652
Corporate bonds	2,355,421	2,322,703	32,718
Bonds total	4,646,912	4,547,618	99,284
Others	981,805	912,274	69,531
Subtotal	6,201,185	5,725,188	475,997
Carrying value not exceeding cost:			
Stocks	14,269	16,895	(2,626)
Bonds:			
Local government bonds	133,913	134,600	(677)
Corporate bonds	288,507	289,344	(828)
Bonds total	422,430	423,945	(1,515)
Others	804,951	816,679	(11,718)
Subtotal	1,241,650	1,257,520	(15,869)
Total	\$7,442,846	\$6,982,718	\$460,128

(c) Available-for-sale securities sold

Available-for-sale securities sold and the gains and losses on sale of those securities for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Proceeds from sales	¥249,189	¥124,449	\$2,345,528
Gains	5,427	3,170	51,082
Losses	(2,665)	(1,602)	(25,084)

There were no investment securities which were impaired for the year ended March 31, 2018 and 2017.

6. Loans and Bills Discounted

(a) Loans and bills discounted as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Bills discounted	¥ 5,684	¥ 6,082	\$ 53,501
Loans on notes	39,909	44,409	375,649
Loans on deeds	1,457,960	1,427,287	13,723,268
Overdrafts	169,052	159,001	1,591,227
Total	¥1,672,607	¥1,636,780	\$15,743,665

(b) Non-performing loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the following non-performing loans are included in the balance of loans and bills discounted at March 31, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Loans in bankruptcy and dishonored bills (*1)	¥ 2,375	¥ 1,962	\$ 22,355
Delinquent loans (*2)	30,495	34,027	287,038
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	392	416	3,689
Total	¥33,262	¥36,406	\$313,083

*1. "Loans in bankruptcy and dishonored bills" consist of non-accrual loans on which the payment of principal or interest is well past due or where there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Order for Enforcement of Corporation Tax Act (Cabinet Order No. 97 of 1965).

*2. "Delinquent loans" are non-accrual loans, which do not fall under the classifications of loans in bankruptcy and dishonored bills, or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

*3. "Loans past due for three months or more" are classified in this category when three months or more have elapsed since the due date with no payment of principal or interest. Excluded from this balance are the balances of loans in bankruptcy and dishonored bills and the balances of delinquent loans.

*4. "Restructured loans" include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by revising terms of repayment favorable to the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, debt waiver, etc.). Excluded from this balance are the balances of loans in bankruptcy and dishonored bills, the balances of delinquent loans and the balances of loans past due for three months or more.

(c) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (February 13, 2002). The Bank has the rights to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. Their total face value as of March 31, 2018 and 2017 were ¥5,684 million (U.S.\$53,501 thousand) and ¥6,109 million, respectively.

(d) Contracts of overdraft facilities and loan commitment limits

Contracts of overdraft facilities and loan commitment limits are the contracts detailing that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Unused balance within the limits	¥603,683	¥565,299	\$5,682,257
Of which, the term of contracts is less than one year or revocable at any time	576,026	545,834	5,421,931

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

7. Foreign Exchange Assets

Foreign exchange assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Due from foreign banks	¥2,433	¥5,119	\$22,900
Foreign exchange bills bought	0	27	0
Total	¥2,433	¥5,147	\$22,900

8. Other Assets

Other assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Lease receivables and lease investment assets	¥ 8,693	¥ 8,565	\$ 81,824
Domestic exchange settlement	—	125	—
Prepaid expenses	17	15	160
Accrued income	5,311	5,381	49,990
Futures margins	103	132	969
Derivatives	145	283	1,364
Cash collateral paid for financial instruments	30	110	282
Others	42,372	4,629	398,832
Total	¥56,674	¥19,242	\$533,452

9. Premises and Equipment

Premises and equipment as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Buildings	¥ 7,755	¥ 7,781	\$ 72,995
Land	10,748	10,868	101,167
Leased assets	3	—	28
Construction in Progress	20	5	188
Others	1,874	1,832	17,639
Total	¥20,403	¥20,487	\$192,046

The accumulated depreciation of premises and equipment as of March 31, 2018 and 2017 amounted to ¥33,344 million (U.S.\$313,855 thousand) and ¥33,563 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥1,963 million (U.S.\$18,477 thousand) and ¥2,044 million as of March 31, 2018 and 2017, respectively.

10. Intangible Assets

Intangible assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Software	¥1,012	¥1,196	\$ 9,525
Others	192	203	1,807
Total	¥1,204	¥1,399	\$11,332

11. Leases

Finance leases

Finance leases that do not transfer ownership

(1) Outline of lease assets

(i) Tangible fixed assets

Vehicle

(ii) Intangible assets

None

(2) Method of depreciation of lease assets

Please refer to Note 3. "Summary of Significant Accounting Policies, (f) Leased assets" in "Notes to Consolidated Financial Statements."

12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Securities	¥226,509	¥180,961	\$2,132,050
Other assets	51	51	480
Total	¥226,560	¥181,012	\$2,132,530

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deposits	¥ 12,331	¥ 13,482	\$ 116,067
Payables under securities lending transactions	124,528	102,680	1,172,138
Borrowed money	82,300	42,500	774,661

In addition, the following asset was pledged as collateral for settlements of exchange as of March 31, 2018 and 2017, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Securities	¥ 5,073	¥47,121	\$ 47,750
Other assets	39,000	—	367,093

13. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' Liabilities for Acceptances and Guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

14. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which results in a statutory rate of approximately 30.7% for the years ended March 31, 2018 and 2017, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥ 2,384	¥ 2,259	\$ 22,439
Reserve for possible loan losses	3,256	3,596	30,647
Securities	506	531	4,762
Depreciation	273	265	2,569
Remeasurements of defined benefit plans	429	819	4,038
Others	1,481	1,399	13,940
Total deferred tax assets	8,331	8,873	78,416
Valuation allowance	(2,485)	(3,445)	(23,390)
Total deferred tax assets, net	5,845	5,427	55,016
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(2,046)	(1,937)	(19,258)
Valuation difference on available-for-sale securities	(14,430)	(13,767)	(135,824)
Reserve for advanced depreciation of real estate	(88)	(91)	(828)
Others	(12)	(50)	(112)
Total deferred tax liabilities	(16,578)	(15,847)	(156,042)
Net deferred tax assets (liabilities)	¥(10,732)	¥(10,419)	\$(101,016)

The following summarizes the amounts shown on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deferred tax assets	¥ 360	¥ 109	\$ 3,388
Deferred tax liabilities	(11,092)	(10,528)	(104,405)
Net deferred tax assets (liabilities)	¥(10,732)	¥(10,419)	\$(101,016)

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2018 and 2017 was as follows:

