



THE IYO BANK, LTD.
Annual Report 2018

Year ended March 31, 2018



The Region's Best Partner for Creating a Prosperous, Dynamic and Bright Future

Founded in 1878, The Iyo Bank, Ltd. is a regional financial services institution boasting a solid operating base centered on the four prefectures of Shikoku and the seven prefectures surrounding the Seto Inland Sea. With branches in Tokyo and Nagoya as well, we are Japan's No.1 regional bank in terms of broad regional coverage. In recent years, we have also enhanced our network of overseas bases primarily in the ASEAN region to support the international business expansion of our clients. We at Iyo Bank are working to be the region's best partner for creating a prosperous, dynamic and bright future by offering friendly and trustworthy financial services to customers.

Corporate Credo

1 Creating a bright and prosperous future for the region

2 Offering the best service and being worthy of people's trust

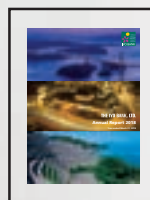
3 Rendering our best service with gratitude in our hearts

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Forward-Looking Statements:

Statements contained in this report concerning plans, predictions, and strategies to improve future performance ("Forward-Looking Statements") are based information currently available to the Bank's management, and inevitably involve a certain element of risk and uncertainty.



Cover photos (from the top):
Sunset view at Kurushima-Kaikyo Bridges in Imabari
Night view at Dogo Onsen Honkan in Matsuyama
Terraced fields in Uwajima



THE IYO BANK, LTD.

Head Office

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URL: <http://www.iyobank.co.jp/>



Year of Foundation

1878

Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)
3,122

Number of Branches

(As of March 31, 2018)
151 (Domestic 149, Foreign 2)

Global Network

Our global network comprehensively supports our clients' overseas business endeavors.

We support our customers' efforts to globalize their businesses through trade operations, the establishment of local corporations and fund procurement by leveraging our network of four overseas sites consisting of the Hong Kong branch, Singapore branch and two representative offices in New York and Shanghai.

Our overseas network also involves business alliances and cooperations with banks, etc., in China, India, Indonesia, Mexico, Singapore, Philippines, Taiwan, Thailand, U.S.A. and Vietnam (as of March 31, 2018).

Bangkok, Thailand

Dalian, China

Hanoi, Vietnam

Jakarta, Indonesia

Mexico

Makati City, Philippines

Mumbai, India

Shanghai, China

Singapore

Taipei, Taiwan

Honolulu, Hawaii, U.S.A.

Business alliance with Kasikorn Bank

Business alliance with Bank of Dalian

Business cooperation with BIDV

Business alliance with BNI

Business cooperation with Jalisco, Aguascalientes, Guanajuato, Nuevo León and Banamex (Mexico City)

Business alliance with Metropolitan Bank

Business cooperation with State Bank of India

Business alliance with Bank of Communications

Business alliance with UOB

Business alliance with CTBC Financial Holding

Business alliance with Central Pacific Bank

● **Shanghai, China**
Representative Office

● **Hong Kong**
Branch

● **Singapore**
Branch

● **New York, U.S.A.**
Representative Office

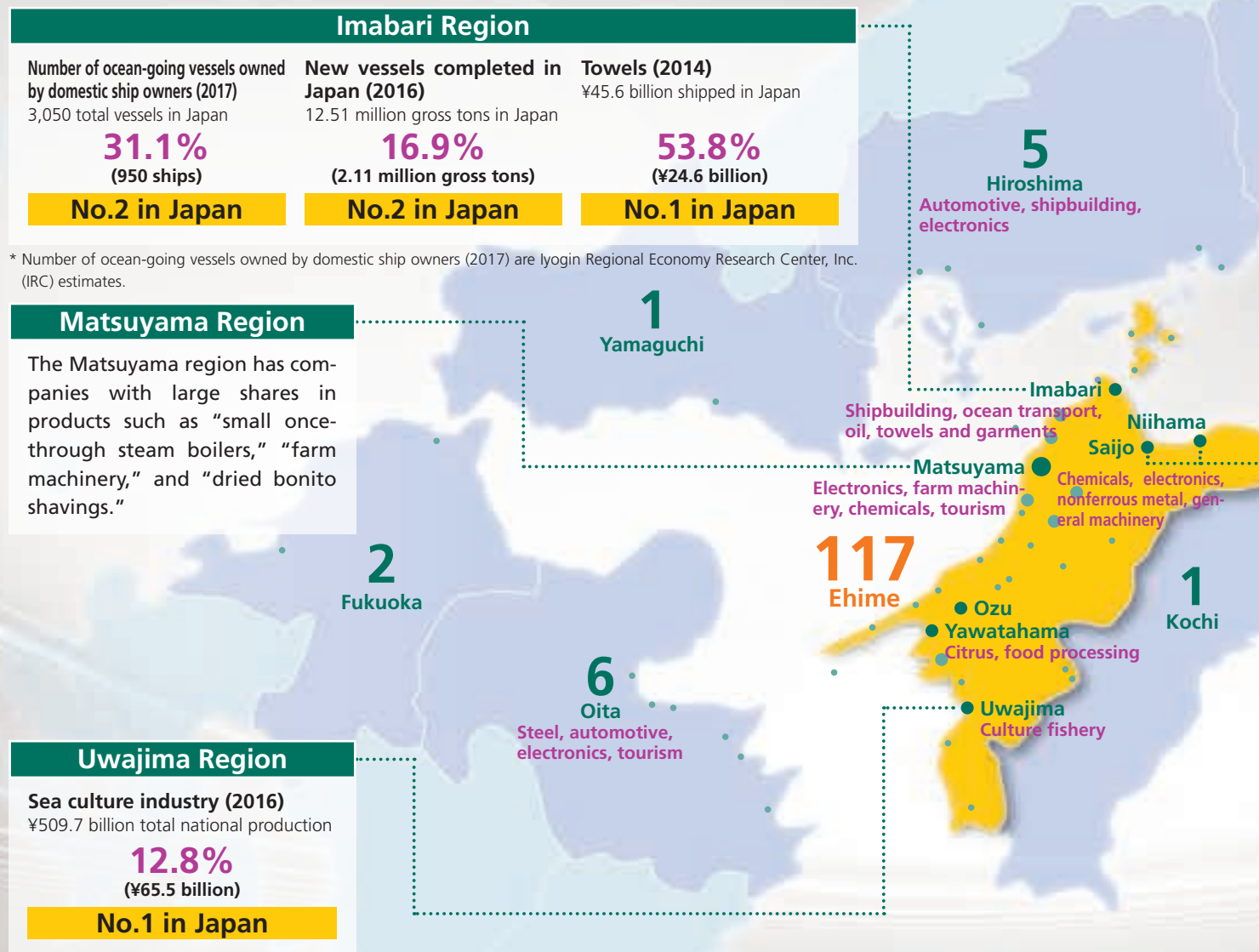
Our Overseas Business Support

- Provision of various types of information about entering overseas markets
- Advice about entering overseas markets
- Advice about trade operations and fund settlements
- Support for funds procurement in the local area overseas
- Implementation of overseas business matching
- Holding of seminars about entering overseas markets

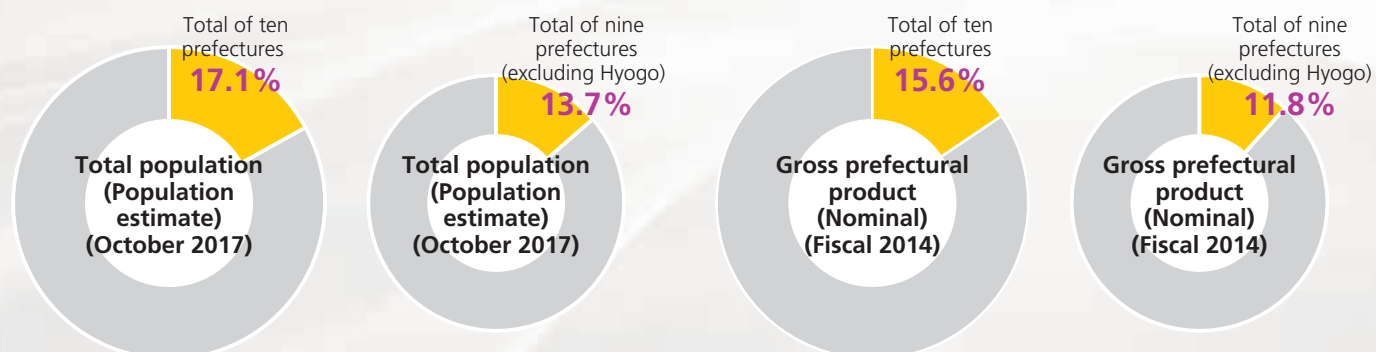
Our Operating Area

Domestic Branch Network

The No. 1 regional bank in terms of broad regional coverage, Iyo Bank's network consists of 149 branches located in 13 prefectures (as of March 31, 2018).



Economic Indicators of the Setouchi Region



(Prepared based on various statistical data)

Main Industries in Ehime Prefecture

- Industries with top national share concentrated in each region
- Manufactured product shipments from Ehime Prefecture totaled ¥4.1 trillion (46% of Shikoku) in 2015



Industrial Structure of the Setouchi Region

- The Setonaikai coastal region has established various industrial structures

Shikokuchuo Region

Pulp and paper industry (2015)
¥7,279.2 billion shipped in Japan

7.1%
(¥520.2 billion)

No.2 in Japan

Niihama and Saijo Region

Manufactured product shipments (2015)

¥1,667.3 billion

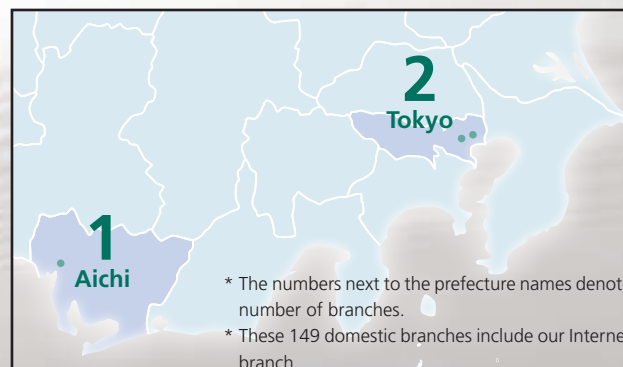
Approx. 41% of shipments of manufactured products in Ehime

As a corporate town under the Sumitomo Group, nonferrous metal, chemicals, steel, machinery and equipment are concentrated in the Niihama region.

No. 1 Market Share in Ehime

About Ehime Prefecture

• Area	5,676.23 km ² (As of October 1, 2017)
• Population	1,354,340 (As of June 1, 2018)
• Number of households	596,839 (As of June 1, 2018)



Strengthen Measures Toward Regional Vitalization through the "Shikoku Alliance"

- Formed the "Shikoku Alliance," a comprehensive alliance between four regional banks aiming for revitalizing the Shikoku region in November 2016
- Announced key measures and the logo in April 2017

The region, customers and the four banks will sustainably grow and develop

Iyo Bank

Build
Support industrial development

Foster
Support the formation of financial assets

Shikoku Bank



SHIKOKU ALLIANCE

Cooperate

Hyakujushi Bank

Utilize
Shikoku resources branding

Connect
Support network expansion

Awa Bank



Iwao Otsuka, President

Introduction

March 15, 2018, marked our 140th anniversary of establishment. I would like to wholeheartedly thank our customers and members of the local community, whose generous support has enabled us to serve the community for 140 years.

The Bank was founded on March 15, 1878 in Kawanoishi, Honai-cho, Yawatahama City, as The 29th National Bank—the first bank in Ehime Prefecture. Since its founding, the Bank has grown in the belief that no development is possible for us without the development of the local community.

Today, the business environment we face is undergoing dramatic structural change, including a falling birthrate and increasingly aging population, population decline, globalization, as well as artificial intelligence and robotics, IoT (the Internet of Things) and other keystone digital technologies.

Based on our commitment to the corporate credo of “creating a bright and prosperous future for the region,” I believe we can respond effectively to the changes in the business environment. Through the creation of new value for our stakeholders, we can sincerely fulfill that mission, ensuring that the people of our region are glad to still have us around 10 years down the road and beyond. In this endeavor, I trust we can count on the continued support of stakeholders into the future.

Financial and Economic Environment

In fiscal 2017, ended March 31, 2018, moderate recovery continued in the Japanese economy amid an increase in exports fueled by global economic recovery, combined with a pickup in capital investment due to improved corporate earnings. Construction investment was likewise robust due to expanded inbound (tourist) demand and signs of redevelopment primarily in urban areas. A pickup was also seen in personal consumption, reflecting an improved employment and income environment. Moderate recovery is likely to continue, despite the need for caution over the impact of overseas economic uncertainties and financial market fluctuations.

The economy of Ehime Prefecture showed lingering weakness in certain areas of production and personal consumption, but overall recovery momentum is expected to continue amid ongoing signs of upturn.

Business Performance

Under these circumstances, in keeping with our spirit of gratitude toward customers we worked to ensure our ability to provide products and services tailored to customer needs. We endeavored to expand our fields of operation and strengthen profitability in the aim of being a bank that is still needed 10 years in the future.

Corporate Governance

In corporate governance initiatives, the Bank decided to appoint as outside directors experts thoroughly versed in the business of the Bank and issues facing it, to ensure diversity of insight, specialization and experience. This will enhance the auditing and supervisory functions and energize the Board of Directors.

In addition, we established the Management Deliberation Committee, comprising the Bank’s representative directors and all members of the Audit and Supervisory Committee, to deliberate director nominations and compensation. With these measures, the Bank has endeavored to strengthen the corporate governance system and enhance its functions.

Turning to the dividend, our basic policy is to continue to pay out a stable dividend, while bearing in mind the public mission of the Bank and the need to ensure a robust operating base with a strong financial position supported by retained earnings.

To mark our 140th anniversary in March 2018, the Bank paid out a commemorative dividend of ¥2.00 per share in the fiscal year ended March 31, 2018 (the 115th term), as a gesture of gratitude to our shareholders for their support over the years.

Regional Vitalization Initiatives

In line with its aim of growing sustainably along with its region, Iyo Bank is involved in a variety of regional vitalization measures.

Across our lending and solutions operations, we continued to work to address management issues and growth support through “sales activities based on assessments of business viability.” Also, in February 2018 we began handling “Chiiki no Mirai (future in the region)” private-placement bonds aimed at providing hometown support following

Manabiya private-placement bonds aimed at providing hometown support. By donating a portion of the commissions collected on corporate bond issuance to local governments, we will support measures in the “Ehime: Our home of the future and regional revitalization” campaign, in partnership with the bond-issuing companies.

Under the Shikoku Alliance of four regional banks on the island launched in April 2017, we signed a basic agreement for partnership in capital markets with Tokyo Stock Exchange, Inc. in October, to revitalize the regional economy through, for example, support for companies listing. In November, we arranged the “Shikoku inbound business talks in Thailand” event to raise the profile of Shikoku and encourage tourist visits, as well as the “Seminar on use of rented plants, for entrants into the Vietnam market,” in support of customers considering expansion of their business overseas. January 2018 saw the establishment of the Shikoku Alliance Capital Co., Ltd. a joint investment by four banks, and in March the regional revitalization fund and the public-private joint SME regeneration fund were created. In April 2018, we relaunched Iyogin Securities Co., Ltd. as the Shikoku Alliance Securities Co., Ltd., with the Shikoku Alliance Securities as the core securities company, to reinvigorate operations. Looking ahead, we expect these initiatives to promote development of the region by supporting the growth of customers through fund investment and other channels.

In measures to reinvigorate the area using Fintech, we have been carrying out field trials since February 2018 for the electronic community currency IYOGIN Co-in. This is a cashless settlement system using QR codes. We are carrying out testing into technological, security and legal aspects and are progressing with discussions on commercialization.

Head Office Organization

In head office organization initiatives, in August 2017 we transferred the Ship Finance Division to Imabari City where there is a cluster of international shipping companies. We will contribute to the further development of maritime industries within the prefecture, which has a large share of this business in Japan, by responding to customers’ diversifying needs for high-quality shipping-related information and prompt, wide-ranging financial services, in Japan and overseas.

We reorganized the Women’s Career Promotion Department established within the Human Resources Division into the Diversity & Inclusion Promotion Department, to create an environment in which all employees at the Bank can give free rein to their individual capabilities at the workplace.

Bank Branches and ATMs

Iyo Bank has a broad-ranging branch network that covers 13 prefectures in Japan, the largest number of prefectures covered by a regional bank. We have been upgrading our branches and strengthening customer service systems so that customers can use our services more effectively.

