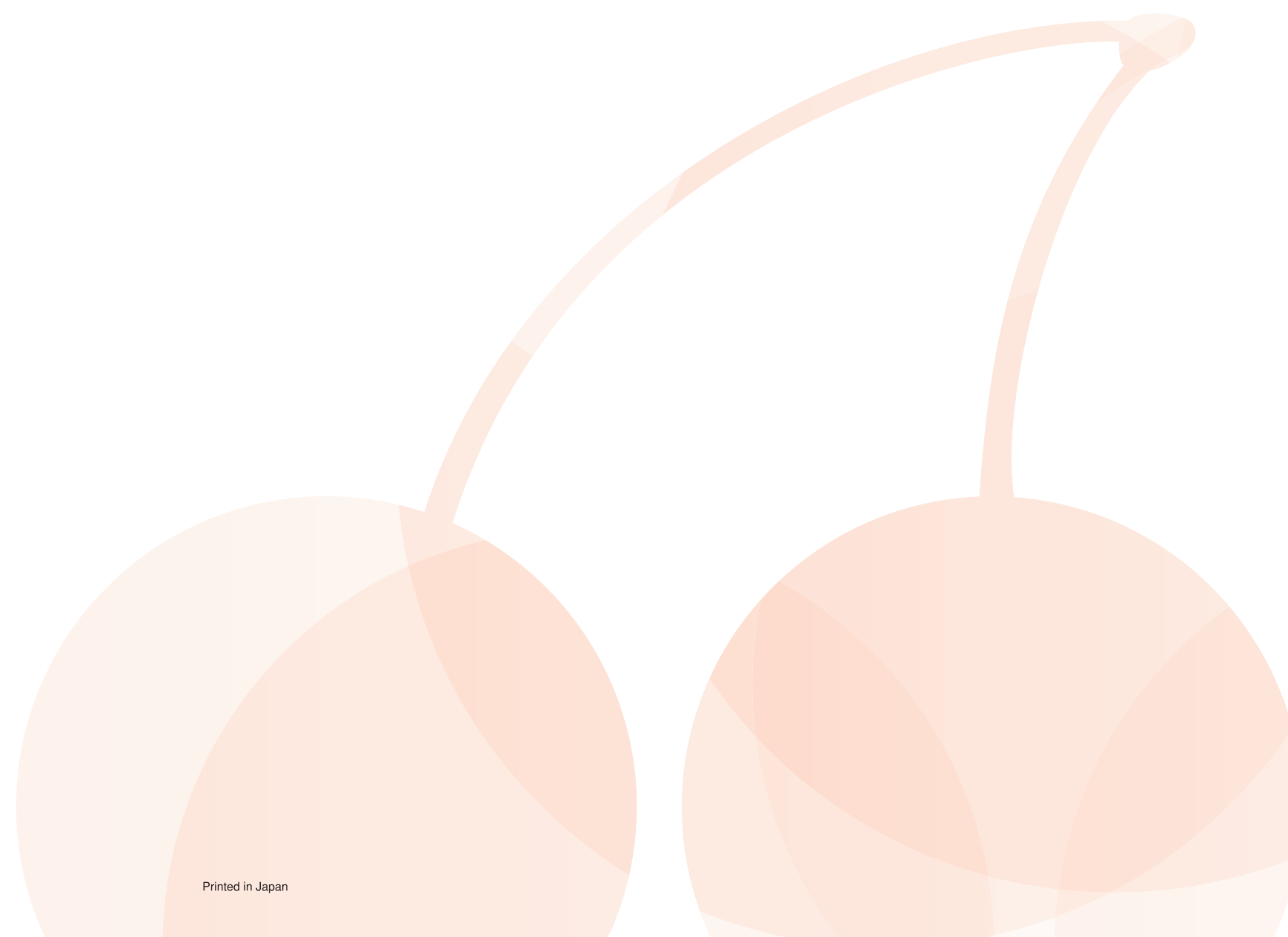


# ANNUAL REPORT 2018

Year Ended March 31, 2018



## Corporate Data

(as of March 31, 2018)

### Head Office

1-2, Nanukamachi 3-chome, Yamagata  
990-8642, Japan

Phone:+81 23 623 1221

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

### Date of Establishment

April 14, 1896

### Paid-in Capital

¥12,008million

### Stock Exchange Listing

Tokyo Stock Exchange

### Credit Rating

A+ (JCR)

## CONTENTS

Message from Management	1
19th long-term management plan (fiscal 2018-2020) Yamagata Bank: Building the Future - Vision for 2020 (April 2018 - March 2021)	2
Consolidated Five-Year Financial Highlights	3
Independent Auditor's Report	4
Review of Operations	5
Financial Statements	6
Corporate Data	28
Directory	29