	2018	2017
Statutory tax rate	30.7 %	30.7 %
(Adjustments)		
Expenses not deductible for income tax purpose	0.4	0.4
Dividend income not included in taxable income	(4.3)	(1.8)
Inhabitant tax on per capital basis	0.6	0.6
Change in valuation allowance	(14.2)	(6.5)
Others	3.5	(1.2)
Actual effective tax rate	16.7 %	22.2 %

15. Deposits

An analysis of deposits as of March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Current deposits	¥ 146,992	¥ 111,667	\$ 1,383,584
Ordinary deposits	1,303,606	1,214,828	12,270,387
Saving deposits	41,136	40,232	387,198
Deposits at notice	9,390	8,970	88,384
Time deposits	1,019,576	1,040,141	9,596,912
Installment savings	10	13	94
Other deposits	25,095	38,513	236,210
Total	¥2,545,808	¥2,454,366	\$23,962,801

16. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Borrowings from other banks	¥85,219	¥45,291	\$802,136

The average interest rates of the loans were 0.016% and 0.034% as of March 31, 2018 and 2017, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2018 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2019	¥83,319	\$784,252
2020	742	6,984
2021	472	4,442
2022	320	3,012
2023	135	1,270

17. Foreign Exchanges Liabilities

Foreign exchange liabilities as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Foreign exchange bills sold	¥38	¥8	\$357
Foreign exchange bills payable	6	0	56
Total	¥45	¥8	\$423

18. Other Liabilities

Other liabilities as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Domestic exchange settlement	¥ 128	¥ 35	\$ 1,204
Income taxes payable	825	76	7,765
Accrued expenses	1,761	1,943	16,575
Unearned income	2,439	2,640	22,957
Reserve for interest on installment savings	0	—	0
Futures margins	—	6	—
Derivatives	164	291	1,543
Cash collateral received for financial instruments	—	70	—
Lease obligations	641	536	6,033
Others	5,205	3,492	48,992
Total	¥11,166	¥9,093	\$105,101

19. Reserve for Employees' Retirement Benefits

The Bank and its consolidated subsidiaries have defined benefit plans, i.e., Employees' Pension Fund plan (funded plan), and lump-sum retirement plan (non-funded plan). Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary and length of service. Retirement benefit trust is established for the Employees' Pension Fund plan and the lump-sum retirement plan. Some lump-sum retirement plan is substantially the same as funded plan due to the retirement benefit trust.

The Bank has a defined contribution pension plan as well. The amount of contribution required to the defined contribution pension plan was ¥174 million (U.S. \$1,637 thousand) and ¥176 million for the year ended March 31, 2018 and 2017.

(a) Changes in projected benefit obligation for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Projected benefit obligation			
— Beginning balance	¥25,142	¥25,908	\$236,652
Service cost	656	704	6,174
Interest cost	136	92	1,280
Actuarial gains and losses arising in the year	430	(239)	4,047
Retirement benefits paid	(1,319)	(1,324)	(12,415)
Projected benefit obligation — Ending balance	¥25,046	¥25,142	\$235,749

(b) Changes in plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Plan assets – Beginning balance	¥22,669	¥20,278	\$213,375
Expected return on plan assets	605	519	5,694
Actuarial gains and losses arising in the year	770	501	7,247
Employer's contributions	239	195	2,249
Retirement benefits paid	(746)	(729)	(7,021)
Partial cancellation of retirement benefit trust	—	(1,141)	—
Establishment of retirement benefit trust	2,000	3,000	18,825
Others	44	45	414
Plan assets – Ending balance	¥25,581	¥22,669	\$240,785

(c) Ending balances of projected benefit obligation and plan assets and amounts on the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Projected benefit obligation under funded plan	¥25,005	¥25,103	\$235,363
Plan assets	(25,581)	(22,669)	(240,785)
	(576)	2,434	(5,421)
Projected benefit obligation under non-funded plan	40	38	376
Net balance on the consolidated balance sheets	¥ (535)	¥ 2,473	\$ (5,035)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net defined benefit liability	¥2,562	¥4,734	\$24,115
Net defined benefit asset	(3,098)	(2,261)	(29,160)
Net balance on the consolidated balance sheets	¥ (535)	¥2,473	\$ (5,035)

(d) Components of retirement benefit cost as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Service cost	¥ 611	¥ 659	\$ 5,751
Interest cost	136	92	1,280
Expected return on plan assets	(605)	(519)	(5,694)
Amortization of actuarial gains and losses	941	773	8,857
Retirement benefit cost	¥1,084	¥1,006	\$10,203

(e) Items accounted for as remeasurements of defined benefit plans, before tax effect, for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Actuarial gains and losses	¥(1,281)	¥(1,513)	\$(12,057)
Total	¥(1,281)	¥(1,513)	\$(12,057)

(f) Remeasurements of defined benefit plans, before tax effect, as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Unrecognized actuarial gains and losses	¥1,407	¥2,688	\$13,243
Total	¥1,407	¥2,688	\$13,243

(g) Plan assets consisted of the following investments as of March 31, 2018 and 2017.

	2018	2017
Debt securities	38%	35%
Equity securities	48	53
Others	14	12
Total	100%	100%

The total plan assets included the retirement benefit trust established for Employees' Pension Fund plan. The portion to the total plan assets was 38% and 33% as of March 31, 2018 and 2017, respectively.

Long-term expected rate of return on plan assets is determined based on the assumption of: (i) allocation of plan assets and (ii) long-term returns on such assets.

(h) Assumption used for the calculation of actuarial gains and losses

The assumption used for the calculation of actuarial gains and losses, on a basis of weighted average, is as follows:

	2018	2017
Discount rate	0.310 to 0.540%	0.371 to 0.622%
Long-term expected rate of return	2.5 to 2.8	2.5 to 2.7
Expected salary raise	3.2	3.2

20. Land Revaluation Excess

Pursuant to the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the Bank recorded the land owned by the Bank at the fair value and related unrealized gain, net of the applicable income tax effect, was reported as "Land revaluation excess" in net assets. The corresponding deferred tax liability amount was recorded as "Deferred tax liability for land revaluation."

Revaluation date: March 31, 2000

Revaluation method stated in Article 3, Section 3 of the Law Concerning Land Revaluation:

The value of land is based on the official notice prices determined by the public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2, Section 4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Differences between the fair value and the carrying value were: ¥5,340 million (U.S. \$50,263 thousand) and ¥5,493 million as of March 31, 2018 and 2017, respectively.

21. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Valuation differences:			
Available-for-sale securities	¥48,663	¥46,717	\$458,047
Deferred tax liabilities	(14,430)	(13,767)	(135,824)
Non-controlling interests	(7)	(173)	(65)
Valuation differences on available-for-sale securities	¥34,224	¥32,776	\$322,138

22. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Interest on deposits	¥119	¥126	\$1,120
Others	86	78	809
Total	¥205	¥204	\$1,929

23. Fees and Commissions—Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Domestic and foreign exchange	¥1,709	¥1,741	\$16,086
Others	4,807	4,808	45,246
Total	¥6,517	¥6,549	\$61,342

24. 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 (Note 1)
	2018	2017	2018
Gains on trading account securities transactions	¥ 0	¥ 0	\$ 0
Gains of sales and redemption of bonds	4,464	2,375	42,018
Gains on foreign exchange transactions	49	124	461
Others	4,460	4,414	41,980
Total	¥8,975	¥6,915	\$84,478

25. 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 (Note 1)
	2018	2017	2018
Reversal of reserve for possible loan losses	¥ 339	¥ 85	\$ 3,190
Recoveries of written off claims	13	3	122
Gains on sales of available-for-sale securities	2,481	2,025	23,352
Gains on money held in trust	—	9	—
Gains on disposal of fixed assets	3	15	28
Others	687	623	6,466
Total	¥3,524	¥2,763	\$33,170

26. Other Interest Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Interest on interest rate swaps	¥ 58	¥245	\$ 545
Others	200	553	1,882
Total	¥259	¥798	\$2,437

27. Fees and Commissions—Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Domestic and foreign exchanges	¥ 277	¥ 278	\$ 2,607
Others	2,162	2,248	20,350
Total	¥2,439	¥2,526	\$22,957

28. 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 (Note 1)
	2018	2017	2018
Losses on redemption of bonds	¥ 2,753	¥ 3,757	\$25,913
Losses on sales of bonds	3,631	2,728	34,177
Others	4,128	4,051	38,855
Total	¥10,513	¥10,537	\$98,955

29. 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 (Note 1)
	2018	2017	2018
Written off of loans	¥ 52	¥112	\$ 489
Losses on sales of available-for-sale securities	112	32	1,054
Losses on devaluation of available-for-sale securities	1	34	9
Losses on money held in trust	115	—	1,082
Losses on disposals of fixed assets	152	66	1,430
Impairment losses	200	59	1,882
Others	902	526	8,490
Total	¥1,537	¥831	\$14,467

30. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of the following fixed assets, included in "other expenses," for the years ended March 31, 2018 and 2017.

For the year ended March 31, 2018

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Branch Buildings	Land and Buildings; seven places	¥109	\$1,025
	Idle Assets	Land; five places	3	28
Other	Branch Buildings	Buildings; one place	86	809
Total			¥200	\$1,882
Components of impairment losses:				
Building			¥129	\$1,214
Land			70	658

For the year ended March 31, 2017

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Branch Buildings	Land; three places	¥ 2
	Idle Assets	Land and Buildings; 12 places	56
Total			¥59
Components of impairment losses:			
Building			¥13
Land			46

For the purpose of identifying impaired assets, the assets of each individual branch are grouped as a unit.

The recoverable values of such assets are measured as their net realizable values, determined by the appraisal value based on Japanese Real Estate Appraisal Standards (issued by the Ministry of Lands, Infrastructure and Transport) less estimated costs of disposal.

31. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥2,174	¥(10,429)	\$20,463
Recycling	(7)	2,117	(65)
Before tax effect adjustment	2,166	(8,311)	20,387
Tax effect	(662)	2,564	(6,231)
Valuation difference on available-for-sale securities	¥1,503	¥ (5,747)	\$14,147
Deferred gains on hedges:			
Amount arising in the year	¥ (134)	¥ (512)	\$ (1,261)
Recycling	188	759	1,769
Before tax effect adjustment	54	247	508
Tax effect	(16)	(75)	(150)
Deferred gains on hedges	¥37	¥ 171	\$348
Remeasurements of defined benefit plans			
Amount arising in the year	¥ 339	¥740	\$ 3,190
Recycling	941	773	8,857
Before tax effect adjustment	1,281	1,513	12,057
Tax effect	(390)	(461)	(3,670)
Remeasurements of defined benefit plans	¥ 890	¥ 1,052	\$ 8,377
Total other comprehensive income	¥2,431	¥ (4,523)	\$22,882

32. Financial Instruments

(a) Status

(1) Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") engage in banking as the mainstay of business, as well as other financial services such as leasing and guarantee. To execute these services, the Bank utilizes funds acquired primarily from deposits and applies funds mainly to extend loans and purchase securities. To ensure sound and appropriate banking operations without succumbing to the pursuit of excessive profit or risk aversion, the Bank conducts suitable risk management and seeks to maintain the right balance between profit and risk in fund-raising and application activities. The Bank also utilizes derivative transactions to hedge potential risks.

(2) Financial instruments and associated risks

Financial assets held by the Bank and its subsidiaries are primarily loans and investment securities.

Loans are exposed to credit risk, which could lead to losses if the financial status of certain borrowers deteriorates, causing the asset value of collateral to decrease or disappear altogether.

Securities held by the Bank are mainly bonds, stocks, investment trusts, and investments in partnerships through capital contributions. The Bank holds these securities to secure profit, primarily from interest and dividends, for strategic purposes, such as business alliances, or as held-to-maturity bonds in consolidated subsidiaries. These securities are exposed to the credit risk of the respective issuers as well as market risk that could lead to losses caused by fluctuations, particularly in interest rates, exchange rates and market prices, that erode the value of held assets.

Financial liabilities held by the Bank and its consolidated subsidiaries are mainly deposits. Deposits are exposed to liquidity risk, which could lead to losses if an unexpected outflow of cash, for example, forces the Bank to acquire funds at significantly higher interest rates than usual (funding liquidity risk), or changes in the market environment force the Bank into transactions at prices that are more disadvantageous than usual (market liquidity risk).

The Bank engages in derivative transactions, including interest rate swaps, bond futures, forward exchange contracts and currency options. Interest rate swaps and bond futures serve to hedge against interest rate fluctuations affecting on-balance-sheet transactions. Forward exchange contracts and currency options serve to hedge foreign exchange fluctuations. (Please refer to Note 3. "Summary of Significant Accounting Policies, (o) Hedge accounting," regarding hedging instruments, hedged items, the Bank's accounting standards and qualifying method.)

Some transactions that do not meet hedge accounting criteria are exposed to interest rate risk and foreign exchange risk.

(3) Risk management for financial instruments

To ensure the quality and appropriateness of its banking operations, the Bank undertakes integrated risk management, a self-administered process whereby inherent risks are evaluated according to category, such as credit risk and market risk, and are viewed in total and compared against operating capacity, that is, net worth. Risk management for financial instruments also falls within the scope of this process.

Integrated risk management entails risk capital allocation by division and risk category within net worth on a yearly basis, monitoring risk volume, which is quantified using methods such as Value at Risk (VaR) and the status of allocated risk capital, and sufficient verification of business soundness and capital adequacy. In addition, corporate structures, such as the Board of Directors, are provided with regular updates on risk status and risk volume is capped when conditions require such action.

In setting caps on risk volume, the Bank considers profitability and efficiency, including a suitable assessment of risk and return, to underpin efforts that will enhance operations and results.