In June 2017, the Toiya-machi and Shiomi branches were integrated, and the Matsuyama Kita branch was newly built and opened. At the latter, we are opening the “Satto (quick) counter”, which enables us to serve our customers promptly, and have expanded consultancy booth services. We are also working to improve customer convenience through

introduction of new branch functions in a pilot scheme for next-generation branches, including the addition of an Iyogin Insurance Plaza Matsuyama Kita, the 10th location within the prefecture with this facility.

Products and Services

In April 2017, we began the rollout of our Raku Raku insurance (application) system able to handle life-insurance policy and other applications using an Iyo Bank tablet, without any paper form-filling. In November that year, to provide more customer-friendly services by simplifying procedures, we introduced a system for mobile-terminal applications enabling prior screening for loans without collateral and housing loans.

As part of the initiatives under the Shikoku Alliance, we began offering the “Shikoku no Mirai (future in Shikoku)” investment trust launched independently by the Bank in July 2017. We are contributing to revitalization of the Shikoku economy and formation of customer assets through investments in local companies. In September, we began offering the new “Shikoku no Kizuna” insurance package combining all kinds of advisory information relating to health, including a health and medical consultation service and healthcare facility information service to go with our single premium whole life insurance.

In partnerships and alliances with various outside companies, in May 2017 we also teamed up with TSUBASA Alliance banks to launch the development of the API common platform directly linking up Bank systems with Fintech companies, so as to quickly provide appealing new services to the customers.

In November 2017, we released the “Money Manager” smartphone application that enables balance inquiries and deposit/withdrawal detail inquiries from registered accounts in as few as 3 taps, using fingerprint authentication. In February 2018, we also added an automatic push notification function for deposit/withdrawal transactions. Through these and other upcoming functions, we are working to create an environment in which transactions can be completed simply and conveniently at any time and any place.

CSR Activities

In addition to its financial activities, to realize its mission to “create a bright and prosperous future for the region,” Iyo Bank is undertaking a range of activities under the CSR Committee as part of its corporate social responsibilities (CSR). As a cross-organizational body at our head office, the CSR Committee is proactively involved in social welfare activities, cultural activities, environmental conservation and other issues.

As part of our social welfare activities, we have provided scholarships and donate welfare devices through the “Iyo Bank Social Welfare Fund.” In the scholarship program, we provided support to 22 per-school-year students in our initiative to foster the leaders of the next generation, bringing the total of scholarship recipients since the launch of the program in 1978 to 826, and the total scholarship amount to ¥400.59 million (as of March 31, 2018).

In cultural activities, we kept providing aid under the “Regional Cultural Activity Assistance Program” for groups that are continuing valuable locally-based cultural activities.

As environmental protection activities, in addition to

offering grants through the Iyo Bank Environment Foundation “Evergreen” (public trust), we carried out tree planting as part of the activities of the Society to Promote the Creation of Forests in Towns, for which the Bank serves as the secretariat, together with other member companies and organizations.

IR Activities

Iyo Bank is proactively working to improve disclosure. To increase management transparency, we held annual results briefings for analysts and institutional investors in Tokyo in June and December 2017, and held results briefings accompanied by a special lecture presentation in six locations around Ehime Prefecture in July 2017.

To foster a deeper understanding of its management activities by stockholders, suppliers and investors, the Bank is rated highly, with an “AA” rating by Japan Credit Rating Agency (JCR), an influential Japanese credit rating agency, an “A” rating by Standard & Poor’s (S&P) and an “AA-” rating by Rating and Investment (R&I).

Risk Management and Compliance

We launched measures to establish a risk appetite framework for business management. Through revisions to enable flexible strategy through establishment of project teams and monitoring measures, we aim to strengthen corporate governance and revitalize management discussions, to ensure balanced, sustainable growth.

With respect to compliance, we took measures to prevent antisocial forces from entering facilities and are stepping up screening measures, as well as positioning ourselves for a fourth round of mutual evaluation involving Japanese banks through the FATF (Financial Action Task Force).

Business Performance

In fiscal 2017, ended March 31, 2018, performance was as follows: The term-end balance of deposits, including NCDs, increased ¥88.9 billion over the previous fiscal year-end, to ¥5,546.0 billion (US\$52,202 million). The loan balance at the end of the fiscal year rose ¥249.3 billion from the previous fiscal year-end, to ¥4,292.6 billion (US\$40,404 million). The balance of securities at the end of the fiscal year rose ¥72.8 billion from the previous fiscal year-end, to ¥1,810.0 billion (US\$17,036 million). The balance of total assets at the end of the fiscal year rose ¥237.2 billion from the previous fiscal year-end, to ¥7,059.7 billion (US\$66,450 million).

Ordinary income increased ¥2,918 million on a consolidated basis year on year, to ¥102,209 million (US\$962 million), due to higher investment income, stemming from declines in interest on loans and discounts, as well as interest and dividends on securities.

Meanwhile, ordinary expenses on a consolidated basis rose ¥3,055 million, to ¥69,286 million (US\$652 million), with other ordinary expenses rising due to higher provision of reserve for loan losses. As a result, net ordinary income decreased ¥137 million, to ¥32,923 million (US\$309 million), while profit attributable to owners of parent increased ¥1,248 million, to ¥22,662 million (US\$213 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.31%.

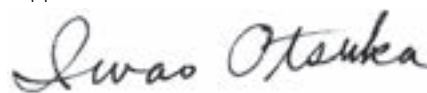
Issues

Although the Japanese economy as a whole is expected to remain in a moderate recovery phase, the Bank’s operating environment is undergoing significant changes. Such factors include the emergence of new financial services using digital technologies, as well as an expected shrinkage in the market due to the falling birthrate and increasingly aging population, and ongoing population decline.

Under these circumstances, the Bank launched its Fiscal 2018 Medium-Term Management Plan in April 2018. The vision in the plan is transformation of the Bank into a “Digital-Human-Digital Bank” (DHD Bank). What this means is using digital technologies as widely as possible to bring about improvements in customer convenience and productivity in areas where digital technologies excel, while focusing resultant human capabilities on jobs that only humans can do, such as consultancy. By creating this new business model, we are endeavoring to deliver value to further assist our customers.

In March 2018, the Bank celebrated its 140th anniversary. Looking ahead to the 150th anniversary, our 10-year vision is to make every effort to become the leading financial services group in the Setouchi region in terms of customer satisfaction.

While working to ensure sound management and further strengthening the Bank’s business operations, we will continue to put our full efforts into realizing our mission as a regional bank—to “create a bright and prosperous future for the region.” In these endeavors, we ask for the ongoing support of our stockholders.



Iwao Otsuka, President

Start of the Fiscal 2018 Medium-Term Management Plan

Period: Three years, from April 2018 through March 2021

Fiscal 2018 Medium-Term Management Plan

Digital-Human-Digital Bank

— Whenever, wherever, closer to you —

Digital touch point

Customer contact points
- easy to use -

Human consulting

Group employees
- customer-oriented -

Digital operation

Administrative procedures
- simple -



Corporate Governance

Basic Philosophy

Based on our corporate philosophy, to ensure the unshakeable trust of our stockholders, customers, employees and other stakeholders we believe it is vital to raise enterprise value and ensure a more sound and transparent management system, while remaining mindful of our social responsibilities as a regional bank. To meet these responsibilities, we will reinforce and enhance our efforts at corporate governance, which we consider one of our most important management priorities.

Through corporate governance appropriate to the Bank, we seek to achieve sustainable growth and enhance enterprise value over the medium to long term. To this end, we have formulated and publicized our Corporate Governance Guide Line, which outlines our fundamental perspectives and frameworks on corporate governance.

Internal Control Systems

- The Board of Directors' granting of voting rights to directors on auditing and the Audit and Supervisory Committee members that include multiple outside directors is expected to enhance the auditing and supervisory functions, as well as corporate governance. At the same time, we believe this delegation of authority will contribute to swifter decision-making and heightened management efficiency. To achieve these aims, we have adopted the system of a "company with an Audit and Supervisory Committee."
- The Bank has also separated the management decisionmaking and supervisory functions from business execution, thereby strengthening the Board of Directors' decisionmaking function. To further enhance corporate governance, we have introduced an executive officer system.
- In principle, the Board of Directors meets once a month to decide on important matters stipulated in law and the Articles

of Incorporation, as well as to make important decisions related to management policy and management strategy.

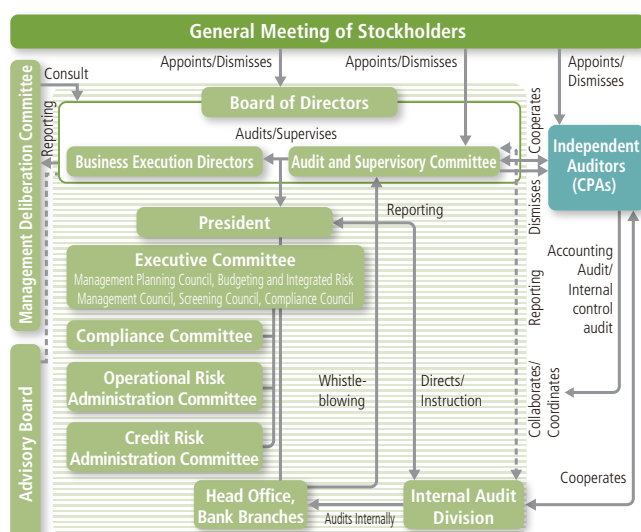
- In principle, the Audit and Supervisory Committee meets at least once each month. In accordance with the law, Articles of Incorporation and Audit and Supervisory Committee Regulations, this committee and the Board of Directors provide a supervisory function, as well as auditing the execution of business by directors.
- In principle, the Executive Committee, consisting of managing directors and higher-ranked directors, meets once a week to discuss important issues affecting all areas of operations, based on the fundamental policies decided upon by the Board of Directors. The Executive Committee comprises four councils, according to the content of matters to be discussed: the Management Planning Council, the Budgeting and Integrated Risk Management Council, the Screening Council and the Compliance Council. The Audit and Supervisory Committee members are standing members of the Executive Committee, where they provide appropriate statements and advice.

The Bank established the Management Deliberation Committee, comprising the Bank's representative directors and the Audit and Supervisory Committee members, to deliberate director nominations and compensation and other important matters.

The Management Deliberation Committee, which is positioned as an advisory body to the Board of Directors, is composed of a majority of members who are independent outside directors.

- To coordinate and strengthen legal observance and risk management, the Bank holds a quarterly meeting of the Compliance Committee (secretariat: the Compliance Division) and a monthly meeting of the ALM Committee (secretariat: the General Planning Division), both with the director in charge of the Compliance Division as chairman. We have also established the Operational Risk Administration Committee, under the Risk Management Division, which meets quarterly, and the Credit Risk Management Committee. This committee, under the Risk Management Division, meets every second month. It is chaired by the director in charge of the Risk Management Division.
- The Bank holds a semi-annual meeting of the Advisory Board (secretariat: the General Planning Division) chaired by the president. To ensure the management transparency and objectivity of the Group, further strengthen the management base and contribute to the local community, we are introducing external perspectives regarding the Group's management strategies and governance.

Business Executive Functions, Oversight and Internal Controls



Compliance

As an institution with a public profile and social responsibilities, the Bank regards a good compliance record as indispensable for deepening the trust and support of our customers, shareholders and the communities we serve. We ensure not only that all our

employees observe all laws, ordinances and regulations in their duties, but also meet the highest ethical standards.

Compliance Organizations

We established a Compliance Council chaired by the President. This committee deliberates matters relating to compliance, and seeks to foster a corporate culture in which compliance-related information is shared by all employees from the branch level to top management.

At all head office and branch business departments, we have appointed compliance officers, who assess progress in compliance-related matters and organize training and awareness-raising activities such as study groups.

The Compliance Division, working closely with the Compliance Committee and compliance officers, integrates collection and management of compliance-related information.

Risk Management

Basic Philosophy

In its daily business operations, a bank is exposed to credit risks, market risks and other risks. These risks are growing in diversity and complexity as deregulation progresses and the business of banking grows ever more complex. Therefore, finding ways of appropriately managing risk has become a vital challenge for a bank.

On the other hand, for a bank, risk-taking is essential for generation of revenue. Only by assuming a reasonable level of risk, it is possible to ensure acceptable earnings growth. Accordingly, the bank sets reasonable profit targets after factoring in all conceivable risks, and takes every precaution to manage risk. Iyo Bank's management treats risk management as a priority issue.

Each fiscal year, the Board of Directors compiles risk management policies, and, based on these policies, takes steps to strengthen risk management and improve the quality of risk management.

Risk Management Framework

The Bank's risk management framework has four main pillars:

1. Legal observance under the Compliance Committee
2. Managing revenue-generating risk assets under the ALM Committee
3. The Credit Risk Administration Committee undertakes risk management that focuses on curbing credit risk
4. Management of operational risk to minimize administrative and system risk, under the Operational Risk Administration Committee

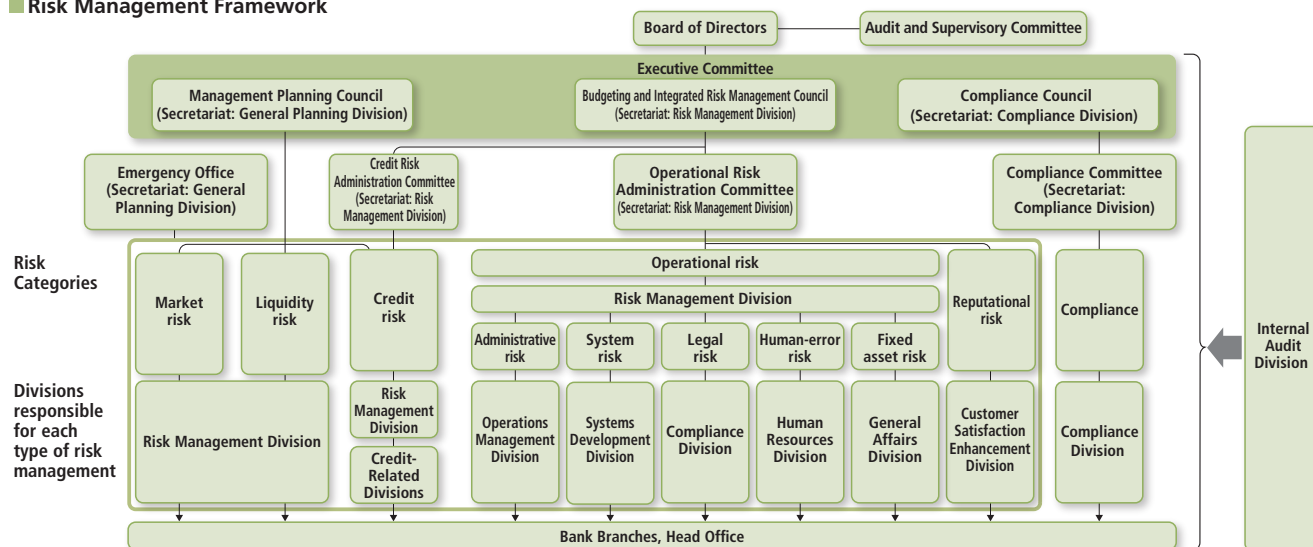
The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

The Credit Risk Administration Committee aims to achieve an optimal management and procurement structure as well as secure stable medium- to long-term income by quantifying the Bank's credit risk.

At the same time, the Operational Risk Administration Committee is taking measures to refine operational risk management through organization-wide discussion and monitoring regarding important topics arising from reviews of actual operational risk. With regard to administrative risk, system risk, legal risk, human-error risk, and fixed asset risk, which together constitute operational risk, organization-wide responses include establishment of offices for each category of risk, and rigorous risk management. At the same time, the Risk Management Division is responsible for coordination of risk management carried out by the departments in charge of each category of risk.

Moreover the Risk Management Division, which coordinates overall risk management, manages verification of risk management at each department.

■ Risk Management Framework



Note: Japanese yen amounts, except net income per share, are presented in millions of yen and are rounded down to the nearest million.

Iyo bank has obtained one of the best ratings among Japanese banks including mega-banks by Japan Credit Rating Agency, Ltd. (JCR).

The chart displays two data series from March 2014 to March 2018:

- Average value of the Nikkei 225 index (billions of yen):** Represented by grey bars. Values are 183.0 (2014), 261.7 (2015), 217.7 (2016), 218.4 (2017), and 234.9 (2018).
- Average value of the Nikkei average (right):** Represented by a red line with circular markers. Values are 14,827 (2014), 19,206 (2015), 16,758 (2016), 18,909 (2017), and 21,454 (2018).