## Management philosophy and ESG management

### Management philosophy

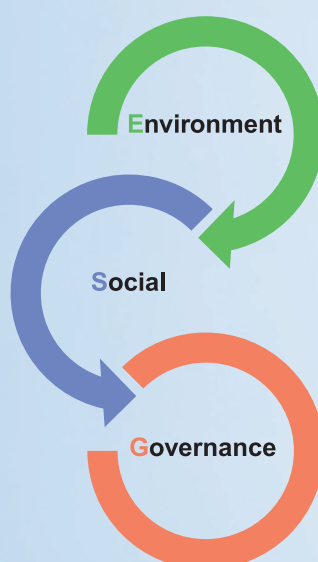
To prosper together  
with the region

To satisfy all of  
our customers

To provide our staff  
with stability  
and opportunities

### ESG management

In pursuit of the improvement of mid to long term corporate value and the realization of a sustainable society (business foundation).



#### Social issues

- Climate change
- CO<sub>2</sub> reduction

#### Yamagata Bank initiatives

- Forest conservation activities
- Eco-cap promotion activities
- Environment related finance

#### Social issues

- Community revitalization
- Population decline
- Human rights issues
- Labor issues

#### Yamagata Bank initiatives

- Local creation
- Improvement of financial intermediary function
- Health management (White 500)
- Parenting support
- Sport and culture promotion activities

#### Social issues

- Corporate ethics compliance
- Protection of personal information
- Fraud prevention

#### Yamagata Bank initiatives

- Code of corporate governance
- Cyber-security
- Enhanced profit and risk management structures
- Enhanced group management

## Message from Management

We thank you for your kind support to Yamagata Bank.

Yamagata Bank's main geographic area of focus, Yamagata Prefecture, is located about 300 kilometers north of Tokyo, a three hour ride on the Yamagata Shinkansen line. Yamagata City, located at the center of Yamagata Prefecture, is near Sendai (in Miyagi Prefecture), the largest city of the Northeastern region of Japan, and the two cities have been closely interconnected economically since ages past.

Yamagata's vibrant agricultural and manufacturing sectors produce such agricultural goods as rice and cherries, and a broad range of products from traditional crafts to electronics manufacturing. Blessed with diligent workers, Yamagata has earned an excellent reputation for high quality in both agriculture and manufacturing.

On the other hand, Yamagata Prefecture's population of about 1.1 million is trending downward due to the declining birthrate and aging population. In order to achieve sustainable prosperity in our region, we need to make efforts to establish next-generation industries. For example, by making agriculture more profitable, developing health care businesses, promoting tourism, and developing new products through an alliance of manufacturers and research institutions. Yamagata Bank is a proud supporter of various initiatives toward that end.

Japan's economy experienced a slow but welcome recovery in 2017 helped by healthy domestic and overseas demand. A rise in global semi-conductor demand led to increased exports and manufacturing growth, and consumer demand recovered slowly as well. The corporate sector activity rose and together with the local economy of Yamagata achieved a recovery.

Many regional financial institutions are experiencing an increasingly difficult business environment due to the continued low interest rate regime caused by the negative interest rate policies of the Bank of Japan. Competition has increased between financial institutions and merger and consolidation activities have increased. Regional financial institutions need to work harder than ever before to strengthen their competitiveness and profitability.

On the other hand, assurances of transparency in bank management are increasingly called for through an effective

response to new forms of financial governance, as represented by the Corporate Governance Stewardship Code, the "Benchmark for Financial Intermediary Performance," and "Principles for Customer Focused Business Operations," and in addition, Yamagata Bank is committed to the continued strengthening of our governance, it being necessary to advance customer protections such as money laundering prevention and security measures to counter cyberattacks.

From April of this year, Yamagata Bank embarked on our 19<sup>th</sup> Long Term Business Plan, "Yamagata Bank, Building the Future: Vision for 2020" (for the period 2018 - 2020). In order to help build the future for our "customers," our "region," and "our bank," we aim to be the "best partner bank contributing to the advance of Yamagata," and closely aligned with our affiliates and group companies, to provide a comprehensive range of financial information services targeted specifically for the purpose of advancing our regional economy, including a broad array of business support services to companies and asset formation assistance for individuals.

Thank you for your ongoing encouragement and support.