(i) Credit risk management

Through the application of a credit policy that outlines the Bank's basic lending policy and screening criteria, and a credit risk management standard outlining/detailing specific lending rules, the Bank has established an

administration policy for consolidated subsidiaries and strategic investments, in order to prevent excessive loan volume to a specific industry or group, with the aim of making risk management as accurate as possible.

In addition, the Bank maintains a credit rating system for corporate clients to quantify credit risks and is improving loan pricing. Furthermore, for loans and bills discounted, which account for the majority of credit risk, the Bank has separated the screening and administration division from the sales promotion division and set up a screening and administration system that is not influenced by the sales promotion division. Through a specialized screening and loan management and recovery structure, the Bank is able to ensure asset quality and improve asset value.

(ii) Market risk management

The Bank's risk volume control structure is supported by regular reports to the ALM Committee on interest rate risk volume associated with the Bank's assets and liabilities, and interest rate, exchange rate and stock price risk volume associated with market transactions.

In its market transactions, the Bank strives for the efficient application of funds and optimum risk and return, within the limits of allocated risk capital determined through integrated risk management and the predetermined annual capital budget. The Bank also maintains a structure with middle offices specializing in risk management that are independent of both front offices, which engage in market transactions, and back offices, which handle administrative tasks. This structure reinforces the system of mutual checks and balances and helps to prevent potential processing mistakes and unauthorized transactions, although these are very unlikely.

(iii) Liquidity risk management

The Bank maintains an appropriate financial position with regard to liquidity risk by continually improving the accuracy of the methods used to estimate and verify fund utilization and acquisition balances. In addition, the Bank strives to prevent liquidity risk through the assessment and analysis of conditions in financial markets and society at large that could affect cash flow. To respond quickly to fund-impacting situations that arise, the Bank has established classifications for cash flow conditions, ranging from "normal" to "cause for concern" and "critical," and procedures are in place for dealing with situations that fall into the "cause for concern" and "critical" categories.

(iv) Risk management relating to derivative transactions

To manage risks relating to interest rate swaps, the necessity of hedging transactions and the status of derivative transactions are continuously monitored at the ALM Committee. Bond futures are operated based on commitment lines and loss-cut rules as prescribed in the annual operation policy for securities, and the status of its operations is periodically monitored by the market risk management department. Regarding forward exchange contracts and currency options, it is vital to manage total balances including on-balance-sheet and off-balance-sheet transactions, in addition to the assessment of individual transactions.

(v) Quantitative information on market risk

For the Group, the key financial instruments influenced by interest rate risk, a major risk variable, are: loans, bonds classified as available-for-sales securities under investment securities, deposits, negotiable certificates of deposit, and interest rate swaps under derivative transactions. The Group uses the measure VaR to calculate changes in the economic value of these financial assets and financial liabilities, which facilitates quantitative analysis for controlling the risk of interest rate fluctuations.

To calculate the associated value impact of interest rate risk on revenues using VaR, the Group divides risk-prone financial assets and financial liabilities into fixed interest rate and floating interest rate groups, breaks down the balances into appropriate periods corresponding to respective interest due dates, and applies the variance-covariance method reflecting the correlation effect among risk factors (holding period: 40 days; confidence interval: 99%; observation period: 5 years) based on interest rate margins, the spread between lending and borrowing rates, for each period. As of March 31, 2018 and 2017, the Group's interest rate risk volume (estimated decrease in economic value) was ¥6,324 million (U.S. \$59,525 thousand) and

¥492 million, respectively.

Interest due dates on demand deposits subject to VaR measurement are sorted according to set periods, based on effective due dates estimated using internal models.

The Group also tests financial instruments with market value to compare actual losses at the end of the horizon period with model-derived VaR estimates, in an effort to verify that the measurement models used to identify interest rate risk are suitably accurate. However, VaR measures interest rate risk at a certain degree of probability statistically based on past market movements, so the technique may be unable to identify risk when market conditions are uncharacteristically volatile.

(4) Supplemental information relating to fair market values

Fair market values include prices at market as well as values reasonably estimated in cases where there is no available quoted market price. Certain assumptions are used for the calculation of such amounts. Accordingly, the result of such calculations may vary if different assumptions are used.

(b) Fair value of financial instruments

The amounts on the consolidated balance sheets, fair values and their differences as of March 31, 2018 and 2017 are shown below. The securities for which fair value is not reliably determined are excluded from the table.

As of March 31, 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 571,797	¥ 571,797	¥ —	\$ 5,382,125	\$ 5,382,125	\$ —
(2) Call loans and bills bought	18,382	18,382	—	173,023	173,023	—
(3) Monetary claims bought	7,909	7,909	—	74,444	74,444	—
(4) Securities (*1)						
Held-to-maturity debt securities	598	616	18	5,628	5,798	169
Available-for-sale securities	788,856	788,856	—	7,425,225	7,425,225	—
(5) Loans and bills discounted	1,672,607			15,743,665		
Reserve for possible loan losses (*1)	(10,699)			(100,705)		
	1,661,908	1,685,684	23,776	15,642,959	15,866,754	223,795
Total assets	¥3,049,453	¥3,073,248	¥23,794	\$28,703,435	\$28,927,409	\$223,964
(1) Deposits	¥2,545,808	¥2,546,003	¥ 195	\$23,962,801	\$23,964,636	\$ 1,835
(2) Negotiable certificates of deposits	141,400	141,403	2	1,330,948	1,330,977	18
(3) Call moneys and bills sold	35,499	35,499	—	334,139	334,139	—
(4) Payables under securities lending transactions	124,528	124,528	—	1,172,138	1,172,138	—
(5) Borrowed money	85,219	85,219	—	802,136	802,136	—
Total liabilities	¥2,932,455	¥2,932,653	¥ 198	\$27,602,174	\$27,604,038	\$ 1,863
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ (33)	¥ (33)	¥ —	\$ (310)	\$ (310)	\$ —
Hedge accounting is applied	15	15	—	141	141	—
Total derivative transactions	¥ (18)	¥ (18)	¥ —	\$ (169)	\$ (169)	\$ —

*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

As of March 31, 2017

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 302,307	¥ 302,307	¥ —
(2) Call loans and bills bought	11,101	11,101	—
(3) Monetary claims bought	11,082	11,082	—
(4) Securities (*1)			
Held-to-maturity debt securities	597	624	26
Available-for-sale securities	970,283	970,283	—
(5) Loans and bills discounted	1,636,780		
Reserve for possible loan losses (*1)	(12,048)		
	1,624,732	1,651,572	26,840
Total assets	¥2,920,105	¥2,946,972	¥26,867
(1) Deposits	¥2,454,366	¥2,454,587	¥ 220
(2) Negotiable certificates of deposits	137,365	137,373	7
(3) Call moneys and bills sold	30,085	30,085	—
(4) Payables under securities lending transactions	102,680	102,680	—
(5) Borrowed money	45,291	45,291	—
Total liabilities	¥2,769,789	¥2,770,018	¥ 228
Derivative transactions (*2)			
For which:			
Hedge accounting is not applied	¥ (64)	¥ (64)	¥ —
Hedge accounting is applied	56	56	—
Total derivative transactions	¥ (7)	¥ (7)	¥ —

*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

Fair value measurement

Assets

(1) Cash and due from banks

The book values are deemed fair market value as the fair value approximates such carrying amounts.