Year	Average value of the Nikkei 225 index (billions of yen)	Average value of the Nikkei average (right)
2014	183.0	14,827
2015	261.7	19,206
2016	217.7	16,758
2017	218.4	18,909
2018	234.9	21,454

Year	Percentage (%)
(March 31) 2014	14.41
2015	15.81
2016	15.42
2017	14.58
2018 (March 31)	14.31

Management Discussion and Analysis of Operations

■ Business Environment

In fiscal 2017, ended March 31, 2018, moderate recovery continued in the Japanese economy, amid an increase in exports fueled by global economic recovery combined with a pickup in capital investment due to improved corporate earnings. Construction investment was likewise robust due to expanded inbound (visitor) demand and signs of redevelopment primarily in urban areas. A pickup was also seen in personal consumption, reflecting an improved employment and income environment. Moderate recovery is likely to continue, despite the need for caution over the impact of overseas economic uncertainties and financial market fluctuations.

The economy of Ehime Prefecture showed lingering weakness in certain areas of production and personal consumption, but overall recovery momentum is expected to continue amid ongoing signs of upturn.

Overview of Business Results, etc.

Ordinary income increased ¥3,709 million on a consolidated basis year on year, to ¥120,985 million (US\$1,138 million), due mainly to higher investment income, stemming from increases in interest on loans and discounts, as well as interest and dividends on securities.

Meanwhile, ordinary expenses on a consolidated basis rose ¥3,038 million, to ¥84,885 million (US\$798 million), with other ordinary expenses rising due mainly to higher provision of reserve for loan losses. As a result, net ordinary income increased ¥671 million, to ¥36,099 million (US\$339 million), while profit attributable to owners of parent increased ¥1,842 million, to ¥23,639 million (US\$222 million).

On a non-consolidated basis, core gross business profit recorded an increase of ¥3,671 million, to ¥77,562 million (US\$730 million). This result reflected the increase in investment income, stemming from increases in interest on loans and discounts, as well as interest and dividends on

securities. Core net business profit rose ¥2,837 million, to ¥28,450 million (US\$267 million). Also, net ordinary income fell ¥137 million, to ¥32,923 million (US\$309 million), due to lower net gains related to securities and increases in credit costs and operating costs. As a result, net income rose ¥1,248 million, to ¥22,662 million (US\$213 million).

■ Segment Information

The Iyo Bank Group consists of the Iyo Bank and 13 consolidated subsidiaries. The Group's operations center on commercial banking services, and also cover leasing and other financial services.

Banking Operations

Ordinary income came to ¥103,392 million (US\$973 million). This was due to ordinary income from customers of ¥102,817 million and ordinary income from intersegment transactions of ¥574 million. Segment profit increased ¥78 million, to ¥34,757 million (US\$327 million).

Leasing Operations

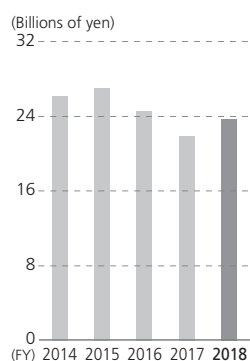
Ordinary income came to ¥15,754 million (US\$148 million). This was attributable to ordinary income from customers of ¥15,265 million and ordinary income from intersegment transactions of ¥489 million. Segment profit increased ¥229 million, to ¥581 million (US\$5 million).

Other Businesses

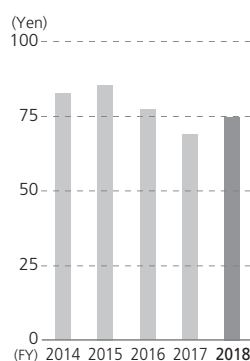
Ordinary income came to ¥4,526 million (US\$42 million). This was a result of ordinary income from customers of ¥2,901 million, and ordinary income from intersegment transactions of ¥1,624 million. Segment profit increased ¥308 million, to ¥779 million (US\$7 million).

The term-end balance of deposits, including NCDs, increased ¥88.1 billion over the previous fiscal year-end, to ¥5,525.3 billion (US\$52,007 million).

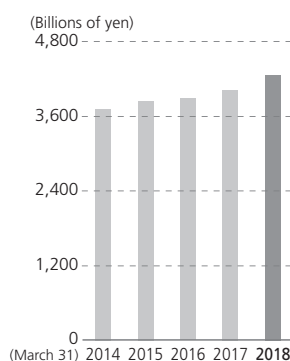
Profit Attributable to Owners of Parent



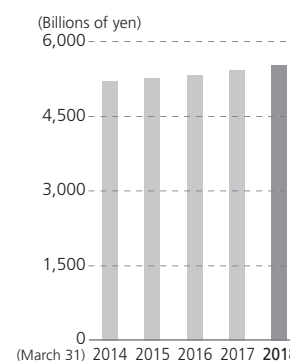
Net Income per Share



Loans and Bills Discounted



Deposits



The loan balance at the end of the fiscal year rose ¥248.2 billion from the previous fiscal year-end, to ¥4,269.6 billion (US\$40,188 million).

The balance of securities at the end of the fiscal year rose ¥79.5 billion from the previous fiscal year-end, to ¥1,815.5 billion (US\$17,088 million).

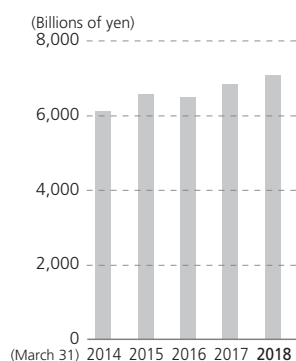
The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.31%.

We met our numerical targets in most categories, including net income, in the Fiscal 2015 Medium-Term Management Plan. Though we fell short of targets in the total balance of assets in custody (consolidated basis), steady upward momentum continues. Despite a decline due to aggressive risk-taking, the capital ratio (consolidated basis) remained at an adequate level.

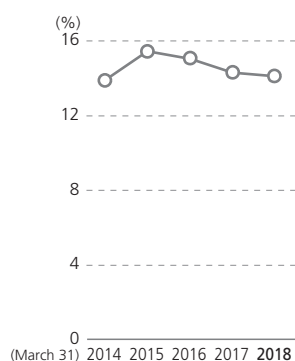
Loans by Industry

Years ended March 31:	Millions of yen			
	2018		2017	
	Loans and bills discounted outstanding	Share (%)	Loans and bills discounted outstanding	Share (%)
Domestic total (excluding loans booked offshore)	¥4,204,571	100.00	¥4,019,968	100.00
Manufacturing	611,729	14.55	583,006	14.50
Agricultural and forestry	2,918	0.07	3,053	0.08
Fishing	12,141	0.29	13,831	0.34
Mining, quarrying and gravel extraction	8,653	0.21	8,789	0.22
Construction	112,939	2.69	112,601	2.80
Electricity, gas and water utilities, sewage	108,078	2.57	92,865	2.31
Communications	21,779	0.52	28,814	0.72
Transportation and postal service	679,716	16.17	629,907	15.67
Wholesale and retail	469,356	11.16	471,197	11.72
Finance and insurance	180,478	4.29	168,309	4.19
Real estate and rental	454,337	10.80	412,231	10.25
Service	435,073	10.35	412,714	10.27
Local authorities	232,702	5.53	240,217	5.97
Others	874,666	20.80	842,428	20.96
Overseas total (including loans booked offshore)	65,125	100.00	1,473	100.00
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	65,125	100.00	1,473	100.00
Total	¥4,269,697	—	¥4,021,442	—

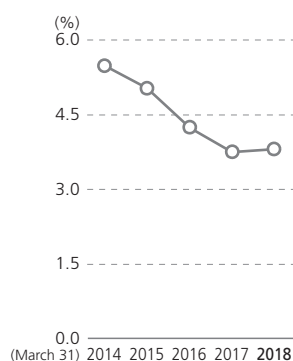
Total Assets



Capital Ratio (BIS standards)



Return on Equity



■ Financial Position and Business Results

Consolidated gross profit

Consolidated gross profit increased ¥3,768 million over the previous consolidated fiscal year-end, to ¥84,267 million (US\$793 million) due to the increase in interest and dividend income stemming from an increase in interest on loans and discounts and an increase in interest and dividends on securities, as well as an increase in earnings from fees and commissions, on growth in assets in custody and commission income from solution sales.

Operating costs

Operating costs increased ¥554 million over the previous consolidated fiscal year, to ¥52,195 million (US\$491 million) due to an increase in nonpersonnel expenses amid an increase in investments.

Credit costs

Credit costs increased ¥2,358 million over the previous consolidated fiscal year, to ¥3,986 million (US\$37 million) due in part to an increase in bankruptcies and downgrades.

Gain (loss) related to stock, etc.

Gain related to stock, etc. decreased ¥366 million over the previous consolidated fiscal year, to ¥5,836 million (US\$54 million) due to the decrease in gains on sales of securities, etc.

Extraordinary income (losses)

Extraordinary income (losses) increased ¥1,993 million over the previous consolidated fiscal year, to (¥307 million) (US\$2 million) due to a decrease in impairment loss.

Deposits

With deposits held by individuals and corporations both increasing steadily, the balance of deposits, including NCDs, increased ¥88.1 billion over the previous consolidated fiscal year-end, to ¥5,525.3 billion (US\$52,007 million).

Loans and bills discounted

With corporate and housing loans mainly to individuals both increasing steadily, loans and bills discounted grew ¥248.2 billion over the previous consolidated fiscal year-end, to ¥4,269.6 billion (US\$40,188 million).

Risk management loans

Risk management loans increased ¥1.7 billion over the previous consolidated fiscal year-end, to ¥66.6 billion (US\$626 million).

Risk management loans remained at the low level of 1.56% as a proportion of the outstanding balance of loans and bills discounted.

Securities

Due to an increase in other securities due in part to acquisition of foreign securities denominated in foreign currencies, the balance of securities increased ¥79.5 billion over the previous consolidated fiscal year-end, to ¥1,815.5 billion (US\$170,88 million), despite a decline in Japanese government bonds due in part to redemptions.

■ Cash Flow Analysis

Consolidated Cash Flows

Cash flow provided by operating activities was ¥3,870 million (US\$36 million), due to such factors as an increase in loans and bills discounted.

Net cash used in investing activities was ¥57,093 million (US\$537 million). This was mainly attributable to purchases of securities.

Net cash used in financing activities was ¥4,106 million (US\$38 million) due to the cash dividends paid.

As a result, cash and cash equivalents at the end of the term fell by ¥57,346 million, to ¥726,157 million (US\$6,835 million).

The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

Capital expenditure from acquisition of tangible and intangible fixed assets and other outlays was covered from Bank capital.

Consolidated Balance Sheet

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
ASSETS			
Cash and due from banks (Notes 17 and 19)	¥ 728,327	¥ 795,208	\$ 6,855,487
Call loans and bills purchased (Note 19)	23,479	90,582	220,999
Monetary claims purchased (Notes 19, 20 and 22)	10,247	11,373	96,451
Trading account securities (Notes 19 and 20)	465	568	4,376
Money held in trust (Notes 19, 21 and 22)	6,337	5,749	59,647
Securities (Notes 3, 4, 7, 12, 19, 20 and 22)	1,815,554	1,735,981	17,089,175
Loans and bills discounted (Notes 5, 6, 8 and 19)	4,269,697	4,021,442	40,189,166
Reserve for loan losses (Note 19)	(24,256)	(23,541)	(228,313)
Foreign exchange (Note 6)	7,092	8,201	66,754
Lease receivables and investment assets	30,594	29,224	287,970
Other assets (Note 7)	93,761	49,306	882,539
Tangible fixed assets (Notes 9, 10 and 18)	72,850	73,835	685,711
Intangible fixed assets	5,375	4,734	50,592
Net defined benefit asset (Note 24)	23,164	19,490	218,034
Deferred tax assets (Note 26)	179	561	1,684
Customers' liabilities for acceptances and guarantees	33,761	26,563	317,780
Total assets	¥7,096,633	¥6,849,283	\$66,798,126
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits (Notes 7 and 19)	¥5,525,398	¥5,437,276	\$52,008,640
Call money and bills sold (Note 19)	25,497	72,346	239,994
Payables under repurchase agreements (Notes 7 and 19)	77,434	40,124	728,859
Payables under securities lending transactions (Notes 7 and 19)	226,150	324,715	2,128,670
Borrowed money (Notes 7, 11 and 19)	419,341	220,887	3,947,110
Foreign exchange	65	145	611
Borrowed money from trust account	39	29	367
Other liabilities (Note 11)	54,888	37,060	516,641
Accrued employees' bonuses	1,650	1,648	15,530
Net defined benefit liability (Note 24)	12,502	12,572	117,676
Reserve for losses on repayment of dormant bank accounts	2,928	2,979	27,560
Reserve for contingent losses	426	427	4,009
Reserve under the special laws	1	0	9
Deferred tax liabilities (Note 26)	60,416	53,498	568,674
Deferred taxes on revaluation excess (Note 9)	9,824	9,945	92,469
Acceptances and guarantees	33,761	26,563	317,780
Total liabilities	6,450,329	6,240,221	60,714,693
Net assets (Note 29)			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	197,176
Capital surplus	11,570	11,555	108,904
Retained earnings	404,181	384,386	3,804,414
Treasury stock	(5,255)	(5,370)	(49,463)
Total stockholders' equity	431,445	411,520	4,061,041
Net unrealized holding gains (losses) on securities (Note 22)	166,703	153,498	1,569,117
Net deferred gains (losses) on derivatives under hedge accounting	(1,240)	(795)	(11,671)
Land revaluation excess (Note 9)	19,634	19,901	184,807
Remeasurements of defined benefit plans (Note 24)	6,669	5,342	62,772
Total accumulated other comprehensive income	191,766	177,946	1,805,026
Stock acquisition rights (Note 25)	467	479	4,395
Noncontrolling interests	22,624	19,114	212,951
Total net assets	646,304	609,061	6,083,433
Total liabilities and net assets	¥7,096,633	¥6,849,283	\$66,798,126

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥ 49,463	¥ 49,496	\$ 465,577
Interest and dividends on securities	26,772	24,524	251,995
Interest on receivables under resale agreements	(0)	—	(0)
Other interest income	1,078	1,118	10,146
Fees and commissions	14,435	13,320	135,871
Other operating income	19,023	18,310	179,056
Other income	10,229	10,585	96,282
Total income	121,002	117,356	1,138,949
EXPENSES			
Interest expense:			
Interest on deposits	2,479	3,114	23,333
Interest on borrowings and rediscounts	1,247	1,144	11,737
Interest on payables under repurchase agreements	401	162	3,774
Interest on payables under securities lending transactions	387	612	3,642
Other interest expense	3,001	2,685	28,247
Fees and commissions	4,649	4,551	43,759
Other operating expenses	14,338	13,998	134,958
General and administrative expenses (Note 14)	52,195	51,641	491,293
Other expenses (Note 15)	6,509	6,315	61,266
Total expenses	85,210	84,228	802,051
Income before income taxes	35,791	33,127	336,888
Income taxes (Note 26):			
Current	11,431	9,003	107,596
Deferred	(410)	1,144	(3,859)
Total taxes	11,020	10,147	103,727
Profit	24,771	22,980	233,160
Profit attributable to noncontrolling interests	1,131	1,183	10,645
Profit attributable to owners of parent	¥ 23,639	¥ 21,797	\$ 222,505

Per share of common stock (yen and U.S. dollars):

	Yen		U.S. dollars (Note 1)
Basic net income	¥74.73	¥68.93	\$0.70
Diluted net income	74.59	68.81	0.70
Dividends	14.00	12.00	0.13

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit	¥24,771	¥22,980	\$233,160
Other comprehensive income (Note 16)	16,458	3,663	154,913
Net unrealized holding gains (losses) on securities (Note 22)	15,576	(297)	146,611
Net deferred gains (losses) on derivatives under hedge accounting	(444)	(469)	(4,179)
Remeasurements of defined benefit plans (Note 24)	1,327	4,430	12,490
Comprehensive income	¥41,229	¥26,643	\$388,074
Comprehensive income attributable to:			
Owners of parent	¥37,726	¥26,089	\$355,101
Noncontrolling interests	3,503	554	32,972