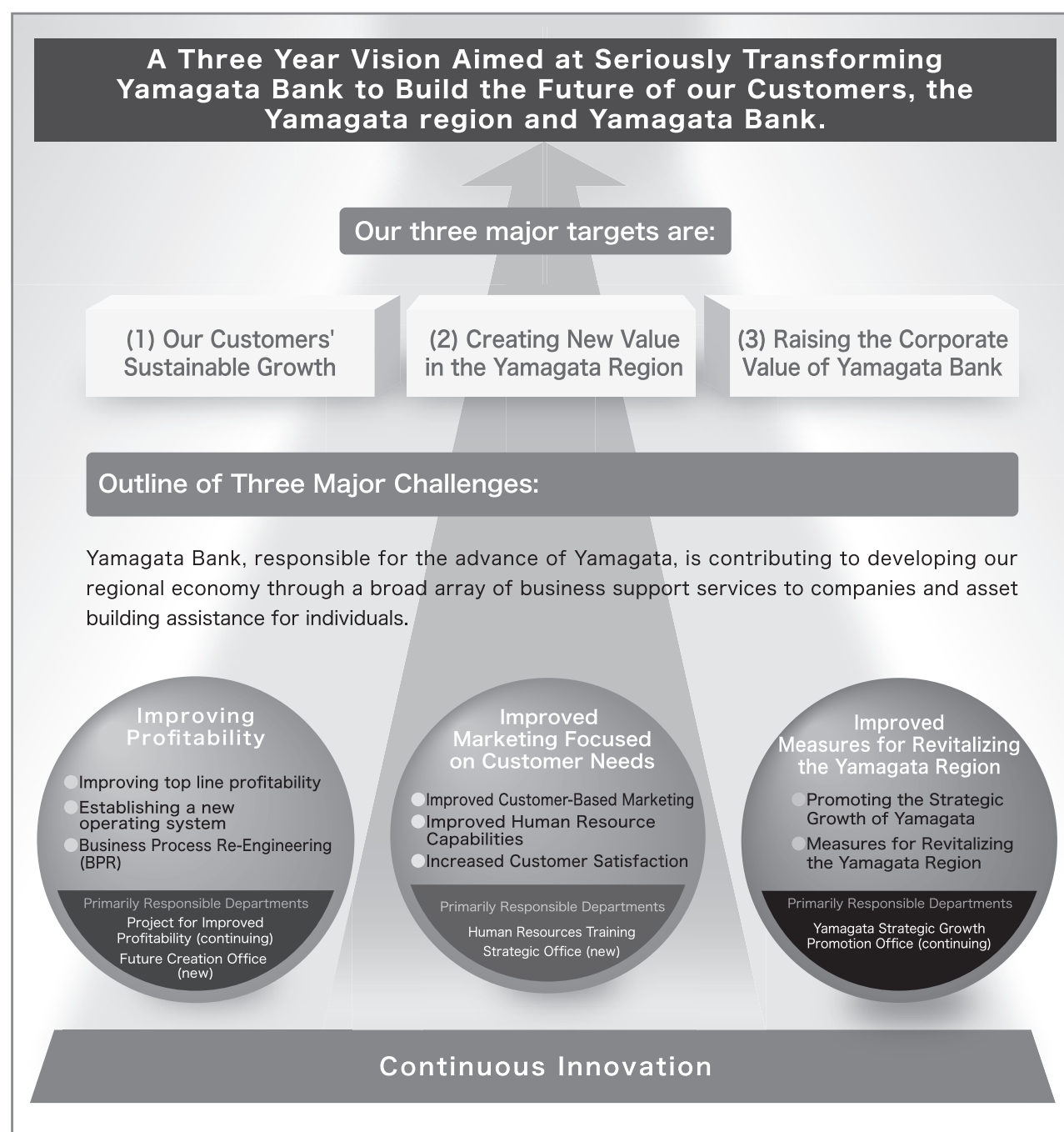
Kichishige Hasegawa  
President



19th long-term management plan (fiscal 2018-2020)  
**Yamagata Bank: Building the Future - Vision for 2020**  
 (April 2018 - March 2021)

**Our long-term vision (a vision for ten years into the future)**

**We aim to be the best partner bank, responsible for contributing to the advance of Yamagata.**



The Yamagata Bank, Ltd., and Consolidated Subsidiaries

**Consolidated Five-Year Financial Highlights**

Yen: In millions except per stock data and percentages

U.S.dollars: In thousands except per stock data and percentages

Years ended March 31

For the fiscal year:	2018	2017	2016	2015	2014	2018
	(Millions of yen)					(Thousands of U.S.dollars)
Ordinary income .....	¥ 42,488	¥ 45,886	¥ 45,252	¥ 45,970	¥ 45,738	\$ 399,930
Ordinary expenses .....	35,350	37,802	34,504	33,250	34,534	332,738
Income before income taxes .....	6,992	8,034	10,623	12,448	11,067	65,819
Net income attributable to owners of parent .....	4,988	5,473	6,714	7,483	6,331	46,952