(2) Call loans and bills bought

Book values of call loans and bills bought are deemed fair values as the majority of transactions have short contract terms (within three months) and the fair value approximates such carrying amounts.

(3) Monetary claims bought

The fair value of long-term trust beneficiary interest is determined based on the price quoted by the financial institutions. Regarding monetary claims bought other than the long-term trust beneficiary interest, book values are deemed fair values as the majority of such monetary claim are due within six months and the fair value approximates such carrying amounts.

(4) Securities

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

Privately placed bonds are categorized using an internal credit rating and maturity, and their fair value is calculated based on the future cash flows discounted by the market interest rate, after the deduction of credit risk equivalents. For privately placed bonds from potentially bankrupt borrowers, the fair value is deemed to be its carrying amount, net of a specific reserve.

Regarding variable-rate Japanese government bonds, the market quotes are used as fair value. Where market quotes of variable-rate Japanese government bonds cannot be regarded as the fair value because actual transactions are very few and significant price gaps between sell and buy sides exist, the Bank calculates the fair value at discretion of the management.

Please refer to Note 5. "Securities" as to notes regarding securities by holding purpose.

(5) Loans and bills discounted

For loans and bills discounted with floating interest rates, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate loans and bills discounted.

Loans and bills discounted with fixed interest rates are categorized by nature, internal credit rating and maturity, and the present value is calculated based on the future cash flows, net of reserves for possible loan loss, discounted by the market interest rate.

Regarding loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors, possible loan losses are estimated based on the collectible amounts from collateral and guarantees. Thus the book value is deemed as fair value since the fair value approximates the carrying value of loans.

Regarding loans and bills discounted which have no predetermined maturity since they are fully secured by collateral, their book values are deemed fair values as the fair values approximate such carrying amounts based on the repayment period and interest rate terms.

Liabilities

(1) Deposits and (2) negotiable certificates of deposits

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the book value) is used as the fair value. For time deposits and negotiable certificates of deposits, the fair value is calculated based on the future cash flows discounted by the interest rate applied on new deposits, after each deposit is categorized by product and maturity.

(3) Call money and bills sold and (4) Payables under securities lending transactions

Book values are deemed fair market values as the majority of transactions have short contract terms (within three months) and their fair values approximate such carrying amounts.

(5) Borrowed money

For floating-rate borrowings, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period and there has been no significant change in creditworthiness of the Bank or its consolidated subsidiaries after execution of such borrowings.

The book values of fixed rate borrowings are used as their fair values as both the amounts on the consolidated balance sheets and the fair values are insignificant.

Derivative transactions

The Bank uses derivative transactions including (i) interest-related derivatives such as interest rate swaps, (ii) currency-related derivatives such as forward exchange contracts and currency options, and (iii) bond-related derivatives such as bond futures. The fair values are determined based on the market quotes at the relevant exchanges or the present values calculated by discounting cash flows or option price models.

The following securities of which market value is not calculable are excluded from "(b) Fair Value of Financial Instruments, (4) Available-for-sale securities" shown above.

Their book values as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Non-listed stocks (*1, *2)	¥1,889	¥1,754	\$17,780
Investment in partnerships (*3)	3,400	2,300	32,003
Others (*4)	30	26	282
Total	¥5,321	¥4,081	\$50,084

*1. Non-listed stocks are not included in the fair value information in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.

*2. The Bank recognizes impairment losses of ¥1 million (\$9 thousand) and ¥34 million, for the year ended March 31, 2018 and 2017, respectively.

*3. When assets held by partnerships consist of non-listed stocks whose fair value is not reliably determined, such investment in partnership is not included in the fair value information in the above table ((b) Fair Value of Financial Instruments).

*4. Other includes non-listed foreign stocks, and is not disclosed in the above table ((b) fair value of financial instruments), because their fair value is not reliably determined.

Redemption schedules for monetary claims and securities with maturity dates as of March 31, 2018 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥571,797	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	18,382	—	—	—	—	—
Monetary claims bought	6,038	1,072	—	—	—	798
Securities						
Securities held-to maturity	—	598	—	—	—	—
Japanese government bonds	—	598	—	—	—	—
Available-for-sale securities with maturity	88,441	200,654	179,456	50,040	89,205	73,240
Japanese government bonds	20,037	76,965	77,596	—	—	20,246
Local government bonds	6,890	—	10,108	—	5,344	40,486
Corporate bonds	48,899	86,353	82,179	42,288	19,557	1,613
Loans and bills discounted (*)	119,370	208,283	254,412	197,818	204,616	484,809
Total	¥804,031	¥410,609	¥433,869	¥247,858	¥293,822	¥558,848

(*) Loans and bills discounted in the above table excluded loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors in the total amount of ¥31,443 million (U.S.\$295,961 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥171,852 million (U.S.\$1,617,582 thousand).

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$5,382,125	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	173,023	—	—	—	—	—
Monetary claims bought	56,833	10,090	—	—	—	7,511
Securities						
Securities held-to maturity	—	5,628	—	—	—	—
Japanese government bonds	—	5,628	—	—	—	—
Available-for-sale securities with maturity	832,464	1,888,685	1,689,156	471,009	839,655	689,382
Japanese government bonds	188,601	724,444	730,384	—	—	190,568
Local government bonds	64,853	—	95,143	—	50,301	381,080
Corporate bonds	460,269	812,810	773,522	398,042	184,083	15,182
Loans and bills discounted (*)	1,123,588	1,960,495	2,394,691	1,861,991	1,925,978	4,563,337
Total	\$7,568,062	\$3,864,919	\$4,083,857	\$2,333,000	\$2,765,643	\$5,260,240

Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2018 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	¥2,394,524	¥27,813	¥7,769	¥ —	¥ —	¥ —
Negotiable certificates of deposits	141,400	—	—	—	—	—
Call moneys and bills sold	35,499	—	—	—	—	—
Payables under securities lending transactions	124,528	—	—	—	—	—
Borrowed money	83,319	1,214	455	120	110	—
Total	¥2,779,271	¥29,027	¥8,224	¥120	¥110	¥ —

(*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥115,701 million (U.S.\$1,089,053 thousand) were not included in the above table.