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2018

For the year ended March 31, 2018	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	¥20,948	¥11,555	¥384,386	¥(5,370)	¥411,520
Changes during the accounting period					
Dividends			(4,111)		(4,111)
Profit attributable to owners of parent			23,639		23,639
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		14		116	131
Reversal of land revaluation excess			267		267
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	14	19,795	115	19,924
Balance at the end of the accounting period	¥20,948	¥11,570	¥404,181	¥(5,255)	¥431,445

For the year ended March 31, 2018	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	\$197,176	\$108,763	\$3,618,091	\$(50,545)	\$3,873,493
Changes during the accounting period					
Dividends			(38,695)		(38,695)
Profit attributable to owners of parent			222,505		222,505
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock		131		1,091	1,233
Reversal of land revaluation excess			2,513		2,513
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	131	186,323	1,082	187,537
Balance at the end of the accounting period	\$197,176	\$108,904	\$3,804,414	\$(49,463)	\$4,061,041

For the year ended March 31, 2018	Millions of yen							
	Total other comprehensive income							
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Noncontrolling interests	Total net assets
Balance at the beginning of the accounting period	¥153,498	¥ (795)	¥19,901	¥5,342	¥177,946	¥479	¥19,114	¥609,061
Changes during the accounting period								
Dividends								(4,111)
Profit attributable to owners of parent								23,639
Purchase of treasury stock								(1)
Disposal of treasury stock								131
Reversal of land revaluation excess								267
Changes in items other than stockholders' equity, net	13,204	(444)	(267)	1,327	13,819	(11)	3,509	17,317
Total changes during the accounting period	13,204	(444)	(267)	1,327	13,819	(11)	3,509	37,242
Balance at the end of the accounting period	¥166,703	¥(1,240)	¥19,634	¥6,669	¥191,766	¥467	¥22,624	¥646,304

Thousands of U.S. dollars (Note 1)

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasur-ements of defined benefit plans	Total accumu-lated other comprehen-sive income			
For the year ended March 31, 2018								
Balance at the beginning of the accounting period	\$1,444,823	\$ (7,483)	\$187,321	\$50,282	\$1,674,943	\$4,508	\$179,913	\$5,732,878
Changes during the accounting period								
Dividends								(38,695)
Profit attributable to owners of parent								222,505
Purchase of treasury stock								(9)
Disposal of treasury stock								1,233
Reversal of land revaluation excess								2,513
Changes in items other than stockholders' equity, net	124,284	(4,179)	(2,513)	12,490	130,073	(103)	33,028	162,998
Total changes during the accounting period	124,284	(4,179)	(2,513)	12,490	130,073	(103)	33,028	350,545
Balance at the end of the accounting period	\$1,569,117	\$(11,671)	\$184,807	\$62,772	\$1,805,026	\$4,395	\$212,951	\$6,083,433

Millions of yen
Stockholders' equity

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2017					
Balance at the beginning of the accounting period	¥20,948	¥10,488	¥365,732	¥(5,398)	¥391,771
Changes during the accounting period					
Dividends			(3,794)		(3,794)
Profit attributable to owners of parent			21,797		21,797
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		5		29	34
Reversal of land revaluation excess			651		651
Purchase of shares of consolidated subsidiaries		1,061			1,061
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	1,067	18,654	28	19,749
Balance at the end of the accounting period	¥20,948	¥11,555	¥384,386	¥(5,370)	¥411,520

Millions of yen

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasur-ements of defined benefit plans	Total accumu-lated other comprehen-sive income			
For the year ended March 31, 2017								
Balance at the beginning of the accounting period	¥153,166	¥(326)	¥20,552	¥ 912	¥174,305	¥401	¥23,228	¥589,707
Changes during the accounting period								
Dividends								(3,794)
Profit attributable to owners of parent								21,797
Purchase of treasury stock								(1)
Disposal of treasury stock								34
Reversal of land revaluation excess								651
Purchase of shares of consolidated subsidiaries							(1,061)	—
Changes in items other than stockholders' equity, net	331	(469)	(651)	4,430	3,640	77	(3,052)	666
Total changes during the accounting period	331	(469)	(651)	4,430	3,640	77	(4,113)	19,354
Balance at the end of the accounting period	¥153,498	¥(795)	¥19,901	¥5,342	¥177,946	¥479	¥19,114	¥609,061

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities			
Income before income taxes	¥ 35,791	¥ 33,127	\$ 336,888
Depreciation	4,249	4,551	39,994
Impairment losses	203	2,246	1,910
Increase (decrease) in reserve for loan losses	715	(2,010)	6,730
Increase (decrease) in accrued employees' bonuses	2	(79)	18
Decrease (increase) in net defined benefit asset	(3,674)	(6,648)	(34,582)
Increase (decrease) in net defined benefit liability	(69)	(1,268)	(649)
Increase (decrease) in reserve for losses on repayment of dormant bank accounts	(50)	(86)	(470)
Increase (decrease) in reserve for contingent losses	(1)	(13)	(9)
Increase (decrease) in reserve under the special laws	0	0	0
Interest and dividend income	(77,314)	(75,139)	(727,729)
Interest expense	7,517	7,720	70,754
Securities losses (gains), net	(6,118)	(6,941)	(57,586)
Money in trust losses (gains), net	(717)	(362)	(6,748)
Foreign exchange losses (gains), net	3,063	3,365	28,830
Losses (gains) on disposal of tangible fixed assets, net	103	53	969
Net changes in loans and bills discounted	(248,254)	(131,357)	(2,336,728)
Net changes in deposits	88,121	112,843	829,452
Net changes in borrowed money (excluding subordinated borrowings)	198,454	170,722	1,867,978
Net changes in due from banks	9,534	14,628	89,740
Net changes in call loans	68,218	12,556	642,112
Net changes in call money	(9,539)	41,483	(89,787)
Net changes in payables under securities lending transactions	(98,564)	(80)	(927,748)
Net changes in foreign exchange assets	1,109	(3,047)	10,438
Net changes in foreign exchange liabilities	(79)	32	(743)
Net changes in lease receivables and investment assets	(1,370)	(45)	(12,895)
Interest income received	73,044	75,141	687,537
Interest expense paid	(7,541)	(8,531)	(70,980)
Net increase (decrease) in borrowed money from trust account	10	0	94
Other	(24,694)	(5,356)	(232,435)
Subtotal	12,147	237,505	114,335
Income taxes paid	(8,277)	(10,981)	(77,908)
Net cash provided by (used in) operating activities	3,870	226,523	36,426
Cash flows from investing activities			
Purchases of securities	(340,998)	(343,111)	(3,209,695)
Proceeds from sales of securities	153,862	162,386	1,448,249
Proceeds from maturities of securities	134,458	187,902	1,265,606
Increase in money held in trust	(1,105)	(626)	(10,400)
Decrease in money held in trust	850	3,653	8,000
Purchases of tangible fixed assets	(2,543)	(1,870)	(23,936)
Proceeds from sales of tangible fixed assets	456	271	4,292
Purchases of intangible fixed assets	(2,074)	(1,809)	(19,521)
Net cash provided by (used in) investing activities	(57,093)	6,797	(537,396)
Cash flows from financing activities			
Proceeds from share issuance to noncontrolling stockholders	12	92	112
Repayments to noncontrolling interests	—	(11)	—
Cash dividends paid	(4,111)	(3,794)	(38,695)
Cash dividends paid to noncontrolling stockholders	(5)	(7)	(47)
Purchases of treasury stock	(1)	(1)	(9)
Proceeds from sales of treasury stock	0	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(3,680)	—
Net cash provided by (used in) financing activities	(4,106)	(7,401)	(38,648)
Foreign currency translation adjustments	(16)	(1)	(150)
Net increase (decrease) in cash and cash equivalents	(57,346)	225,916	(539,777)
Cash and cash equivalents at the beginning of year	783,504	557,587	7,374,849
Cash and cash equivalents at the end of year (Note 17)	¥ 726,157	¥ 783,504	\$ 6,835,062

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2018

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of The Iyo Bank, Ltd. (the "Bank") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and the following 13 consolidated subsidiaries.

- The Iyogin Credit Guaranty Company Limited
- The Iyogin Business Service Company Limited
- Iyogin Capital Company Limited
- Iyogin Venture Fund Corporation Limited IV
- Iyogin Venture Fund Corporation Limited V
- Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership
- Iyogin Regional Economy Research Center, Inc.
- Iyogin DC Card Co., Ltd.
- Iyogin Leasing Company Limited
- Iyogin Computer Service Company Limited
- Iyogin Securities Co., Ltd. (Currently, Shikoku Alliance Securities Co., Ltd.)

The consolidated financial statements exclude the following subsidiary.

- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income are immaterial to the consolidated financial statements.

No unconsolidated subsidiary is accounted for by the equity method.

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of the equity method because its net income and retained earnings are immaterial to the consolidated financial statements.

The consolidated financial statements exclude the following affiliated companies.

- Iyogin REVIC Investments Company Limited
- Shikoku Alliance Capital Co., Ltd

No affiliated companies are accounted for by the equity method.

Iyogin REVIC Investments Company Limited and Shikoku Alliance Capital Co., Ltd are excluded from the scope of the equity method because their net income and retained earnings are immaterial to the consolidated financial statements.

The consolidated financial statements include the accounts of five consolidated subsidiaries with fiscal years that end December 31. Appropriate adjustments are made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities are eliminated.

(2) Net assets

Under Japanese laws and regulations, including the Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act and the Banking Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 20% of the dividend or the excess, if any, of 100% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the stockholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act and the Banking Law, however, by resolution of the stockholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

At the meeting of the Board of Directors held on May 11, 2018, cash dividends amounting to ¥2,214 million (\$20,839 thousand) were approved by the Board of Directors. The appropriation was not accrued in the consolidated financial statements as of March 31, 2018. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

(3) Cash flow statements

In preparing the consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(4) Foreign currency translations

Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are translated into yen at the rates prevailing at the consolidated balance sheet date.

Consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the rate prevailing at their respective balance sheet dates.

(5) Trading account securities

Trading account securities of the Bank and its consolidated subsidiaries are stated at fair market value. Gains and losses realized on the disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such trading account securities are computed using moving average cost.

(6) Securities

Held-to-maturity debt securities are stated at amortized cost by the straight-line method. Available-for-sale securities with available fair market values are stated at fair market value. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with fair values that are extremely difficult to determine are carried at cost using moving average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Securities included in the money held in the trust account are treated in the same manner as the securities mentioned above.

(7) Reserve for possible loan losses

The Bank and its consolidated subsidiaries write off loans and make provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding amounts written off and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not in the above circumstances but for who there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications are made by each business and credit supervision department and are audited by the Credit Administration Department, an independent department. The reserve for possible loan losses is provided based on such procedures.

The estimated unrecoverable portions of loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition are written off. The estimated unrecoverable amounts are determined after excluding amounts considered recoverable due to the existence of security interests or guarantees. As of March 31, 2018 and 2017, the estimated unrecoverable amounts were ¥20,833 million (\$196,093 thousand) and ¥22,241million, respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on the actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are separately estimated and a reserve for possible loan losses is provided based on those estimations.

(8) Tangible and intangible fixed assets and lease assets

Tangible and intangible fixed assets are generally stated at cost, less the accumulated depreciation and deferred gains on the sale of real estate.

Depreciation of tangible fixed assets (except for lease assets) of the Bank and its consolidated subsidiaries is recorded using the declining balance method. However, buildings acquired after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The estimated useful lives of these assets are 15 – 40 years for buildings and 5 – 10 years for equipment.

Depreciation for intangible fixed assets (except for lease assets) of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of mainly five years.

Both tangible and intangible lease assets under finance leases that are not deemed to transfer the ownership of the lease property are depreciated using the straight-line method over the lease term with zero residual value. In cases in which there is a residual value guarantee in the contract, the residual value is the guaranteed value. In other cases, it is deemed to be zero.

(9) Accrued employees' bonuses

Accrued employees' bonuses are provided for the future payment of employees' bonuses based on the estimated amounts of the future payments that are attributed to the current fiscal year.

(10) Reserve for losses on repayment of dormant bank accounts

Reserve for losses on repayment of dormant bank accounts is provided in connection with inactive bank accounts the balances of which have been derecognized as liabilities. The reserve is provided for the possible future demands on claims of withdrawal from these accounts in an amount based on historical reimbursement experience.

(11) Reserve for contingent losses

Reserve for contingent losses is maintained to provide against possible losses from contingencies which are not covered by other specific reserves. The amount of reserve is based on an estimate of the amount possible future losses.

(12) Reserve under the special laws

Reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other financial related transactions.

(13) Accounting method for retirement benefits

In calculating benefit obligation, the portion of the projected benefit obligation attributed to the current fiscal year is determined using the benefit formula method.

Prior service cost is amortized using the straight-line method over 10 years. Actuarial differences are recognized as expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

Some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit cost. This simplified method assumes the Company's retirement benefit obligations to be equivalent to the benefits that would be payable upon the voluntary retirement of all employees at the fiscal year-end to calculate net defined benefit liability and retirement benefit cost.

(14) Derivatives and hedge accounting

Derivative transactions are valued at fair value with changes in fair value included in current income.

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in JICPA Industry Audit Committee Report No. 24, February 13, 2002, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry." The effectiveness of hedging is assessed for (i) each identified group of hedged items, such as deposits, loans and similar instruments, and (ii) the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

For certain assets and liabilities, the Bank and its consolidated subsidiaries apply the exceptional treatment permitted for interest rate swaps.

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risk associated with various foreign currency denominated monetary assets and liabilities as stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risk of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency positions of the hedged monetary assets and liabilities and the hedging instruments.

The Bank also applies fair value hedge accounting to portfolio hedges of the foreign exchange risk associated with foreign currency denominated available-for-sale securities (other than bonds) identified as hedged items in advance as long as the amount of spot and forward foreign exchange contracts payable exceeds the acquisition costs of the hedged securities in foreign currency.

(15) Finance leases

In connection with finance leases as the lessor, sales and cost of sales are recognized at the time of receiving lease payment.

(16) Operating leases

As lessor under operating leases, lease related income is recognized on a straight-line basis over the full term of the lease based on the contractual amount of lease fees per month.

(17) Consumption taxes

National and local consumption taxes are accounted for mainly on a tax exclusion basis.

(18) Application of consolidated tax reporting

The Bank and its wholly owned consolidated subsidiaries have adopted a consolidated tax return system.

(19) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes the full exercise of outstanding warrants at the time of issuance.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

(20) Accounting standards not yet adopted

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(a)Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(b)Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(c)Effects of the application of the standards

The Bank and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3. Stocks and Investments in Unconsolidated Subsidiaries and Affiliates

Stocks in unconsolidated subsidiaries and affiliates amounting to ¥75 million (\$705 thousand) at March 31, 2018.

Investments in unconsolidated subsidiaries and affiliates amounting to ¥96 million (\$903 thousand) and ¥98 million at March 31, 2018 and 2017, respectively.

4. Securities Lending Transactions

At March 31, 2018 and 2017, Japanese government bonds included ¥10,344 million (\$97,364 thousand) and ¥15,609 million, respectively, of secured loan securities for which the borrowers had the right to sell or pledge.

5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Loans to bankrupt customers	¥ 1,158	¥ 1,537	\$ 10,899
Non-accrual loans	47,402	45,126	446,178
Loans overdue three months or more	2,342	2,344	22,044
Restructured loans	15,749	15,886	148,239
Total	¥66,651	¥64,895	\$627,362

Loans to bankrupt customers are loans to customers who are undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest will be uncollectible.

Non-accrual loans are nonperforming loans that are not generating interest income because of nonpayment and for which accrued interest income is not recognized, excluding loans to bankrupt customers and loans on which interest payments are deferred in order to support the borrower's recovery from financial difficulties.

Loans overdue three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or deferral or waiver of interest and/or principal payments to support customers experiencing financial difficulties.

Amounts described above are before the deduction of reserve for possible loan losses.

6. Commercial Bills

Bills discounted are accounted for as financing transactions in accordance with JICPA's Industry Audit Committee Report No. 24, February 13, 2002, although the Bank has the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥26,842 million (\$252,654 thousand) and ¥25,321 million at March 31, 2018 and 2017, respectively.