At the fiscal year-end

Total assets .....	¥ 2,618,179	¥ 2,612,784	¥ 2,503,672	¥ 2,466,878	¥ 2,379,310	\$ 24,644,013
Loans and bills discounted .....	1,726,334	1,674,250	1,584,509	1,470,267	1,409,351	16,249,387
Securities .....	732,995	717,552	741,165	821,614	854,183	6,899,428
Total liabilities .....	2,460,737	2,459,270	2,347,728	2,312,184	2,237,627	23,162,058
Deposits .....	2,206,819	2,180,460	2,075,390	2,036,421	2,019,521	20,772,019
Total net assets .....	157,442	153,514	155,944	154,694	141,682	1,481,954

Amounts per stock

	(Yen)					(U.S.dollars)
Cash dividends .....	¥ 21.00	¥ 7.00	¥ 7.00	¥ 6.00	¥ 6.00	\$ 0.19
Net income attributable to owners of parent .....	153.04	167.74	41.08	45.62	37.14	1.44
Diluted net income attributable to owners of parent .....	136.52	149.68	36.67	41.00	—	1.28
Net assets .....	4,825.85	4,705.09	904.81	900.00	789.89	45.42

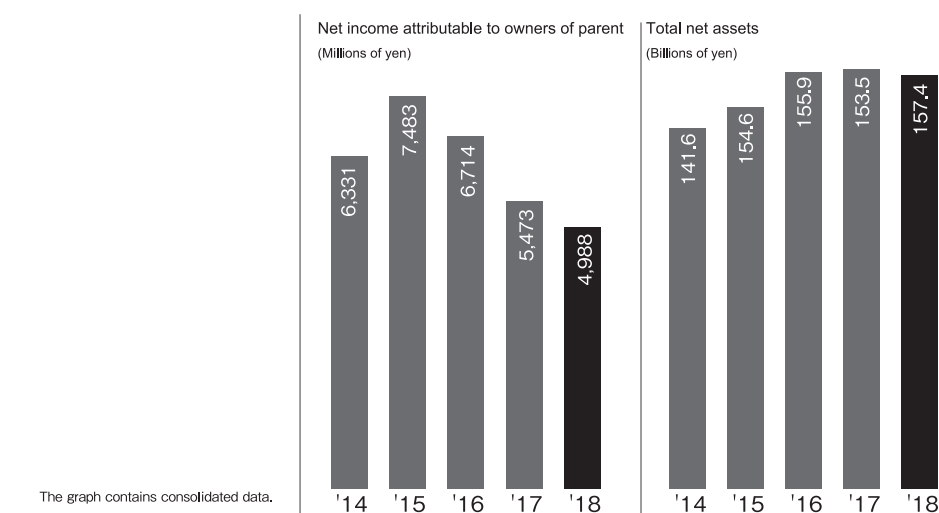
Ratios:

	2018	2017	2016	2015	2014
Capital adequacy ratio (Domestic standard) .....	11.61%	12.11%	12.77%	13.24%	13.92%

Notes 1 : U.S. dollars represent transactions, for the convenience of readers, at ¥ 106.24=U.S.\$1.00 the rate prevailing on March 31, 2018

2 : Effective on October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per stock information except cash dividends are calculated under assumption that the stock consolidation had taken effect at the preceding fiscal year.

3 : Effective on October 1, 2017, the Bank executed the 1-for-5 stock consolidation. The dividend of ¥21.00 per stock for March 31, 2018 is the sum of the intermediate dividend of ¥ 3.50 and the year-end dividend of ¥ 17.50, with the interim dividend ¥ 3.50 being the pre-merger dividend, and the year-end dividend ¥ 17.50 the post-merger dividend.



## Independent Auditor's Report

The Board of Directors  
The Yamagata Bank, Ltd.

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

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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

### Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

*Ernst & Young Shin Nihon LLC*

June 22, 2018  
Yamagata, Japan

## Review of Operations

### The Conditions of Consolidated Accounts

### The general situation of this term (from April 1, 2017 to March 31, 2018)

#### Deposits and negotiable certificates of deposit

As a result of our efforts to offer products that respond to the diverse requirements to our customers, the year-end consolidated balance of deposits and negotiable certificates of deposit rose by ¥25.1 billion during the fiscal year to ¥2,321.3 billion.