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	\$22,538,817	\$261,794	\$73,126	\$ —	\$ —	\$ —
Negotiable certificates of deposits	1,330,948	—	—	—	—	—
Call moneys and bills sold	334,139	—	—	—	—	—
Payables under securities lending transactions	1,172,138	—	—	—	—	—
Borrowed money	784,252	11,426	4,282	1,129	1,035	—
Total	\$26,160,306	\$273,221	\$77,409	\$1,129	\$1,035	\$ —

33. Derivative Financial Instruments Transaction

Derivative transactions to which hedge accounting is not applied

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2018 and 2017 were summarized below.

(1) Foreign exchange related transactions (over the counter)

As of March 31	Millions of yen			
	2018			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	¥8,329	¥6,289	¥11	¥11
Forward exchange contracts:				
Sold	654	—	8	8
Bought	491	—	(7)	(7)
Currency options:				
Sold	2,093	—	(20)	(20)
Bought	2,093	—	20	20
Total			¥13	¥13

Changes in fair value of the above derivatives are recognized as income or loss. Fair value of over the counter derivative is determined by discounted present value or option price model.

As of March 31	Millions of yen			
	2017			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	¥15,392	¥3,590	¥ 7	¥ 7
Forward exchange contracts:				
Sold	183	—	(9)	(9)
Bought	107	—	(0)	(0)
Currency options:				
Sold	3,193	—	(44)	(44)
Bought	3,193	—	44	44
Total			¥(2)	¥(2)

As of March 31	Thousands of U.S. dollars (Note 1)			
	2018			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	\$78,397	\$59,196	\$103	\$103
Forward exchange contracts:				
Sold	6,155	—	75	75
Bought	4,621	—	(65)	(65)
Currency options:				
Sold	19,700	—	(188)	(188)
Bought	19,700	—	188	188
Total			\$122	\$122

(2) Bond futures related transactions (listed)

As of March 31	Millions of yen			
	2018			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥70,000	¥ —	¥(47)	¥(47)
Total			¥(47)	¥(47)

The above derivatives are valued at the closing market price and changes in fair values are recognized as income or loss.

	Millions of yen			
	2017			
	Contact amounts	Due after one year	Fair value	Gain/losses
As of March 31				
Bond futures:				
Sold	¥70,000	¥ —	¥(62)	¥(62)
Total			¥(62)	¥(62)

	Thousands of U.S. dollars (Note 1)			
	2018			
	Contact amounts	Due after one year	Fair value	Gain/losses
As of March 31				
Bond futures:				
Sold	\$658,885	\$ —	\$(442)	\$(442)
Total			\$(442)	\$(442)

Derivative transactions to which hedge accounting is applied

(1) Interest rate related transactions

Contract amounts, and fair value of derivatives outstanding as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018			
	Hedged item	Contact amounts	Due after one year	Fair value
As of March 31				
Interest rate swaps				
Receive floating/ pay fixed	Loans and bills discounted	¥3,000	¥ —	¥(26)
Total				¥(26)

Deferred hedge accounting is applied for the interest rate swaps. Fair value is determined based on the discounted present value.

	Millions of yen			
	2017			
	Hedged item	Contact amounts	Due after one year	Fair value
As of March 31				
Interest rate swaps				
Receive floating/ pay fixed	Loans and bills discounted	¥5,000	¥3,000	¥(96)
Total				¥(96)

	Thousands of U.S. dollars (Note 1)			
	2018			
	Hedged item	Contact amounts	Due after one year	Fair value
As of March 31				
Interest rate swaps				
Receive floating/ pay fixed	Loans and bills discounted	\$28,237	\$ —	\$(244)
Total				\$(244)

(2) Foreign exchange related transactions

	Millions of yen			
	2018			
	Hedged item	Contact amounts	Due after one year	Fair value
As of March 31				
Forward exchange contract	Call money	¥23,868	¥ —	¥41
Total				¥41

Deferred hedge accounting is applied. Fair value is determined based on the discounted present value.

	Millions of yen			
	2017			
	Hedged item	Contact amounts	Due after one year	Fair value
As of March 31				
Forward exchange contract	Call loans	¥3,537	¥ —	¥153
Total				¥153

	Thousands of U.S. dollars (Note 1)			
	2018			
	Hedged item	Contact amounts	Due after one year	Fair value
As of March 31				
Forward exchange contract	Call money	\$224,661	\$ —	\$385
Total				\$385

34. Capital Stock

The number of the Bank's authorized shares was 68,745,500 and 687,455,000 as of March 31, 2018 and 2017, respectively.

The number of shares in issue was 18,093,643 and 180,936,439 as of March 31, 2018 and 2017, respectively.

The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan was 141,969 and 1,444,645 as of March 31, 2018 and 2017, respectively.

Common shares were consolidated at the rate of 1 per 10, on October 1, 2017.

35. Stock Option Rights

(a) Expenses on stock option plan

Expenses on stock option plan included in general and administrative expenses amounted to ¥15 million (U.S.\$141 thousand) and ¥16 million for the years ended March 31, 2018 and 2017, respectively.

(b) Details of stock option

The details of stock option plan adopted are as follows:

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Title and number of recipients	Full-time nine directors	Full-time ten directors	Full-time nine directors	Full-time eight directors	Full-time nine directors	Full-time nine directors	Full-time eight directors	Full-time eight directors	Full-time eight directors
Number of stock options (*1)	4,220 shares of common stock	5,230 shares of common stock	6,850 shares of common stock	6,560 shares of common stock	7,160 shares of common stock	5,710 shares of common stock	3,720 shares of common stock	4,960 shares of common stock	5,030 shares of common stock
Grant date	July 31, 2009	July 30, 2010	July 29, 2011	July 31, 2012	July 31, 2013	July 31, 2014	July 31, 2015	August 1, 2016	July 31, 2017
Conditions of exercise	None	None	None	None	None	None	None	None	None
Required service period	None	None	None	None	None	None	None	None	None
Exercise period	August 1, 2009 to July 31, 2039	July 31, 2010 to July 30, 2040	July 30, 2011 to July 29, 2041	August 1, 2012 to July 31, 2042	August 1, 2013 to July 31, 2043	August 1, 2014 to July 31, 2044	August 1, 2015 to July 31, 2045	August 2, 2016 to August 1, 2046	August 1, 2017 to July 31, 2047
Remaining stock options (*1, 2)	970 shares	1,320 shares	1,810 shares	1,860 shares	3,540 shares	3,240 shares	2,630 shares	3,890 shares	5,030 shares
Exercise price	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share
Fair value at grant date (*1, 3)	¥3,340 per share	¥2,680 per share	¥2,220 per share	¥2,090 per share	¥2,440 per share	¥2,770 per share	¥3,640 per share	¥3,240 per share	¥3,030 per share

*1. Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of fiscal year 2009.

*2. It shows the number of outstanding stock option which is not yet vested as of March 31, 2018.

*3. Fair value at grant date was measured based on dividend adjusted Black-Scholes Option Pricing Model.