7. Assets Pledged

At March 31, 2018 and 2017 assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Securities	¥776,449	¥648,707	\$7,308,443

The above pledged assets secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deposits	¥ 6,071	¥ 28,539	\$ 57,144
Payables under repurchase agreements	77,434	40,124	728,859
Payables under securities lending transactions	226,150	324,715	2,128,670
Borrowed money	408,807	210,205	3,847,957

In addition to the above, assets pledged as collateral for transactions such as exchange settlement transactions and others were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Securities	¥28,122	¥56,599	\$264,702
Other assets	36,666	11,994	345,124

At March 31, 2018, other assets included cash collateral paid for financial instruments of ¥1,836 million (\$17,281 thousand), guarantees of ¥79 million (\$743 thousand) and security deposits of ¥290 million (\$2,729 thousand). At March 31, 2017, other assets included cash collateral paid for financial instruments of ¥6,032 million, guarantees of ¥75 million and security deposits of ¥283 million.

8. Commitment Lines

Commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries will lend the funds upon the request of an obligor to draw down the funds under the loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances related to these loan agreements at March 31, 2018 and 2017 amounted to ¥1,118,661 million (\$10,529,565 thousand) and ¥1,077,598 million, respectively. Of these amounts, ¥1,016,612 million (\$9,569,013 thousand) and ¥1,002,345 million as of March 31, 2018 and 2017, respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the loan agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitments do not necessarily affect future cash flows.

Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit when there is cause to do so, such as when there is a change in the financial condition of the obligor or when it is necessary to protect the Bank's or its consolidated subsidiaries' credit. The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank and its consolidated subsidiaries' established internal procedures for confirming the obligor's financial condition, etc., at regular intervals.

9. Land Revaluation Excess

In accordance with the Revaluation Act of Land Properties, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The revaluation excess, net of deferred taxes, is shown as a separate component of net assets. At March 31, 2018 and 2017, the current market value of the revalued land was lower than the revalued amount by ¥17,497 million (\$164,693 thousand) and ¥18,952 million, respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2018 and 2017 amounted to ¥54,779 million (\$515,615 thousand) and ¥53,331 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2018 and 2017 were ¥8,482 million (\$79,838 thousand) and ¥8,479 million, respectively.

11. Borrowed Money and Lease Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Borrowings from banks	¥419,341	¥220,887	\$3,947,110
Lease liabilities (due within one year)	356	426	3,350
Lease liabilities (due after one year)	446	747	4,198

The weighted average interest rates on the outstanding balances at March 31, 2018 and 2017 were as follows:

	2018	2017
Borrowings from banks	0.18%	0.13%
Lease liabilities (due within one year)	—	—
Lease liabilities (due after one year)	—	—

(Note) The "average interest rate" is not shown for lease obligations because the Bank uses a method in which amounts equal to the interest in the total capital lease obligations are spread equally over each fiscal year of the lease period.

The following is a summary of the maturities of borrowed money at March 31, 2018.

Year ended March 31:	Borrowings from banks		Lease liabilities	
	Millions of yen	Thousands of U.S. dollars (Note 1)	Millions of yen	Thousands of U.S. dollars (Note 1)
2019	¥412,183	\$3,879,734	¥356	\$3,350
2020	2,706	25,470	224	2,108
2021	1,577	14,843	170	1,600
2022	1,053	9,911	17	160
2023	712	6,701	14	131
Thereafter	1,107	10,419	19	178
Total	¥419,341	\$3,947,110	¥802	\$7,548

12. Guarantee Obligations

Guarantee obligations for private placement bonds in securities in accordance with the Article 2-3 of the Financial Instruments and Exchange Law amounted to ¥48,894 million (\$460,222 thousand) and ¥38,779 million at March 31, 2018 and 2017, respectively.

13. Acceptances and Guarantees

The principal amount of money trusts to be indemnified by the Bank and its consolidated subsidiaries was ¥39 million (\$367 thousand) and ¥29 million at March 31, 2018 and 2017, respectively.

14. General and Administrative Expenses

General and administrative expenses included salaries and allowances in the amount of ¥21,592 million (\$203,237 thousand) and ¥21,545 million at March 31, 2018 and 2017, respectively.

15. Other Expenses

- (1) For the year ended March 31, 2018, other expenses included loans written off in the amount of ¥38 million (\$357 thousand) and securities written off in the amount of ¥3 million (\$28 thousand). For the year ended March 31, 2017, other expenses included loans written off in the amount of ¥34 million and securities written off in the amount of ¥21 million.
- (2) For the year ended March 31, 2018, impairment losses were immaterial. Related information, therefore, is omitted. For the year ended March 31, 2017, the Bank reduced the book values of the following asset groups to the recoverable amounts and recognized impairment loss of ¥2,246 million due to a continuing decrease in real estate values and operating cash flows.

Millions of yen					
2017					
Area	Purpose of use	Type	Total impairment loss	Land	Buildings
Ehime area	Branches 7 branches	Land and buildings	¥1,781	¥1,490	¥291
	Idle assets 2 items	Buildings	13	—	13
Others	Branches 2 branches	Land and buildings	406	368	38
	Idle assets 1 item	Land and buildings	44	43	1
Total			¥2,246	¥1,901	¥344

The Bank allocates its assets to each branch or group of branches, which is the smallest unit of asset group in managerial accounting. The consolidated subsidiaries regard each entity as a unit in grouping their assets.

The recoverable amounts of asset groups are measured at the higher of their net realizable value or value in use. The recoverable amount is calculated as net realizable value determined by appraisal values based on real estate appraisal standards less the expected disposal cost.

16. Consolidated Statements of Comprehensive Income

Reclassification adjustments and the related tax effects concerning other comprehensive income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net unrealized holding gains (losses) on securities			
Incurred during the period	¥28,846	¥ 4,172	\$271,517
Reclassification adjustments	(6,046)	(4,803)	(56,908)
Before tax effect adjustments	22,800	(631)	214,608
Tax effect	(7,224)	334	(67,996)
Net unrealized holding gains (losses) on securities	15,576	(297)	146,611
Net deferred gains (losses) on derivatives under hedge accounting			
Incurred during the period	(3,225)	(2,975)	(30,355)
Reclassification adjustments	2,585	2,300	24,331
Before tax effect adjustments	(640)	(675)	(6,024)
Tax effect	195	206	1,835
Net deferred gains (losses) on derivatives under hedge accounting	(444)	(469)	(4,179)
Remeasurements of defined benefit plans			
Incurred during the period	1,648	5,516	15,512
Reclassification adjustments	239	875	2,249
Before tax effect adjustments	1,887	6,392	17,761
Tax effect	(560)	(1,962)	(5,271)
Remeasurements of defined benefit plans	1,327	4,430	12,490
The total amount of other comprehensive income	¥16,458	¥ 3,663	\$154,913

17. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows included due from banks, except for deposits with the Bank of Japan, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash and due from banks in the balance sheets	¥728,327	¥795,208	\$6,855,487
Due from banks, except for deposits with the Bank of Japan	(2,169)	(11,703)	(20,416)
Cash and cash equivalents in the statements of cash flows	¥726,157	¥783,504	\$6,835,062

18. Lease Transactions

(1) Finance Leases

Finance leases that do not transfer ownership of the lease assets

(a) Details of lease assets

- (i) Tangible fixed assets
 - Automatic teller machines
- (ii) Intangible fixed assets
 - Not applicable

(b) The method of depreciation for lease assets

See Note 2(8), "SIGNIFICANT ACCOUNTING POLICIES - Tangible and intangible fixed assets and lease assets."

(2) Operating Leases

Future lease payment receivables under noncancelable operating leases at March 31, 2018 and 2017 were as follows:

As lessor

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Due within one year	¥ 43	¥ 43	\$ 404
Due after one year	139	100	1,308
Total	¥183	¥144	\$1,722

19. Financial Instruments

(1) Financial instruments

(a) Policy on financial instruments

The Bank and its consolidated subsidiaries engage mainly in the financial services business that includes deposit services and lending services and leasing services.

Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and undertakes asset and liability management (ALM) in order to curb any unfavorable impact from interest rate fluctuations. The Bank also engages in derivative transactions as part of its ALM.

(b) Descriptions and risks of financial instruments

The financial assets of the Bank and its consolidated subsidiaries consist mainly of loans to customers, which are subject to default risk. Also, the Bank holds securities that are mainly stocks, bonds and mutual funds for investment, management or trading purposes. They are subject to the issuer's credit risk, interest rate risk and market price risk.

The foreign currency denominated financial assets and liabilities are subject to foreign currency risk. The Bank uses currency swaps to manage the risk.

The Bank's derivative transactions include interest rate swaps. The Bank applies hedge accounting to the interest on loans to hedge interest rate risks regarding the interest rate swaps as hedge instruments. The effectiveness is ensured by maintaining a balance of hedge instruments that does not exceed the balance of the hedged items, which are grouped by incidence and remaining period.

Other transactions not qualifying for hedge accounting expose the Bank to foreign exchange and interest rate risks.

(c) Risk management system for financial products

(i) Credit risk management

The Bank prescribes its credit risk management policy in its "Risk Management Plan," which is issued by the Board of Directors biannually. In particular, the Bank diversifies credit risk by ensuring that credit granted is not overconcentrated in certain customers, groups or industries. The Bank periodically analyzes and evaluates the credit conditions classified by internal ratings, business area and industry. The Bank strives to optimize its credit portfolio by promoting effective credit risk management. Feedback regarding credit risk management is reported to the Board of Directors on a regular basis.

The Bank manages each customer's credit in compliance with its "Internal Rating System," part of the Bank's credit risk management. The Risk Management Division (RMD), which is completely independent from other banking business divisions, is responsible for planning and administering the internal rating system and conducting, coordinating and monitoring the internal ratings. The Loan Group is responsible for supervising the individual credit granted and examining each customers' finances, purpose for their loan and their ability to repay. The group is independent from the business promotion group and is divided into four divisions: the Credit Division - responsible for general loans, the Ship Finance Division - responsible for the loans such as loans in the shipping and shipbuilding industries, the Credit Management Division - responsible for the planning of loan administration and troubled credit and the Corporate Consulting Division - responsible for supporting company rehabilitation. The assets are initially assessed by each branch and then by the head office, followed by a validation by RMD, which is also responsible for the formulation of the assessment standards.

The credit granted by the consolidated subsidiaries is managed for each customer along with the credit granted by the Bank. RMD also manages credit risk of issuers and counterparty risk in derivative transactions by monitoring and periodically evaluating credit information and market prices.

(ii) Market risk management

In order to properly manage market risk and maintain the Bank's soundness and profitability, the Bank has established a comprehensive risk management structure set forth by the ALM Committee. The ALM Committee uses various measures such as the gap method, market value analysis, periodic income/loss simulation and the VaR method to control risk. The ALM Committee also coordinates risk management plans and hedging strategies by analyzing the profitability structure and forecasting the market and the economic environment. RMD, set up as an independent supervisor, evaluates the appropriateness of market transactions dealt with by other divisions.

The Bank sets limits on the quantity of risk that may be undertaken in its "Risk Management Plan," which is developed by the Board of Directors biannually. RMD monitors compliance with the plan and reports to the Board of Directors monthly.

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance-covariance model (holding period: 240 business days; confidence interval: 99.9%; and historical observation period: 1,200 business days) is applied in the measurement of VaR.

The major market risks for the Bank are equity risk and interest rate risk. Financial instruments affected by interest rate risk are loans and bills discounted, available-for-sale securities, deposits, borrowed money, interest swap transactions and interest rate cap derivative transactions.

At March 31, 2018 and 2017, the quantity of market risk (expected loss), which included equity risk and interest rate risk, amounted to ¥225.6 billion (\$2,123 million) and ¥197.1 billion, respectively.

The Bank confirms the validity of the measurement model by biannually performing back-testing, which compares VaR with actual fluctuations in profit and loss during the observation period. However,

VaR, the quantity of market risk which is statistically measured with historical market fluctuations, may not reflect drastic changes in the market.

(iii) Liquidity risk management

The liquidity risk management of the Bank is conducted through asset-liability management (ALM) and the duration of funds procured with consideration for the market environment.

(d) Supplementary explanation of matters related to fair values of financial instruments and others

The fair values of financial instruments include values based on market prices and values reasonably estimated when the financial instruments do not have market prices. Since certain assumptions underlie the estimates of such values, the values may differ when other assumptions are applied.

(2) Fair values of financial instruments

The following tables summarize book values, fair values and any differences between them as of March 31, 2018 and 2017. Unlisted stocks and others for which the fair value was deemed extremely difficult to determine were excluded from the table below (see Note ii).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2018			2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 728,327	¥ 728,327	¥ —	\$ 6,855,487	\$ 6,855,487	\$ —
(2) Call loans and bills purchased	23,479	23,479	—	220,999	220,999	—
(3) Monetary claims purchased	10,247	10,247	—	96,451	96,451	—
(4) Trading account securities						
Trading securities	465	465	—	4,376	4,376	—
(5) Money held in trust	6,337	6,337	—	59,647	59,647	—
(6) Securities						
Available-for-sale securities	1,799,281	1,799,281	—	16,936,003	16,936,003	—
(7) Loans and bills discounted	4,269,697	4,220,813		40,189,166	39,729,038	
Reserve for loan losses (*1)	(22,946)			(215,982)		
	4,246,750	4,220,813	(25,937)	39,973,173	39,729,038	(244,135)
Total Assets	¥6,814,889	¥6,788,951	¥(25,937)	\$64,146,169	\$63,902,023	\$(244,135)
(1) Deposits	¥5,084,173	¥5,084,055	¥ (117)	\$47,855,544	\$47,854,433	\$ (1,101)
(2) Negotiable certificates of deposit	441,225	441,224	(0)	4,153,096	4,153,087	(0)
(3) Call money and bills sold	25,497	25,497	—	239,994	239,994	—
(4) Payables under repurchase agreements	77,434	77,434	—	728,859	728,859	—
(5) Payables under securities lending transactions	226,150	226,150	—	2,128,670	2,128,670	—
(6) Borrowed money	419,341	419,430	89	3,947,110	3,947,948	837
Total Liabilities	¥6,273,822	¥6,273,793	¥ (28)	\$59,053,294	\$59,053,021	\$ (263)
Derivative Transactions (*2)						
Derivative transactions to which hedge accounting is not applied	¥ 1,516	¥ 1,516	¥ —	\$ 14,269	\$ 14,269	\$ —
Derivative transactions to which hedge accounting is applied	536	536	—	5,045	5,045	—
Total Derivative Transactions	¥ 2,052	¥ 2,052	¥ —	\$ 19,314	\$ 19,314	\$ —

(*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(*3) Immaterial items are omitted.

	Millions of yen		
	2017		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 795,208	¥ 795,208	¥ —
(2) Call loans and bills purchased	90,582	90,582	—
(3) Monetary claims purchased	11,373	11,373	—
(4) Trading account securities			
Trading securities	568	568	—
(5) Money held in trust	5,749	5,749	—
(6) Securities			
Available-for-sale securities	1,721,210	1,721,210	—
(7) Loans and bills discounted	4,021,442	3,978,146	
Reserve for loan losses (*1)	(22,232)		
	3,999,210	3,978,146	(21,063)
Total Assets	¥6,623,903	¥6,602,839	¥(21,063)
(1) Deposits	¥4,991,984	¥4,991,748	¥ (236)
(2) Negotiable certificates of deposit	445,292	445,290	(1)
(3) Call money and bills sold	72,346	72,346	—
(4) Payables under repurchase agreements	40,124	40,124	—
(5) Payables under securities lending transactions	324,715	324,715	—
(6) Borrowed money	220,887	220,927	40
Total Liabilities	¥6,095,350	¥6,095,153	¥ (197)
Derivative Transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ 1,470	¥ 1,470	¥ —
Derivative transactions to which hedge accounting is applied	(5,261)	(5,261)	—
Total Derivative Transactions	¥ (3,790)	¥ (3,790)	¥ —

(*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(*3) Immaterial items are omitted.

Note i. Methods used to calculate fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity is considered equal to the book value since the fair value approximates the book value. The fair value of due from banks with maturity is calculated as the present value discounted at rates that reflect the proper market risk and credit risk per contractual terms. The fair value of due from banks with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

(2) Call loans and bills purchased

The fair value of call loans and bills purchased is considered equal to the book value since the contractual term is within one year and the fair value approximates the book value.

(3) Monetary claims purchased

The fair value of trustee beneficial rights in monetary claims purchased is based on the price quoted by correspondent financial institutions. For monetary claims purchased with short contractual terms (within one year), the fair value is considered equal to the book value since the fair value approximates the book value.

(4) Trading account securities

The fair value of securities such as bonds held for trading is based on the market price or the price quoted by correspondent financial institutions.

(5) Money held in trust

The fair value of money held in trust is based on the price quoted by correspondent financial institutions. Information on money held in trust classified by the purpose for which it is held is disclosed in Note 21, "MONEY HELD IN TRUST."