#### Deposited financial assets

The year-end consolidated balance of deposited financial assets rose by ¥10.5 billion during the year to ¥377.1 billion, due to reasons such as a satisfactory increase in personal insurance.

#### Loans

The year-end consolidated balance of loans rose by ¥52.0 billion to ¥1,726.3 billion. This was realized because the Bank proactively responded to the demand for funds by local companies and local public entities, and made constant efforts to increase loans to personal customers, mainly focusing on housing loans.

#### Securities

As a result that we invested assets by attaching importance to safety and liquidity and paying close attention to investment conditions and make trends, the year-end consolidated balance of securities rose by ¥15.4 billion to ¥732.9 billion.

#### Profit and loss

The consolidated ordinary income decreased by ¥3,397 million from the previous year to ¥42,488 million, mainly because of a decrease in gains on sales of bonds. The consolidated ordinary expenses decreased by ¥2,452 million from the previous year to ¥35,350 million, mainly because of a decrease in losses on sales of bonds and provision of reserve for possible loan losses.

As a result, the consolidated ordinary income (net) decreased by ¥945 million during the year to ¥7,138 million, and the consolidated net income attributable to owners of parent decreased by ¥485 million during the year to ¥4,988 million.

#### Results by business segment

In banking business, the ordinary income for the fiscal year was ¥36,146 million, which was ¥3,521 million less than that for the previous fiscal year; the segment profit for the fiscal year was ¥6,367 million, which was ¥887 million less than that for the previous fiscal year.

In the leasing business, the ordinary income for the fiscal year was ¥5,222 million, which was ¥292 million more than that for the previous year; the segment loss for the fiscal year was ¥2 million, which was ¥113 million less than that for the previous fiscal year.

In other business sectors, the ordinary income for the fiscal year was ¥2,405 million, which was ¥37 million less than that for the previous fiscal year; the segment profit for the fiscal year was ¥640 million, which was ¥10 million less than that for the previous fiscal year.

#### Cash flow

Cash flow from operating activities was negative at ¥52.1 billion, mainly due to increase in loans.

Cash flow from investing activities was negative at ¥19.3 billion, because the outflow generated by acquisition of securities etc exceeded the inflow generated by the sales and redemption of securities, etc.

Cash flow from financing activities was negative at ¥1.1 billion, because of payments of dividends etc.

As a result of the above, the year-end consolidated balance of cash and cash equivalents decreased by ¥72.6 billion during the year to ¥76.7 billion.



# Financial Statements

## Consolidated Balance Sheet

As of March 31, 2018 and 2017

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)(Note 2)
<b>Assets</b>			
Cash and due from banks (Note 18)	¥ 82,343	¥ 153,056	\$ 775,068
Call loans and bills purchased	1,339	8,377	12,612
Monetary claims bought	5,797	5,648	54,571
Trading securities (Note 21)	4	22	44
Securities (Note 4, 5, 7, 11 and 21)	732,995	717,552	6,899,428
Loans and bills discounted (Note 6)	1,726,334	1,674,250	16,249,387
Foreign exchange	941	979	8,864
Other assets (Note 7)	39,241	22,656	369,369
Tangible fixed assets (Note 10)	14,977	14,543	140,977
Buildings (Note 9)	3,818	3,617	35,942
Land (Note 8)	9,109	9,175	85,747
Constraction in progress	26	30	250
Other tangible fixed assets (Note 9)	2,022	1,719	19,037
Intangible fixed assets	1,990	1,926	18,736
Software	1,781	1,716	16,771
Other intangible fixed assets	208	210	1,964
Assets for retirement benefits (Note 24)	930	940	8,756
Deferred tax assets (Note 25)	289	291	2,722
Customers' liabilities for acceptances and guarantees	18,720	19,615	176,211
Reserve for possible loan losses	(7,727)	(7,077)	(72,737)
Total assets	¥ 2,618,179	¥ 2,612,784	\$ 24,644,013
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Deposits (Note 7)	¥ 2,206,819	¥ 2,180,460	\$ 20,772,019
Negotiable certificate of deposits	114,497	115,701	1,077,721
Call money and bills sold	7,968	11,219	75,000
Payables under securities lending transactions (Note 7)	26,536	45,126	249,774
Borrowed money (Note 7)	54,245	53,245	510,595
Foreign exchange	32	53	301
Bonds with stock acquisition rights	10,624	11,219	100,000
Other liabilities	15,343	16,327	144,425
Reserve for bonuses to directors	25	22	235
Liabilities for retirement benefits (Note 24)	48	47	458
Reserve for directors' retirement benefits	5	2	48
Reserve for stock payments of board incentive plan	45	24	431
Reserve for losses on dormant deposits repayments	143	47	1,347
Reserve for losses on contingencies	301	226	2,834
Reserve for point service program	38	35	363
Reserve for loss due to returning interests	60	62	571
Deferred tax liabilities (Note 25)	3,973	4,507	37,400
Deferred tax liabilities arising from revaluation of land (Note 8)	1,308	1,324	12,319
Acceptance and guarantees	18,720	19,615	176,211
Total liabilities	¥ 2,460,737	¥ 2,459,270	\$ 23,162,058
<b>Net Assets</b>			
Shareholders' equity (Note 16 and 29)			
Common stock	¥ 12,008	¥ 12,008	\$ 113,032
Capital surplus	10,215	10,215	96,158
Retained earnings	120,721	116,853	1,136,310
Treasury stock	(3,176)	(3,171)	(29,896)
Total shareholders' equity	139,769	135,906	1,315,604
Net unrealized holding gain on securities available for sale (Note 22)	18,654	18,824	175,584
Deferred gain(loss) on hedging instruments	(2,184)	(2,578)	(20,564)
Revaluation of land (Note 8)	1,164	1,188	10,963
Retirement benefits liability adjustments	(110)	24	(1,043)
Total accumulated other comprehensive income	17,523	17,457	164,940
Non-controlling interests	149	149	1,408
Total net assets	¥ 157,442	¥ 153,514	\$ 1,481,954
Total liabilities and net assets	¥ 2,618,179	¥ 2,612,784	\$ 24,644,013

## Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2018 and 2017

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)(Note 2)
<b>Consolidated Statement of Income</b>			
<b>Ordinary Income</b>	¥ 42,488	¥ 45,886	\$ 399,930
Interest Income	25,186	25,457	237,072
Interest on loans and discounts	17,799	17,946	167,536
Interest and dividends on securities	7,207	7,269	67,845
Interest on call loans and bills bought	92	130	871
Interest on receivables under resale agreements	(0)	—	(3)
Interest on deposits with banks	8	9	78
Other interest	79	101	745
Fees and commissions	7,626	7,671	71,786
Other operating income	6,712	9,624	63,181
Other Income	2,963	3,132	27,890
Recoveries of written off claims	15	11	146
Other (Note 12)	2,947	3,121	27,743
<b>Ordinary Expenses</b>	35,350	37,802	332,738
Interest Expense	2,168	2,480	20,408
Interest on deposits	753	1,080	7,091
Interest on negotiable certificate of deposits	59	100	564
Interest on call money and bills sold	5	17	47
Interest on payables under securities lending transaction	274	139	2,587
Interest on borrowings and rediscounts	144	82	1,358
Other interest	930	1,060	8,759
Fees and commissions payments	2,436	2,301	22,929
Other operating expense	6,825	8,266	64,250
General and administrative expenses (Note 13)	22,025	22,281	207,316
Other expenses	1,894	2,472	17,833
Provision on allowance for loan losses	1,095	1,673	10,308
Other	799	798	7,524
<b>Ordinary Income (Net)</b>	7,138	8,083	67,192
Extraordinary income	0	0	1
Gain on disposal of fixed assets	0	0	0
Other	0	—	1
Extraordinary losses	146	49	1,374
Loss on disposal of fixed assets	73	49	690
Impairment loss (Note 14)	72	—	684
<b>Income before income taxes</b>	6,992	8,034	65,819
Income taxes-current	2,630	3,081	24,758
Income taxes-deferred (Note 25)	(626)	(720)	(5,894)
Total income taxes	2,004	2,361	18,864
<b>Net income</b>	4,988	5,673	46,954
Net income attributable to non-controlling interests	0	200	2
Net income attributable to owners of parent	¥ 4,988	¥ 5,473	\$ 46,952
<b>Consolidated Statements of Comprehensive Income</b>			
Net income	¥ 4,988	¥ 5,673	\$ 46,954
Other comprehensive income (Note 15)	89	(3,859)	839
Net unrealized holding gain on securities available for sale	(170)	(5,297)	(1,601)
Deferred gain (loss) on hedging instruments	394	852	3,710
Retirement benefits liability adjustments	(134)	586	(1,269)
Comprehensive Income	5,077	1,814	47,794
Comprehensive Income attributable to owners of parent	5,077	1,615	47,791
Comprehensive Income attributable to non-controlling interests	0	198	2

## Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2018	Shareholders' equity				(Millions of yen)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as April 1, 2017	¥ 12,008	¥ 10,215	¥ 116,853	¥ (3,171)	¥ 135,906
Changes in the consolidated fiscal year					
Cash Dividends			(1,143)		(1,143)
Net income attributable to owners of parent			4,988		4,988
Acquisition of treasury stocks				(8)	(8)
Disposal of treasury stocks		0		3	3
Acquisition of stocks of subsidiaries					
Reversal of land revaluation			23		23
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
<b>Total</b>	<b>—</b>	<b>0</b>	<b>3,868</b>	<b>(4)</b>	<b>3,863</b>
Balance as of March 31, 2018	¥ 12,008	¥ 10,215	¥ 120,721	¥ (3,176)	¥ 139,769

For the year ended March 31, 2018	Shareholders' equity				(Thousands of U.S. dollars) (Note 2)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as April 1, 2017	\$ 113,032	\$ 96,158	\$ 1,099,901	\$ (29,849)	\$ 1,279,242
Changes in the consolidated fiscal year					
Cash Dividends			(10,767)		(10,767)
Net income attributable to owners of parent			46,952		46,952
Acquisition of treasury stocks				(80)	(80)
Disposal of treasury stocks		0		33	34
Acquisition of stocks of subsidiaries					
Reversal of land revaluation			223		223
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
<b>Total</b>	<b>—</b>	<b>0</b>	<b>36,408</b>	<b>(46)</b>	<b>36,362</b>
Balance as of March 31, 2018	\$ 113,032	\$ 96,158	\$ 1,136,310	\$ (29,896)	\$ 1,315,604

For the year ended March 31, 2017	Shareholders' equity				(Millions of yen)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as April 1, 2016	¥ 12,008	¥ 4,934	¥ 112,612	¥ (2,976)	¥ 126,578
Changes in the consolidated fiscal year					
Cash Dividends			(1,225)		(1,225)
Net income attributable to owners of parent			5,473		5,473
Acquisition of treasury stocks				(194)	(194)
Disposal of treasury stocks					
Acquisition of stocks of subsidiaries		5,281			5,281
Reversal of land revaluation			(6)		(6)
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
<b>Total</b>	<b>—</b>	<b>5,281</b>	<b>4,241</b>	<b>(194)</b>	<b>9,328</b>
Balance as of March 31, 2017	¥ 12,008	¥ 10,215	¥ 116,853	¥ (3,171)	¥ 135,906

For the year ended March 31, 2018	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as April 1, 2017	¥ 18,824	¥ (2,578)	¥ 1,188	¥ 24	¥ 17,457	¥ 149	¥ 153,514
Changes in the consolidated fiscal year							
Cash Dividends							(1,143)
Net income attributable to owners of parent							4,988
Acquisition of treasury stocks							(8)
Disposal of treasury stocks							3
Acquisition of stocks of subsidiaries							—
Reversal of land revaluation							23
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(170)	394	(23)	(134)	65	0	65
<b>Total</b>	<b>(170)</b>	<b>394</b>	<b>(23)</b>	<b>(134)</b>	<b>65</b>	<b>0</b>	<b>3,928</b>
Balance as of March 31, 2018	¥ 18,654	¥ (2,184)	¥ 1,164	¥ (110)	¥ 17,523	¥ 149	¥ 157,442

For the year ended March 31, 2018	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as April 1, 2017	\$ 177,186	\$ (24,274)	\$ 11,187	\$ 226	\$ 164,325	\$ 1,406	\$ 1,444,973
Changes in the consolidated fiscal year							
Cash Dividends							(10,767)
Net income attributable to owners of parent							46,952
Acquisition of treasury stocks							(80)
Disposal of treasury stocks							34
Acquisition of stocks of subsidiaries							—
Reversal of land revaluation							223
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(1,601)	3,710	(223)	(1,269)	615	2	617
<b>Total</b>	<b>(1,601)</b>	<b>3,710</b>	<b>(223)</b>	<b>(1,269)</b>	<b>615</b>	<b>2</b>	<b>36,980</b>
Balance as of March 31, 2018	\$ 175,584	\$ (20,564)	\$ 10,963	\$ (1,043)	\$ 164,940	\$ 1,408	\$ 1,481,954