36. Retained Earnings

Japanese banks, including the Bank, are required to comply with the Banking Act. In accordance with the Companies Act ("the Act"), the Bank has provided a legal reserve which is included in retained earnings. The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated as a legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the common stock account. The Act also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the stockholders either as a return of capital or as dividends subject to the approval of the stockholders.

The maximum amount which the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Act.

37. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash and due from banks	¥571,797	¥302,307	\$5,382,125
Due from banks without interest	(373)	(216)	(3,510)
Ordinary due from banks	(633)	(1,203)	(5,958)
Time deposits with banks	(5,000)	(5,000)	(47,063)
Others	(155)	(134)	(1,458)
Cash and cash equivalents	¥565,635	¥295,753	\$5,324,124

38. Segment Information

(a) Outline of reportable segment

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group offers total financial services mainly through operating branches with a philosophy that seeks to contribute to regional prosperity. Reportable segments are composed of banking business, leasing business and other businesses including consulting business, guarantee business and credit card business.

(b) Basis of measurement for the amount of ordinary income (or loss), assets and other items by reporting segment

Accounting procedures applied to operating segments are consistent to those applied to the preparation of consolidated financial statements. Ordinary income from inter-segment transactions is measured on the assumption of arm's length transaction.

(c) Ordinary income, segment profit, assets and other items by reportable segment for the years ended March 31, 2018 and 2017

Year ended March 31, 2018	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 40,926	¥ 4,979	¥ 1,618	¥ 47,525	¥ (36)	¥ 47,489
Inter-segment	142	170	557	871	(871)	—
Total	¥ 41,068	¥ 5,150	¥ 2,176	¥ 48,396	¥ (907)	¥ 47,489
Segment profit	¥ 5,283	¥ 707	¥ 1,210	¥ 7,201	¥ (96)	¥ 7,104
Segment assets	3,140,144	13,289	10,904	3,164,339	(17,511)	3,146,827
Segment liabilities	2,968,072	8,777	3,462	2,980,312	(11,994)	2,968,318
Other items:						
Depreciation and amortization	¥ 1,659	¥ 14	¥ 6	¥ 1,680	¥ —	¥ 1,680
Interest income	28,491	10	97	28,598	(123)	28,475
Interest expenses	1,717	50	0	1,767	(35)	1,731
Extraordinary income	3	—	8	11	(8)	3
Extraordinary losses	353	—	0	353	—	353
(Of which, Impairment losses)	200	—	—	200	—	200
Income taxes	931	159	37	1,128	(0)	1,128
Increase in premises & equipment and intangibles	1,687	0	15	1,703	(9)	1,712

Year ended March 31, 2017	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 42,018	¥ 4,464	¥ 1,031	¥ 47,513	¥ (63)	¥ 47,450
Inter-segment	146	162	567	876	(876)	—
Total	¥ 42,164	¥ 4,626	¥ 1,598	¥ 48,390	¥ (940)	¥ 47,450
Segment profit	¥ 5,800	¥ 246	¥ 539	¥ 6,586	¥ (88)	¥ 6,498
Segment assets	2,971,984	12,768	9,667	2,994,420	(14,209)	2,980,211
Segment liabilities	2,804,174	8,747	3,395	2,816,318	(11,365)	2,804,953
Other items:						
Depreciation and amortization	¥ 1,537	¥ 13	¥ 6	¥ 1,557	¥ —	¥ 1,557
Interest income	31,240	13	111	31,365	(128)	31,237
Interest expenses	2,693	57	0	2,751	(41)	2,710
Extraordinary income	15	0	—	15	—	15
Extraordinary losses	124	1	—	125	—	125
(Of which, Impairment losses)	59	—	—	59	—	59
Income taxes	1,189	78	153	1,421	(0)	1,421
Increase in premises & equipment and intangibles	1,277	16	4	1,298	(3)	1,294

Year ended March 31, 2018	Thousands of U.S. dollars (Note 1)					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	\$ 385,222	\$ 46,865	\$ 15,229	\$ 447,336	\$ (338)	\$ 446,997
Inter-segment	1,336	1,600	5,242	8,198	(8,198)	—
Total	\$ 386,558	\$ 48,475	\$ 20,481	\$ 455,534	\$ (8,537)	\$ 446,997
Segment profit	\$ 49,727	\$ 6,654	\$ 11,389	\$ 67,780	\$ (903)	\$ 66,867
Segment assets	29,557,078	125,084	102,635	29,784,817	(164,824)	29,619,983
Segment liabilities	27,937,424	82,614	32,586	28,052,635	(112,895)	27,939,740
Other items:						
Depreciation and amortization	\$ 15,615	\$ 131	\$ 56	\$ 15,813	\$ —	\$ 15,813
Interest income	268,175	94	913	269,182	(1,157)	268,025
Interest expenses	16,161	470	0	16,632	(329)	16,293
Extraordinary income	28	—	75	103	(75)	28
Extraordinary losses	3,322	—	0	3,322	—	3,322
(Of which, Impairment losses)	1,882	—	—	1,882	—	1,882
Income taxes	8,763	1,496	348	10,617	(0)	10,617
Increase in premises & equipment and intangibles	15,879	0	141	16,029	84	16,114

39. Related Party Transactions

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

Related party	Category/Business	Account	Amounts of transaction			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
			2018	2017	2018	2018	2017	2018
Yasuhiko Watanabe (*1)	Director of the Bank	Loan	¥ —	¥ —	\$ —	¥ —	¥13	\$ —
Yoshiyuki Tsuji	Director of the Bank	Loan	—	—	—	37	—	348
Kiichiro Nishimura	Statutory Auditor of the Bank	Loan	6	4	56	18	18	169
Yukihiko Nishimura	Executive Director of YAMANI Co., Ltd.	Loan	—	—	—	44	46	414
Masashi Kitajima	Statutory Auditor of the Bank	Guarantees (*2) (*3)	—	—	—	—	—	—
IYATAKA GROUP (*4)	Wedding halls	Loan	200	250	1,882	633	521	5,958
		Lease transaction	17	—	160	35	—	329
Produce Pro Inc. (*5)	Advertising	Loan	—	—	—	—	4	—

The conditions of the above transactions were the same as arm's length transactions.

*1. Yasuhiko Watanabe passed away on August 20, 2016 and resigned as Director of the Bank. The balance as of March 31, 2017 shown above is the balance as of August 20, 2016.

*2. As of March 31, 2017, Mr. Masashi Kitajima guarantees a loan for IYATAKA GROUP, a third party of the Bank, in the amount of ¥35 million out of ¥521 million.

*3. Mr. Masashi Kitajima guarantees a loan for Produce Pro Inc., a third party of the Bank, in the amount of ¥4 million as of March 31, 2017.

*4. Mr. Masashi Kitajima and his family own 58.7% and 55.1% of voting rights of IYATAKA GROUP as of March 31, 2018 and 2017, respectively.

*5. Mr. Masashi Kitajima and his family own 79.7% of voting rights of Produce Pro Inc. as of March 31, 2017.