(6) Securities

The fair value of stocks is based on market price. The fair value of bonds is based on market price or the price quoted by correspondent financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated as the present value discounted at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating.

Information on securities classified by the purpose for which they are held is disclosed in Note 20, "Securities."

(7) Loans and bills discounted

The fair value of loans and bills discounted with floating rates are considered equal to the book value since the rate reflects the market rate in a short period and the fair value approximates the book value, unless the creditworthiness of the borrower changes significantly after the inception date. The fair value of loans and bills discounted with fixed rates is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within one year) is considered equal to the book value since the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debt since the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees.

For loans and bills discounted, the fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

Liabilities

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

The fair value of demand deposits is considered the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits is calculated as the present value, discounting the future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. The fair value of deposits with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

(3) Call money and bills sold (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair value of call money, bills sold and payables under securities lending transactions is considered equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

(6) Borrowed money

The fair value of borrowed money with a floating rate is considered equal to the book value since the rate reflects the market rate in a short period, the creditworthiness of the Bank and its consolidated subsidiaries has not changed significantly since the inception date and the fair value of these items approximates the book values.

The fair value of borrowed money with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank.

Derivative Transactions

Information on derivative transactions is disclosed in Note 23, "Derivative Transactions."

Note ii. Financial instruments whose fair value is deemed extremely difficult to determine are not included in "Available-for-sale securities" in the table above.

Category	Consolidated balance sheet amount (2018)	
	Millions of yen	Thousands of U.S. dollars (Note 1)
Unlisted stocks (*1) (*2)	¥13,042	\$122,759
Investments in partnerships (*3)	3,230	30,402
Total	¥16,273	\$153,172

(*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(*2) The amount impairment on unlisted stock during the year ended March 31, 2018 was ¥3 million (\$28 thousand).

(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Category	Consolidated balance sheet amount (2017)	
	Millions of yen	
Unlisted stocks (*1) (*2)	¥12,703	
Investments in partnerships (*3)	2,066	
Total	¥14,769	

(*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(*2) The amount impairment on unlisted stock during the year ended March 31, 2017 was ¥21 million.

(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Note iii. Expected redemption of monetary claims and securities with maturities

	Millions of yen					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 681,662	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	23,479	—	—	—	—	—
Monetary claims purchased	4,271	—	247	393	—	5,302
Securities	128,352	426,794	201,702	94,135	391,312	66,835
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	128,352	426,794	201,702	94,135	391,312	66,835
Japanese government bonds	54,000	289,700	91,100	9,500	100,500	17,000
Municipal bonds	38,019	40,857	39,570	18,840	64,288	36,903
Corporate bonds	18,217	36,388	26,921	13,161	8,711	5,094
Loans and bills discounted (*)	1,053,188	814,868	612,718	429,003	477,719	795,478
Total	¥1,890,953	¥1,241,662	¥814,668	¥523,533	¥869,032	¥867,616

	Millions of yen3.5					
	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 751,237	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	90,582	—	—	—	—	—
Monetary claims purchased	3,846	—	130	1,242	—	6,110
Securities	153,654	364,830	385,349	80,653	263,497	61,633
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	153,654	364,830	385,349	80,653	263,497	61,633
Japanese government bonds	60,800	181,500	257,100	—	101,000	17,000
Municipal bonds	26,962	60,747	42,386	17,066	38,342	34,147
Corporate bonds	21,962	33,060	25,712	13,705	10,277	5,361
Loans and bills discounted (*)	1,062,687	742,575	574,220	388,754	427,007	740,654
Total	¥2,062,007	¥1,107,405	¥959,701	¥470,649	¥690,504	¥808,398

Thousands of U.S. dollars (Note 1)

	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	\$ 6,416,246	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	220,999	—	—	—	—	—
Monetary claims purchased	40,201	—	2,324	3,699	—	49,905
Securities	1,208,132	4,017,262	1,898,550	886,059	3,683,283	629,094
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	1,208,132	4,017,262	1,898,550	886,059	3,683,283	629,094
Japanese government bonds	508,283	2,726,844	857,492	89,420	945,971	160,015
Municipal bonds	357,859	384,572	372,458	177,334	605,120	347,355
Corporate bonds	171,470	342,507	253,397	123,879	81,993	47,948
Loans and bills discounted (*)	9,913,290	7,670,067	5,767,300	4,038,055	4,496,602	7,487,556
Total	\$17,798,879	\$11,687,330	\$7,668,185	\$4,927,833	\$8,179,894	\$8,166,566

(*) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors amounted to ¥48,560 million (\$457,078 thousand) and ¥46,664 million, respectively, and loans and bills with no maturities amounted to ¥38,158 million (\$359,167 thousand) and ¥38,880 million at March 31, 2018 and 2017, respectively.

Note iv. Amounts to be repaid for borrowed money and other interest bearing liabilities

	Millions of yen					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,704,290	¥338,318	¥37,188	¥1,923	¥2,451	¥ —
Certificates of deposit	440,905	320	—	—	—	—
Call money and bills sold	25,497	—	—	—	—	—
Payables under repurchase agreements	77,434	—	—	—	—	—
Payables under securities lending transactions	226,150	—	—	—	—	—
Borrowed money	412,183	4,284	1,766	522	342	242
Total	¥5,886,462	¥342,923	¥38,955	¥2,445	¥2,794	¥242

	Millions of yen					
	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,574,231	¥368,889	¥44,136	¥1,731	¥2,995	¥ —
Certificates of deposit	444,002	1,290	—	—	—	—
Call money and bills sold	72,346	—	—	—	—	—
Payables under repurchase agreements	40,124	—	—	—	—	—
Payables under securities lending transactions	324,715	—	—	—	—	—
Borrowed money	213,680	4,952	1,435	445	321	52
Total	¥5,669,101	¥375,131	¥45,572	¥2,176	¥3,316	¥52

	Thousands of U.S. dollars (Note 1)					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	\$44,279,838	\$3,184,469	\$350,037	\$18,100	\$23,070	\$ —
Certificates of deposit	4,150,084	3,012	—	—	—	—
Call money and bills sold	239,994	—	—	—	—	—
Payables under repurchase agreements	728,859	—	—	—	—	—
Payables under securities lending transactions	2,128,670	—	—	—	—	—
Borrowed money	3,879,734	40,323	16,622	4,913	3,219	2,277
Total	\$55,407,210	\$3,227,814	\$366,669	\$23,013	\$26,298	\$2,277

(*) Demand deposits are included in "Within 1 year."

20. Securities

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2018.

(a) Trading securities:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
Unrealized gains (losses) included in profit and loss for the fiscal year	¥(4)	\$(37)

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2018			2018		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with unrealized gains						
Equity securities	¥ 306,191	¥ 87,661	¥218,529	\$ 2,882,068	\$ 825,122	\$2,056,937
Bonds	859,598	834,240	25,357	8,091,095	7,852,409	238,676
Japanese government bonds	581,416	565,250	16,165	5,472,665	5,320,500	152,155
Municipal bonds	185,598	178,829	6,769	1,746,969	1,683,254	63,714
Corporate bonds	92,583	90,160	2,422	871,451	848,644	22,797
Other	246,454	232,134	14,319	2,319,785	2,184,996	134,779
Total	¥1,412,245	¥1,154,037	¥258,207	\$13,292,968	\$10,862,547	\$2,430,412
Securities with unrealized losses						
Equity securities	¥ 3,851	¥ 4,605	¥ (754)	\$ 36,248	\$ 43,345	\$ (7,097)
Bonds	98,141	98,881	(740)	923,766	930,732	(6,965)
Japanese government bonds	—	—	—	—	—	—
Municipal bonds	59,636	59,877	(240)	561,332	563,601	(2,259)
Corporate bonds	38,504	39,004	(499)	362,424	367,131	(4,696)
Other	291,045	299,310	(8,265)	2,739,504	2,817,300	(77,795)
Total	393,037	402,797	(9,760)	3,699,519	3,791,387	(91,867)
Total	¥1,805,282	¥1,556,835	¥248,447	\$16,992,488	\$14,653,943	\$2,338,544

(d) Available-for-sale securities sold in the year ended March 31, 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2018			2018		
	Amount sold	Gains	Losses	Amount sold	Gains	Losses
Equity securities	¥ 10,526	¥6,182	¥ 25	\$ 99,077	\$58,189	\$ 235
Bonds	28,891	39	—	271,940	367	—
Japanese government bonds	28,825	39	—	271,319	367	—
Corporate bonds	66	0	—	621	0	—
Other	87,196	863	601	820,745	8,123	5,657
Total	¥126,614	¥7,085	¥626	\$1,191,773	\$66,688	\$5,892

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated, compared with the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) for the year ended March 31, 2018 was ¥337 million (\$3,172 thousand), including ¥34 million (\$320 thousand) of bonds and ¥302 million (\$2,842 thousand) of other. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the quoted market price change during a certain period in the past, business performance and other factors.

(2) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2017.

(a) Trading securities:

	Millions of yen
	2017
Unrealized gains (losses) included in profit and loss for the fiscal year	¥(1)

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen		
	2017		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Equity securities	¥ 272,367	¥ 90,765	¥181,601
Bonds	833,865	801,720	32,144
Japanese government bonds	549,036	527,921	21,115
Municipal bonds	188,367	179,830	8,536
Corporate bonds	96,461	93,968	2,492
Other	265,518	248,505	17,012
Total	¥1,371,751	¥1,140,992	¥230,758
Securities with unrealized losses			
Equity securities	¥ 4,275	¥ 4,979	¥ (703)
Bonds	169,012	170,048	(1,036)
Japanese government bonds	93,012	93,191	(179)
Municipal bonds	39,658	40,084	(425)
Corporate bonds	36,341	36,772	(431)
Other	183,699	187,288	(3,588)
Total	356,987	362,315	(5,328)
Total	¥1,728,738	¥1,503,308	¥225,430

(d) Available-for-sale securities sold in the year ended March 31, 2017

	Millions of yen		
	2017		
	Amount sold	Gains	Losses
Equity securities	¥ 8,671	¥5,943	¥ 0
Bonds	53,789	480	—
Japanese government bonds	53,689	479	—
Corporate bonds	99	0	—
Other	63,932	997	458
Total	¥126,392	¥7,420	¥458

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated, compared with the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. No impairment loss on securities was recognized in the year ended March 31, 2017. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the quoted market price change during a certain period in the past, business performance and other factors.

21. Money Held in Trust

(1) The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses for money held in trust included in profit and loss for the fiscal year ended March 31, 2018.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
Money held in trust for investment		
Book value (fair value)	¥2,994	\$28,181
Amount of net unrealized gain (loss) included in profit and loss for the fiscal year	¥ —	\$ —
Other money held in trust		
Book value (fair value)	3,343	31,466
Acquisition cost	2,880	27,108
Difference	462	4,348
Unrealized gains	480	4,518
Unrealized losses	18	169

(2) The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses included in the income statement for money held in trust as of March 31, 2017.

	Millions of yen
	2017
Money held in trust for investment	
Book value (fair value)	¥2,994
Amount of net unrealized gain (loss) included in the income statement	¥ 0
Other money held in trust	
Book value (fair value)	2,755
Acquisition cost	2,077
Difference	678
Unrealized gains	678
Unrealized losses	—

22. Unrealized Holding Gains on Securities

At March 31, 2018 and 2017, unrealized holding gains on securities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Valuation gains			
Available-for-sale securities	¥248,447	¥225,430	\$2,338,544
Other money held in trust	462	678	4,348
Deferred tax liabilities	(76,127)	(68,902)	(716,556)
Net unrealized holding gains on securities (before adjustment for minority interests)	172,782	157,206	1,626,336
Noncontrolling interests	(6,079)	(3,708)	(57,219)
Net unrealized holding gains on securities	¥166,703	¥153,498	\$1,569,117

23. Derivative Transactions

(1) At March 31, 2018

(a) Derivative transactions to which hedge accounting was not applied

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2018				2018			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Swaps:								
Receive fixed rate and pay floating rate	¥45,966	¥45,091	¥ 980	¥ 980	\$432,661	\$424,425	\$ 9,224	\$ 9,224
Receive floating rate and pay fixed rate	45,872	45,077	(802)	(802)	431,777	424,294	(7,548)	(7,548)
Total	—	—	¥ 177	¥ 177	—	—	\$ 1,666	\$ 1,666

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(ii) Currency and foreign exchange contracts

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2018				2018			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Currency swaps	¥530,258	¥246,737	¥ 148	¥ 148	\$4,991,133	\$2,322,449	\$ 1,393	\$ 1,393
Forward exchange contracts:								
Sell	169,832	7,882	1,643	1,643	1,598,569	74,190	15,464	15,464
Buy	35,748	7,648	(453)	(453)	336,483	71,987	(4,263)	(4,263)
Currency options:								
Sell	58,513	42,108	2,470	(126)	550,762	396,347	23,249	(1,185)
Buy	58,513	42,108	2,470	643	550,762	396,347	23,249	6,052
Total	—	—	¥6,279	¥1,855	—	—	\$59,102	\$17,460

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on discounted present value.

(b) Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Currency and foreign exchange contracts

	Hedged item	Millions of yen			Thousands of U.S. dollars (Note 1)		
		2018			2018		
		Contract amount	Portion maturing over one year	Fair value	Contract amount	Portion maturing over one year	Fair value
Method of hedge accounting							
Currency swaps	Foreign currency monetary assets	¥131,211	¥119,281	¥226	\$1,235,043	\$1,122,750	\$2,127
Fund related swaps		70,383	—	309	662,490	—	2,908
Total		—	—	¥536	—	—	\$5,045

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.

(2) At March 31, 2017

(a) *Derivative transactions to which hedge accounting was not applied*

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen			
	2017			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Swaps:				
Receive fixed rate and pay floating rate	¥42,906	¥39,479	¥ 1,328	¥ 1,328
Receive floating rate and pay fixed rate	42,806	39,380	(1,212)	(1,212)
Total	—	—	¥ 116	¥ 116

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(ii) Currency and foreign exchange contracts

	Millions of yen			
	2017			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Currency swaps	¥811,300	¥416,376	¥ 134	¥ 134
Forward exchange contracts:				
Sell	178,847	6,837	706	706
Buy	96,411	5,967	512	512
Currency options:				
Sell	45,549	28,440	1,613	244
Buy	45,549	28,440	1,613	75
Total	—	—	¥4,581	¥1,673

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on discounted present value.

(b) *Derivative transactions to which hedge accounting was applied*

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Currency and foreign exchange contracts

	Hedged item	Millions of yen		
		2017		
		Contract amount	Portion maturing over one year	Fair value
Method of hedge accounting				
Currency swaps	Foreign currency	¥142,063	¥97,178	¥(5,651)
Fund related swaps	monetary assets	75,980	—	390
Total		—	—	¥(5,261)

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.

24. Retirement Benefits

For the year ended March 31, 2018

(a) *Outline of retirement and severance benefits plans*

The retirement benefit plans of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system. Extra retirement benefits may be paid upon the retirement of employees.

In addition, the Bank set up a retirement benefit trust. On April 1, 2014, the Bank transformed its corporate pension fund plan to a cash balance plan and established a defined contribution pension plan. Consolidated subsidiaries use the simplified method in calculating net defined benefit liability and retirement benefit expenses for their retirement lump-sum grant systems.

(b) Defined benefit plan

(i) Reconciliation of retirement benefit obligations between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Retirement benefit obligations at the beginning of the period	¥66,341	¥69,522	\$624,444
Service cost	2,073	2,094	19,512
Interest cost	204	106	1,920
Actuarial differences incurred	1,144	(1,183)	10,768
Retirement benefits paid	(2,963)	(3,245)	(27,889)
Prior service cost	(183)	(953)	(1,722)
Retirement benefit obligations at the end of the period	66,616	66,341	627,033

(ii) Reconciliation of pension assets between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Pension assets at the beginning of the period	¥73,259	¥68,524	\$689,561
Expected return on pension assets	986	955	9,280
Actuarial differences incurred	2,611	3,427	24,576
Employer's contributions	2,553	2,517	24,030
Retirement benefits paid	(2,133)	(2,164)	(20,077)
Pension assets at the end of the period	77,278	73,259	727,390

(Note) Pension assets include assets in the retirement benefit trust.

(iii) Reconciliation of retirement benefit obligations and pension assets at the end of the period to net defined benefit liability and net defined benefit asset in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Retirement benefit obligations of the savings plan	¥ 66,262	¥ 66,026	\$ 623,701
Pension assets	(77,278)	(73,259)	(727,390)
	(11,016)	(7,233)	(103,689)
Retirement benefit obligations of the non-savings plan	354	314	3,332
Net liabilities and assets recorded on the consolidated balance sheets	(10,661)	(6,918)	(100,348)
Net defined benefit liability	12,502	12,572	117,676
Net defined benefit asset	(23,164)	(19,490)	(218,034)
Net liabilities and assets in the consolidated balance sheets	(10,661)	(6,918)	(100,348)

(Note) Pension assets include assets in the retirement benefit trust.

(iv) Retirement benefit cost and its breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Service cost	¥1,888	¥1,917	\$17,771
Interest cost	204	106	1,920
Expected return on pension assets	(986)	(955)	(9,280)
Recognized actuarial differences	818	1,358	7,699
Amortization of prior service cost	(581)	(531)	(5,468)
	1,343	1,897	12,641

(Note 1) Retirement benefit costs of consolidated subsidiaries using the simplified method are included in "Service cost."

(Note 2) Employee' contribution to the corporate pension fund is deducted from "Service cost."

(v) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Prior service cost	¥ (398)	¥ 422	\$ (3,746)
Actuarial differences	2,286	5,969	21,517
Total	1,887	6,392	17,761

(vi) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Unrecognized prior service cost	¥(3,850)	¥(4,249)	\$(36,238)
Unrecognized actuarial differences	(5,746)	(3,459)	(54,085)
Total	(9,596)	(7,708)	(90,323)

(vii) Pension assets

(A) Pension asset portfolio

	2018	2017
Bonds	50.8%	52.3%
Equity securities	42.7%	41.2%
Other	6.5%	6.5%
Total	100.0%	100.0%

(Note) 29.9% of the total pension assets as of March 31, 2018 (29.2% as of March 31, 2017) represent assets in the retirement benefit trust for the corporate pension fund. 3.6% of which as of March 31, 2018 (3.5% as of March 31, 2017) corresponds to the lump-sum grants system.

(B) Determination of the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined based on the average investment yield on the pension assets for the past three years. When the average rate is below 1.25% or above 2.0%, it is stated as 1.25% and 2.0%, respectively.

(viii) Actuarial assumptions

The weighted average rate for assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2018 and 2017 were as follows:

	2018	2017
(A) Discount rates		
Retirement lump-sum grant system	0.00%	0.00%
Corporate pension fund plans	0.30%	0.40%
(B) Long-term expected return on assets		
Pension assets of corporate pension fund	2.00%	2.00%
Retirement benefit trust (Retirement lump-sum grant system and corporate pension fund plans)	0.00%	0.00%

(Note) A point system is applied to the substantive portion of the retirement lump-sum grant system and a cash balance plan to defined benefit corporate pension fund plans, respectively. The "Estimated salary increase rate" is not disclosed due to the insignificant impact it would have on the calculation of retirement benefit obligations.

(c) Defined contribution plan

The amount of required contribution by the Bank to the defined contribution plan was ¥333 million (\$3,134 thousand) and ¥322 million at March 31, 2018 and 2017, respectively.

25. Stock Options

(1) Stock options to be expensed

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
General and administrative expenses	¥119	¥112	\$1,120

(2) Outline of stock options and changes

(a) Outline of stock options

	2017 Stock Options	2016 Stock Options	2015 Stock Options	2014 Stock Options	2013 Stock Options	2012 Stock Options	2011 Stock Options
Title and number of grantees	Directors of the Bank: 8 Executive Officers of the Bank: 12	Directors of the Bank: 7 Executive Officers of the Bank: 15	Directors of the Bank: 7 Executive Officers of the Bank: 14	Directors of the Bank: 16 Executive Officers of the Bank: 4	Directors of the Bank: 18	Directors of the Bank: 17	Directors of the Bank: 17
Number of stock options (*)	Common shares: 140,900	Common shares: 184,600	Common shares: 79,500	Common shares: 123,100	Common shares: 140,900	Common shares: 199,500	Common shares: 156,800
Grant date	July 14, 2017	July 15, 2016	July 15, 2015	July 16, 2014	July 16, 2013	July 17, 2012	July 15, 2011
Conditions for vesting	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Exercise period	July 15, 2017 to July 14, 2047	July 16, 2016 to July 15, 2046	July 16, 2015 to July 15, 2045	July 17, 2014 to July 16, 2044	July 17, 2013 to July 16, 2043	July 18, 2012 to July 17, 2042	July 16, 2011 to July 15, 2041

(*) Reported in terms of shares of stock

(b) Stock options granted and changes

The table below represents stock options outstanding at the year-end and the number of stock options is converted into the number of stock.

(i) Number of stock options

	2017 Stock Options shares	2016 Stock Options shares	2015 Stock Options shares	2014 Stock Options shares	2013 Stock Options shares	2012 Stock Options shares	2011 Stock Options shares
Before vesting							
Previous fiscal year-end	—	184,600	74,600	94,500	85,100	117,300	71,300
Granted	140,900	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	38,300	16,900	21,400	25,200	37,000	26,200
Outstanding	140,900	146,300	57,700	73,100	59,900	80,300	45,100
After vesting							
Previous fiscal year-end	—	—	—	—	—	—	—
Vested	—	38,300	16,900	21,400	25,200	37,000	26,200
Exercised	—	38,300	16,900	21,400	25,200	37,000	26,200
Forfeited	—	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—	—

(ii) Price information

	2017 Stock Options Yen (U.S. dollars)	2016 Stock Options Yen (U.S. dollars)	2015 Stock Options Yen (U.S. dollars)	2014 Stock Options Yen (U.S. dollars)	2013 Stock Options Yen (U.S. dollars)	2012 Stock Options Yen (U.S. dollars)	2011 Stock Options Yen (U.S. dollars)
Exercise price	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share
Average exercise price	—	¥935 (\$8) per share	¥ 935 (\$8) per share	¥935 (\$8) per share	¥935 (\$8) per share	¥935 (\$8) per share	¥935 (\$8) per share
Fair value at the grant date	¥867 (\$8) per share	¥601 (\$5) per share	¥1,473 (\$13) per share	¥989 (\$8) per share	¥918 (\$8) per share	¥550 (\$4) per share	¥704 (\$6) per share

(3) Valuation technique used for valuating the fair value of stock options

Stock options granted in the fiscal year were valuated using the following valuation techniques.

(a) Valuation technique: *Black-Scholes option pricing model*

(b) Principal parameters used in the option pricing model

	2017 Stock Options Yen (U.S. dollars)
Expected volatility (*1)	30.235%
Average expected life (*2)	5.37 years
Expected dividends (*3)	¥12 (\$ 0) per share
Risk free interest rate (*4)	(0.041%)

(*1) Calculated based on actual weekly stock prices from Mar 1, 2012 to July 14, 2017.

(*2) Estimated based on an average of the periods of directors of the Bank.

(*3) Expected dividends are based on the actual dividends on common stock for the year ended March 31, 2017.

(*4) Japanese government bond yield corresponding to the average expected life.

(4) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options that will be forfeited in the future.

26. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, including corporation tax, inhabitants tax and enterprise tax.

(1) Reconciliation between the statutory tax rate of the Bank and the effective income tax rate is not disclosed as the difference is less than 5% of the statutory tax rate.

(2) Adjustments to deferred tax assets and deferred tax liabilities as a result of revisions of income tax rates

With the enactment of certain laws, the timing of abolishment and revision of related tax rates was postponed from the consolidated fiscal year starting on or after April 1, 2017 to October 1, 2019. The effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities did not change but there is a reclassification between the national tax and the local tax. Effects of this change on consolidated financial statements were immaterial.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deferred tax assets:			
Excess reserve for loan losses	¥ 12,884	¥ 12,068	\$ 121,272
Net defined benefit liability	—	225	—
Reserve for losses on repayments on dormant bank accounts	928	939	8,734
Excess depreciation	626	691	5,892
Impairment loss on land	546	555	5,139
Accrued employees' bonuses	504	507	4,743
Write-down of securities	411	426	3,868
Other	2,566	2,355	24,152
Valuation reserve	(964)	(985)	(9,073)
Total deferred tax assets	17,502	16,782	164,740
Deferred tax liabilities:			
Unrealized holding gains on securities	¥(76,026)	¥(68,810)	\$(715,606)
Deferred gains on real property	(906)	(909)	(8,527)
Retirement benefit asset	(806)	—	(7,586)
Total deferred tax liabilities	(77,739)	(69,719)	(731,730)
Net deferred tax liabilities:	¥(60,237)	¥(52,937)	\$(566,989)

27. Segment Information

(1) Summary of reportable segments

Reportable segments are components of the Bank and its consolidated subsidiaries for which separate financial information is available and is subject to periodic examination by the Board of Directors to determine the allocation of management resources and assess performances.

The Bank and 13 consolidated subsidiaries (13 consolidated subsidiaries as of March 31, 2017) are engaged mainly in the financial services business that includes commercial banking services and leasing services. Therefore, the Bank and its consolidated subsidiaries reportable segments comprise 'Commercial banking' and 'Leasing' and are distinguished by the financial services provided. 'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking service as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management services. 'Leasing' includes leasing services by Iyogin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Methods used to calculate ordinary income, profit and loss, amounts of assets, debt and other items by reportable segment

The accounting policies in Note 2, "SIGNIFICANT ACCOUNTING POLICIES," have been adopted for the reportable segments. Reportable segment profit corresponds to ordinary profits. Ordinary income arising from intersegment transactions is based on arm's length prices.

(3) Information about reported ordinary income, profits and losses, amounts of assets, debts and other items

Segment information as of and for the years ended March 31, 2018 and 2017 was as follows:

	Millions of yen						
	2018						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	¥ 102,817	¥15,265	¥ 118,083	¥2,901	¥ 120,985	¥ —	¥ 120,985
Intersegment	574	489	1,063	1,624	2,688	(2,688)	—
Total	¥ 103,392	¥15,754	¥ 119,147	¥4,526	¥ 123,673	¥ (2,688)	¥ 120,985
Segment profit	¥ 34,757	¥ 581	¥ 35,338	¥ 779	¥ 36,118	¥ (18)	¥ 36,099
Segment assets	¥7,074,411	¥56,719	¥7,131,131	¥9,793	¥7,140,924	¥(44,290)	¥7,096,633
Segment debt	¥6,444,526	¥37,150	¥6,481,676	¥3,291	¥6,484,967	¥(34,637)	¥6,450,329
Other items							
Depreciation	¥ 4,260	¥ 38	¥ 4,298	¥ 70	¥ 4,369	¥ (120)	¥ 4,249
Interest income received	77,349	83	77,432	3	77,436	(122)	77,314
Interest expense paid	7,495	127	7,622	4	7,627	(109)	7,517
Extraordinary income	3	13	17	—	17	—	17
Gain on disposal of noncurrent assets	3	13	17	—	17	—	17
Extraordinary losses	324	0	324	0	324	—	324
Losses on disposal of fixed assets	120	0	120	0	121	—	121
Impairment loss	203	—	203	—	203	—	203
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expense	10,697	86	10,784	239	11,024	(3)	11,020
Increase in tangible fixed assets and intangible fixed assets	4,782	136	4,919	29	4,949	(276)	4,672

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statements of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reported segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥18 million (\$169 thousand).
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥44,290 million (\$416,886 thousand).
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥34,637 million (\$326,025 thousand).
 - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥120 million (\$1,129 thousand), adjustment of interest income received of negative ¥122 million (\$1,148 thousand), adjustment of interest expense paid of negative ¥109 million (\$1,025 thousand), adjustment of tax expense of negative ¥3 million (\$28 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥276 million (\$2,597 thousand).
- Segment profit is adjusted to ordinary income in the consolidated statements of income.

Millions of yen							
2017							
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	¥ 100,003	¥15,111	¥ 115,115	¥2,161	¥ 117,276	¥ —	¥ 117,276
Intersegment	480	499	980	1,574	2,554	(2,554)	—
Total	¥ 100,484	¥15,611	¥ 116,095	¥3,735	¥ 119,831	¥ (2,554)	¥ 117,276
Segment profit	¥ 34,679	¥ 352	¥ 35,032	¥ 471	¥ 35,503	¥ (75)	¥ 35,428
Segment assets	¥6,833,888	¥50,981	¥6,884,870	¥8,571	¥6,893,441	¥(44,158)	¥6,849,283
Segment debt	¥6,237,214	¥34,804	¥6,272,018	¥2,607	¥6,274,626	¥(34,404)	¥6,240,221
Other items							
Depreciation	¥ 4,467	¥ 51	¥ 4,518	¥ 92	¥ 4,610	¥ (59)	¥ 4,551
Interest income received	75,177	77	75,255	3	75,258	(118)	75,139
Interest expense paid	7,688	140	7,828	0	7,828	(108)	7,720
Extraordinary income	80	—	80	—	80	—	80
Gain on disposal of noncurrent assets	80	—	80	—	80	—	80
Extraordinary losses	2,389	277	2,666	0	2,667	(287)	2,380
Losses on disposal of fixed assets	133	—	133	0	133	—	133
Impairment loss	2,256	277	2,533	—	2,533	(287)	2,246
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expense	9,865	21	9,887	157	10,045	102	10,147
Increase in tangible fixed assets and intangible fixed assets	3,714	8	3,723	43	3,766	(81)	3,685

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statements of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reported segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥75 million.
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥44,158 million.
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥34,404 million.
 - Eliminations of intersegment transactions includes adjustment of depreciation of negative ¥59 million, adjustment of interest income received of negative ¥118 million, adjustment of interest expense paid of negative ¥108 million, adjustment of extraordinary losses (impairment loss) of negative ¥287 million, adjustment of tax expense of ¥102 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥81 million.
- Segment profit is adjusted to ordinary income in the consolidated statements of income.

Thousands of U.S. dollars (Note 1)							
2018							
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	\$ 967,780	\$143,684	\$ 1,111,474	\$27,306	\$ 1,138,789	\$ —	\$ 1,138,789
Intersegment	5,402	4,602	10,005	15,286	25,301	(25,301)	—
Total	\$ 973,192	\$148,286	\$ 1,121,489	\$42,601	\$ 1,164,090	\$ (25,301)	\$ 1,138,789
Segment profit	\$ 327,155	\$ 5,468	\$ 332,624	\$ 7,332	\$ 339,966	\$ (169)	\$ 339,787
Segment assets	\$66,588,958	\$533,876	\$67,122,844	\$92,178	\$67,215,022	\$ (416,886)	\$66,798,126
Segment debt	\$60,660,071	\$349,679	\$61,009,751	\$30,977	\$61,040,728	\$ (326,025)	\$60,714,693
Other items							
Depreciation	\$ 40,097	\$ 357	\$ 40,455	\$ 658	\$ 41,123	\$ (1,129)	\$ 39,994
Interest income received	728,059	781	728,840	28	728,878	(1,148)	727,729
Interest expense paid	70,547	1,195	71,743	37	71,790	(1,025)	70,754
Extraordinary income	28	122	160	—	160	—	160
Gain on disposal of noncurrent assets	28	122	160	—	160	—	160
Extraordinary losses	3,049	0	3,049	0	3,049	—	3,049
Losses on disposal of fixed assets	1,129	0	1,129	0	1,138	—	1,138
Impairment loss	1,910	—	1,910	—	1,910	—	1,910
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expense	100,687	809	101,506	2,249	103,765	(28)	103,727
Increase in tangible fixed assets and intangible fixed assets	45,011	1,280	46,300	272	46,583	(2,597)	43,975

(4) Related information

For the years ended March 31, 2018 and 2017.