40. Business Combinations

Additional acquisition of subsidiary shares

(a) Outline of transaction

(1) Name of combined companies and contents of the business

Combined companies	Contents of the business
Akita Grand Lease Co., Ltd.	Leasing
Akita Guarantee Service Co., Ltd.	Other (Credit guarantee service)
Akita JCB Card Co., Ltd.	Other (Credit card service, credit guarantee service)
Akita International Card Co., Ltd.	Other (Credit card service, credit guarantee service)

- (2) Business combination date
March 31, 2018 (deemed acquisition date)
- (3) Legal form of business combination
Acquisition of shares from non-controlling shareholders
- (4) Name of company after the combination
There is no change.
- (5) Other matters concerning the outline of transaction
We are aiming to strengthen, speed up our group management and improve efficiency, so that we can respond to the customers' diversifying, sophisticated needs, and provide comprehensive financial services that are more integrated within the Group than ever.

(b) Account Processing Summary

Based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on September 13, 2013), this transaction was processed as a transaction under common control.

(c) Matters concerning additional acquisition of subsidiary shares

Acquisition cost and its breakdown by type of consideration

Acquisition cost	¥3,545 million (U.S.\$33,367 thousand)
Consideration for acquisition	Cash and due from banks ¥3,545 million (U.S.\$33,367 thousand)

(d) Matters concerning the change in ownership interest related to transactions with non-controlling interests

- (1) Factors for the increase of capital surplus
Additional acquisition of subsidiary shares
- (2) Amount of capital surplus increased due to transactions with non-controlling interests
¥2,940 million (U.S.\$27,673 thousand)

41. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2018 and 2017 were as follows:

	Yen		U.S. dollars (Note 1)
	2018	2017	2018
Net assets per share	¥9,904.97	¥9,416.13	\$93.23
Net income per share	263.65	261.26	2.48
Diluted net income per share	263.29	260.92	2.47

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net income attributable to owners of parent	¥4,733	¥4,741	\$44,550
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stock owners of parent	4,733	4,741	44,550
Average number of common stock (thousand shares)	17,952	18,149	

Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of previous fiscal year.

42. Subsequent Events

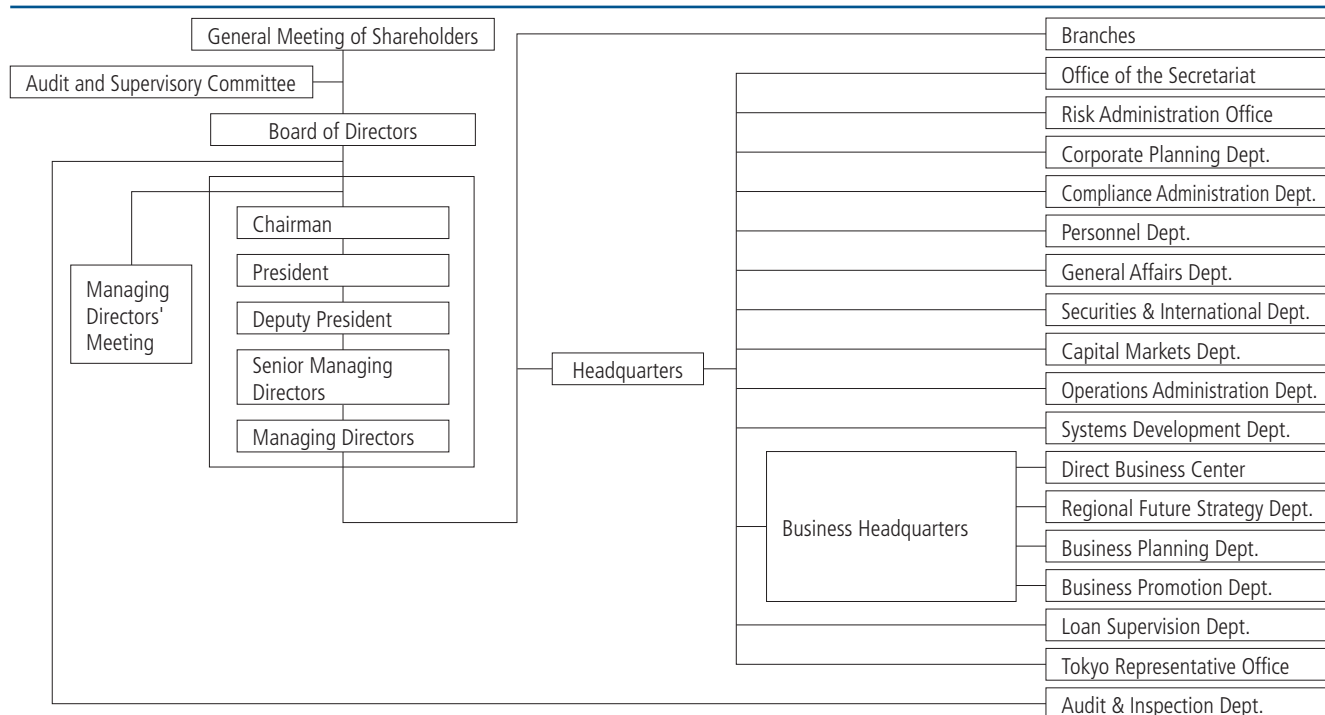
None to report.

Corporate Information

Corporate Data (As of March 31, 2018)

Corporate Name	The Akita Bank, Ltd.
Head Office	2-1, Sanno 3-Chome, Akita-shi, Akita 010-8655, Japan
Date of Establishment	January, 1879
Number of Shares Issued and Outstanding	18,093 thousand shares
Number of Employees (excluding Executive Officers)	1,385
Number of Branches	97
Paid-in Capital	¥14.1 billion

Organization (As of June 30, 2018)



Directors, Audit and Supervisory Committee Members & Executive Officers (As of June 30, 2018)

Chairman	Takao Minatoya	*	Directors, Audit and Supervisory Committee Members
			Hideto Ono
President	Akihiro Araya	*	Masahiko Sato
			Outside Directors, Audit and Supervisory Committee Members
Senior Managing Directors	Toshiyuki Sasaki		Masashi Kitajima
	Masayuki Takada		Masahiro Morohashi
			Kenichi Kobayashi
Managing Directors			Executive Officers
	Takanori Kudo		Hironobu Yamada
	Naoki Handa		Tadami Iwaya
			Hisatoshi Harimaya
Directors and Executive Officers			Shinji Abe
	Takashi Kato		Noriyuki Takahashi
	Masato Tsuchiya		Reisei Shindo
Outside Directors			Satoru Nakayama
	Kiichiro Nishimura		Tsuyoshi Minakawa
	Yoshiyuki Tsuji		Jyushin Kudo
	Jyunichi Sakaki		Tatsuo Kanazawa
* Representative Directors			

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2018



The Akita Bank, Ltd.