Information by service

Millions of yen					
2018					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥51,953	¥34,978	¥15,265	¥18,786	¥120,985
Millions of yen					
2017					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥51,242	¥32,878	¥15,111	¥18,043	¥117,276
Thousands of U.S. dollars (Note 1)					
2018					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	\$489,015	\$329,235	\$143,684	\$176,826	\$1,138,789

Millions of yen					
2018					
Reportable segments					
	Commercial banking	Leasing	Total	Other businesses	Total
Impairment loss	¥203	¥—	¥203	¥—	¥203

(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

Millions of yen						
2017						
Reportable segments						
	Commercial banking	Leasing	Total	Other businesses	Elimination or common assets	Total
Impairment loss	¥2,256	¥277	¥2,533	¥—	¥(287)	¥2,246

(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

Thousands of U.S. dollars (Note 1)					
2018					
Reportable segments					
	Commercial banking	Leasing	Total	Other businesses	Total
Impairment loss	\$1,910	\$—	\$1,910	\$—	\$1,910

28. Related Party Transactions

(1) For the year ended March 31, 2018

(a) Transactions between the Bank and its related parties

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary Staffing	—	Temporary Staffing	Temporary Staffing	¥ 5	—	¥—
	Miyoshi Iron Works, Co., Ltd.	Ehime	38	Manufacturing	0.0%	Directly held	Banking	65	Loans and bills discounted	30

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	\$517	Temporary Staffing	—		Temporary Staffing	Temporary Staffing	\$ 47	—	\$ —
	Miyoshi Iron Works, Co., Ltd.	Ehime	357	Manufacturing	0.0%	Directly held	Banking	Loan	611	Loans and bills discounted	282

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Loan transaction amounts were reported at the average balance for the period.
3. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.
4. Ms. Junko Miyoshi, a director (Supervisory Committee Member) and her close relative own a majority of the voting rights of Miyoshi Iron Works, Co., Ltd.

(b) Transactions between consolidated subsidiaries of the Bank and its related parties

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary Staffing	19.2%	Directly holding	Temporary Staffing	Temporary Staffing	¥ 15	Other liabilities	¥0

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	\$517	Temporary Staffing	19.2%	Directly holding	Temporary Staffing	Temporary Staffing	\$141	Other liabilities	\$0

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

(2) For the year ended March 31, 2017

(a) Transactions between the Bank and its related parties

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary Staffing	—		Temporary Staffing	Temporary Staffing	¥ 4	—	¥—
	Miyoshi Iron Works, Co., Ltd.	Ehime	38	Manufacturing	0.0%	Directly held	Banking	Loan	110	Loans and bills discounted	85

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Loan transaction amounts were reported at the average balance for the period.
3. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.
4. Ms. Junko Miyoshi, a director (Supervisory Committee Member) and her close relative own a majority of the voting rights of Miyoshi Iron Works, Co., Ltd.

(b) Transactions between consolidated subsidiaries of the Bank and its related parties

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	¥55	Temporary Staffing	15.0%	Directly holding	Temporary Staffing	Temporary Staffing	¥ 15	Other liabilities	¥0

(Notes)

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

2. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

29. Changes in Net Assets

(1) Type and number of shares issued and treasury stock

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

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,585	1	165	7,422
Total	7,585	1	165	7,422

The increase in number of shares of treasury stock was from the purchase of fractional shares (1 thousand shares).

The decrease in number of shares of treasury stock was due to the exercise of stock acquisition rights (165 thousand shares).

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

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,625	1	41	7,585
Total	7,625	1	41	7,585

The increase in number of shares of treasury stock was from the purchase of fractional shares (1 thousand shares).

The decrease in number of shares of treasury stock was due to the exercise of stock acquisition rights (41 thousand shares).

(2) Stock acquisition rights and own stock acquisition rights

Division	Details of stock acquisition rights	Type of shares to be issued	Number of shares subject to stock acquisition rights				Closing balance	
			Beginning balance	Increase	Decrease	Closing balance	Millions of yen	Thousands of U.S. dollars (Note 1)
The Bank	Stock acquisition rights as stock options			—			467	4,395
Total				—			467	4,395

(3) Dividends

The following dividends were paid in the year ended March 31, 2018.

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 12, 2017	Common stock	¥1,897	\$17,855	¥6.00	\$0.05	March 31, 2017	June 8, 2017
Directors' meeting held on November 10, 2017	Common stock	¥2,214	\$20,839	¥7.00	\$0.06	September 30, 2017	December 8, 2017

The following dividends were paid in the year ended March 31, 2017.

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of stockholders held on June 26, 2015	Common stock	¥1,896	¥6.00	March 31, 2016	June 8, 2016
Directors' meeting held on November 6, 2015	Common stock	¥1,897	¥6.00	September 30, 2016	December 9, 2016

Dividends whose record date is attributable to the year ended March 31, 2018 but which became effective after March 31, 2018.

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)		Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 11, 2018	Common stock	¥2,214	\$20,839	Retained earnings	¥7.00	\$0.06	March 31, 2018	June 7, 2018

Dividends whose record date is attributable to the year ended March 31, 2017 but which became effective after March 31, 2017.

Date of resolution	Type of shares	Amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Directors' meeting held on May 12, 2017	Common stock	¥1,897	Retained earnings	¥6.00	March 31, 2017	June 8, 2017



Independent Auditor's Report

To the Board of Directors of The Iyo Bank, Ltd.:

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Iyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 31, 2018
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Quarterly Results (Unaudited)

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2018

	Millions of yen			
	2018			
	First quarter (April 1 to June 30, 2017)	Second quarter (July 1 to September 30, 2017)	Third quarter (October 1 to December 31, 2017)	Fourth quarter (January 1 to March 31, 2018)
Ordinary income	¥32,543	¥60,757	¥91,233	¥120,985
Income before income taxes	13,041	20,439	30,849	35,791
Profit attributable to owners of parent	8,834	13,660	20,582	23,639

	Yen			
	2018			
	First quarter (April 1 to June 30, 2017)	Second quarter (July 1 to September 30, 2017)	Third quarter (October 1 to December 31, 2017)	Fourth quarter (January 1 to March 31, 2018)
Net income per share	¥27.93	¥15.25	¥21.88	¥9.66

	Thousands of U.S. dollars (Note 1)			
	2018			
	First quarter (April 1 to June 30, 2017)	Second quarter (July 1 to September 30, 2017)	Third quarter (October 1 to December 31, 2017)	Fourth quarter (January 1 to March 31, 2018)
Ordinary income	\$306,315	\$571,884	\$858,744	\$1,138,789
Income before income taxes	122,750	192,385	290,370	336,888
Profit attributable to owners of parent	83,151	128,576	193,731	222,505

	U.S. dollars (Note 1)			
	2018			
	First quarter (April 1 to June 30, 2017)	Second quarter (July 1 to September 30, 2017)	Third quarter (October 1 to December 31, 2017)	Fourth quarter (January 1 to March 31, 2018)
Net income per share	\$0.26	\$0.14	\$0.20	\$0.09

Nonconsolidated Balance Sheet (Unaudited)

The Iyo Bank, Ltd.
March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
ASSETS			
Cash and due from banks	¥ 727,624	¥ 794,906	\$ 6,848,870
Call loans	23,479	90,582	220,999
Monetary claims purchased	10,247	11,373	96,451
Trading account securities	465	568	4,376
Money held in trust	4,273	4,539	40,220
Securities	1,810,035	1,737,182	17,037,227
Loans and bills discounted	4,292,668	4,043,352	40,405,384
Reserve for loan losses	(19,803)	(18,971)	(186,398)
Foreign exchange	7,092	8,201	66,754
Other assets	78,105	34,058	735,175
Tangible fixed assets	71,981	73,056	677,532
Intangible fixed assets	5,302	4,609	49,905
Prepaid pension cost	14,487	12,432	136,361
Customers' liabilities for acceptances and guarantees	33,761	26,563	317,780
Total assets	¥7,059,722	¥6,822,456	\$66,450,696
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits	¥5,546,034	¥5,457,066	\$52,202,880
Call money	25,497	72,346	239,994
Payables under repurchase agreements	77,434	40,124	728,859
Payables under securities lending transactions	226,150	324,715	2,128,670
Borrowed money	414,058	215,702	3,897,383
Foreign exchange	65	145	611
Borrowed money from trust account	39	29	367
Other liabilities	47,777	30,717	449,708
Accrued employees' bonuses	1,508	1,510	14,194
Employees' severance and retirement benefits	13,067	12,907	122,995
Reserve for losses on repayment of dormant bank accounts	2,928	2,979	27,560
Reserve for contingent losses	426	427	4,009
Deferred tax liabilities	54,578	50,177	513,723
Deferred taxes on revaluation excess	9,824	9,945	92,469
Acceptances and guarantees	33,761	26,563	317,780
Total liabilities	6,453,153	6,245,358	60,741,274
Net assets			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	197,176
Capital surplus	10,480	10,480	98,644
Legal reserve	20,948	20,948	197,176
Other retained earnings	378,288	359,490	3,560,692
Treasury stock	(6,839)	(6,989)	(64,373)
Net unrealized holding gains (losses) on securities	163,880	152,634	1,542,545
Net deferred gains (losses) on hedging instruments	(1,240)	(795)	(11,671)
Land revaluation excess	19,634	19,901	184,807
Stock acquisition rights	467	479	4,395
Total net assets	606,568	577,097	5,709,412
Total liabilities and net assets	¥7,059,722	¥6,822,456	\$66,450,696

The Iyo Bank, Ltd.
For the year ended March 31, 2018

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Nonconsolidated Statement of Changes in Net Assets (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2018

For the year ended March 31, 2018	Millions of yen			
	Stockholders' equity			
	Common stock	Capital reserve	Capital surplus	
			Other capital surplus	Total capital surplus
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥—	¥10,480
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(20)	(20)
Transfer of loss on disposal of treasury stock			20	20
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥—	¥10,480

For the year ended March 31, 2018	Thousands of U.S. dollars			
	Stockholders' equity			
	Common stock	Capital reserve	Capital surplus	
			Other capital surplus	Total capital surplus
Balance at the beginning of the accounting period	\$197,176	\$98,644	\$ —	\$98,644
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(188)	(188)
Transfer of loss on disposal of treasury stock			188	188
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	\$197,176	\$98,644	\$ —	\$98,644

For the year ended March 31, 2018	Millions of yen						
	Stockholders' equity						
	Legal reserve	Deferred gains on real property	General reserve	Retained earnings		Treasury stock	Total stockholders' equity
				Other retained earnings	Retained earnings brought forward		
Balance at the beginning of the accounting period	¥20,948	¥2,073	¥334,594	¥22,823	¥380,438	¥(6,989)	¥404,878
Changes during the accounting period							
Dividends				(4,111)	(4,111)		(4,111)
Reversal of deferred gains on real property		(6)		6	—		
Provision of general reserve			18,000	(18,000)	—		
Net income				22,662	22,662		22,662
Purchase of treasury stock						(1)	(1)
Disposal of treasury stock						152	131
Transfer of loss on disposal of treasury stock				(20)	(20)		—
Reversal of land revaluation excess				267	267		267
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(6)	18,000	804	18,797	150	18,948
Balance at the end of the accounting period	¥20,948	¥2,066	¥352,594	¥23,627	¥399,236	¥(6,839)	¥423,826

Thousands of U.S. dollars							
Stockholders' equity							
Retained earnings							
Other retained earnings							
For the year ended March 31, 2018	Legal reserve	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	\$197,176	\$19,512	\$3,149,416	\$ 214,824	\$3,580,929	\$(65,785)	\$3,810,975
Changes during the accounting period							
Dividends				(38,695)	(38,695)		(38,695)
Reversal of deferred gains on real property		(56)		56	—		
Provision of general reserve			169,427	(169,427)	—		
Net income				213,309	213,309		213,309
Purchase of treasury stock						(9)	(9)
Disposal of treasury stock						1,430	1,233
Transfer of loss on disposal of treasury stock				(188)	(188)		—
Reversal of land revaluation excess				2,513	2,513		2,513
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(56)	169,427	7,567	176,929	1,411	178,350
Balance at the end of the accounting period	\$197,176	\$19,446	\$3,318,844	\$ 222,392	\$3,757,868	\$(64,373)	\$3,989,326

Millions of yen						
Valuation and translation adjustments						
For the year ended March 31, 2018	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at the beginning of the accounting period	¥152,634	¥ (795)	¥19,901	¥171,740	¥479	¥577,097
Changes during the accounting period						
Dividends						(4,111)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						22,662
Purchase of treasury stock						(1)
Disposal of treasury stock						131
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						267
Changes in items other than stockholders' equity, net	11,246	(444)	(267)	10,533	(11)	10,522
Total changes during the accounting period	11,246	(444)	(267)	10,533	(11)	29,470
Balance at the end of the accounting period	¥163,880	¥(1,240)	¥19,634	¥182,274	¥467	¥606,568

Thousands of U.S. dollars						
Valuation and translation adjustments						
For the year ended March 31, 2018	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at the beginning of the accounting period	\$1,436,690	\$ (7,483)	\$187,321	\$1,616,528	\$4,508	\$5,432,012
Changes during the accounting period						
Dividends						(38,695)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						213,309
Purchase of treasury stock						(9)
Disposal of treasury stock						1,233
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						2,513
Changes in items other than stockholders' equity, net	105,854	(4,179)	(2,513)	99,143	(103)	99,039
Total changes during the accounting period	105,854	(4,179)	(2,513)	99,143	(103)	277,390
Balance at the end of the accounting period	\$1,542,545	\$(11,671)	\$184,807	\$1,715,681	\$4,395	\$5,709,412

	Millions of yen			
	Stockholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
For the year ended March 31, 2017				
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥—	¥10,480
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(3)	(3)
Transfer of loss on disposal of treasury stock			3	3
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥—	¥10,480

	Millions of yen						
	Stockholders' equity						
	Retained earnings						
	Other retained earnings						
	Legal reserve	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2017							
Balance at the beginning of the accounting period	¥20,948	¥2,079	¥313,594	¥ 25,548	¥362,170	¥(7,026)	¥386,573
Changes during the accounting period							
Dividends				(3,794)	(3,794)		(3,794)
Reversal of deferred gains on real property		(6)		6	—		
Provision of general reserve			21,000	(21,000)	—		
Net income				21,414	21,414		21,414
Purchase of treasury stock						(1)	(1)
Disposal of treasury stock						37	34
Transfer of loss on disposal of treasury stock				(3)	(3)		—
Reversal of land revaluation excess				651	651		651
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(6)	21,000	(2,725)	18,268	36	18,305
Balance at the end of the accounting period	¥20,948	¥2,073	¥334,594	¥ 22,823	¥380,438	¥(6,989)	¥404,878

	Millions of yen					
	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
For the year ended March 31, 2017						
Balance at the beginning of the accounting period	¥152,070	¥(326)	¥20,552	¥172,296	¥401	¥559,271
Changes during the accounting period						
Dividends						(3,794)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						21,414
Purchase of treasury stock						(1)
Disposal of treasury stock						34
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						651
Changes in items other than stockholders' equity, net	564	(469)	(651)	(556)	77	(478)
Total changes during the accounting period	564	(469)	(651)	(556)	77	17,826
Balance at the end of the accounting period	¥152,634	¥(795)	¥19,901	¥171,740	¥479	¥577,097

Corporate Data

(As of March 31, 2018)

Year of Foundation

1878

Common Stock

Authorized 600,000,000 shares
Issued 323,775,366 shares
Capital ¥20,948 million

Number of Stockholders

20,180

Major Stockholders

Name	Shares (thousands)	%
Japan Trustee Services Bank, Ltd.	50,167	15.85
The Master Trust Bank of Japan, Ltd.	10,775	3.40
Nippon Life Insurance Company	8,878	2.80
Meiji Yasuda Life Insurance Company	8,867	2.80
Sumitomo Forestry Co., Ltd.	5,911	1.86
Sumitomo Life Insurance Company	5,415	1.71
Sompo Japan Nipponkoa Insurance Inc.	4,793	1.51
Trust & Custody Services Bank, Ltd.	4,487	1.41
Employee stock ownership of Iyo Bank	4,311	1.36
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,988	1.26

*The Bank of Tokyo-Mitsubishi UFJ, Ltd., has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)
3,122

Number of Branches

151 (Domestic 149, Foreign 2)

Directory

(As of March 31, 2018)

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SWIFT Address: IYOBJPJT

Treasury and Foreign Exchange Department

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Board of Directors and Corporate Auditors

(As of June 28, 2018)

President Iwao Otsuka

Senior Managing Director Kenji Takata

Managing Directors Muneaki Todo
Tetsuo Takeuchi
Haruhiro Kono
Kenji Miyoshi

**Directors
(Audit and Supervisory
Committee Members)** Takaya Iio
Shiro Hirano
Kaname Saeki
Takeshi Ichikawa
Yasunobu Yanagisawa
Soichiro Takahama
Junko Miyoshi

Managing Executive Officers Takaya Beppu
Eiji Shigematsu
Kenji Morioka
Hideyo Nishimoto
Shinya Fujita
Kensei Yamamoto

Executive Officers Tetsuya Yagi
Junji Inagaki
Yasuji Fujita
Masamichi Ito
Hiroshi Nagata
Keiji Joko
Kazuya Chikata
Shinichi Doi
Seiji Komoda
Hirohisa Senba

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