For the year ended March 31, 2017	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as April 1, 2016	¥ 24,111	¥ (3,431)	¥ 1,182	¥ (562)	¥ 21,300	¥ 8,066	¥ 155,944
Changes in the consolidated fiscal year							
Cash Dividends							(1,225)
Net income attributable to owners of parent							5,473
Acquisition of treasury stocks							(194)
Disposal of treasury stocks							
Acquisition of stocks of subsidiaries							5,281
Reversal of land revaluation							(6)
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(5,287)	852	6	586	(3,842)	(7,916)	(11,759)
<b>Total</b>	<b>(5,287)</b>	<b>852</b>	<b>6</b>	<b>586</b>	<b>(3,842)</b>	<b>(7,916)</b>	<b>(2,430)</b>
Balance as of March 31, 2017	¥ 18,824	¥ (2,578)	¥ 1,188	¥ 24	¥ 17,457	¥ 149	¥ 153,514



# Consolidated Statements of Cash Flows

For the years ended March 31, 2018 and 2017

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)(Note 2)
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 6,992	¥ 8,034	\$ 65,819
Depreciation	1,122	970	10,565
Loss on impairment of fixed assets	72	—	684
Reserve for possible loan losses	650	604	6,118
Reserve for bonuses to directors	2	(2)	23
Assets for retirement benefits	(183)	14	(1,726)
Liabilities for retirement benefits	1	0	14
Reserve for directors' retirement benefits	2	(273)	24
Reserve for stock payments of board incentive plan	21	24	204
Reserve for loss due to returning interests	(2)	(9)	(21)
Reserve for losses on dormant deposits repayments	96	(8)	905
Reserve for losses on contingencies	74	5	704
Reserve for point service program	2	35	28
Interest income	(25,186)	(25,457)	(237,072)
Interest expense	2,168	2,480	20,408
Loss (gain) on investment securities	(2,721)	(2,572)	(25,618)
Foreign exchange gain, net	36	176	346
Loss on disposal of fixed assets	73	49	690
Net decrease (increase) in loans and bills discounted	(52,302)	(89,786)	(492,308)
Net increase (decrease) in deposits	26,579	105,106	250,183
Net increase (decrease) in negotiable certificate of deposits	(1,204)	(4,143)	(11,338)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	1,092	5,182	10,281
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	(1,943)	(252)	(18,292)
Net decrease (increase) in call loans and bills purchased	6,868	8,693	64,647
Net increase (decrease) in call money and bills sold	(3,166)	(3,955)	(29,802)
Net increase (decrease) in payables under securities lending transactions	(18,308)	10,044	(172,331)
Net decrease (increase) in trading securities	18	5	171
Net decrease (increase) in foreign exchange-assets	(4)	79	(42)
Net increase (decrease) in foreign exchange-liabilities	(21)	15	(200)
Proceeds from fund management	24,960	25,658	234,940
Payments for finance	(2,514)	(2,719)	(23,669)
Other	(12,953)	988	(121,924)
Subtotal	(49,676)	38,989	(467,584)
Income taxes paid	(2,717)	(3,091)	(25,581)
Income taxes refunded	226	0	2,136
Net cash provided by (used in) operating activities	(52,166)	35,898	(491,029)
<b>Cash flows from investing activities</b>			
Purchases of investment securities	(449,849)	(354,502)	(4,234,276)
Proceeds from sales of investment securities	375,250	308,247	3,532,099
Proceeds from redemption of investment securities	57,009	63,228	536,607
Expenditure for acquisition of tangible fixed assets	(1,283)	(1,349)	(12,080)
Income from sale of tangible fixed assets	0	15	5
Expenditure for acquisition of intangible fixed assets	(468)	(662)	(4,406)
Income from sale of intangible fixed assets	—	14	—
Net cash provided by (used in) investing activities	(19,341)	14,990	(182,051)
<b>Cash flows from financing activities</b>			
Dividends paid	(1,143)	(1,225)	(10,767)
Dividends paid to non-controlling interests	—	(5)	—
Purchases of treasury stock	(8)	(194)	(80)
Proceeds from sales of treasury stock	3	—	34
Acquisition of stocks of subsidiaries	—	(2,819)	—
Net cash provided by (used in) financing activities	(1,148)	(4,245)	(10,813)
Effect of exchange rate changes on cash and cash equivalents	0	0	8
Net increase (decrease) in cash and cash equivalents	(72,655)	46,644	(683,885)
Cash and cash equivalents at beginning of year	¥ 149,420	¥ 102,776	\$ 1,406,445
Cash and cash equivalents at end of year (No.18)	76,764	149,420	722,560

# Notes to Consolidated Financial Statements

March 31, 2018

## 1. Basis of Presentation

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

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

As permitted by the Financial Instruments and Exchange Act amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S.dollars) do not necessarily agree with the sums of the individual amounts.

## 2. U.S.Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S.dollars are presented solely for the convenience of readers outside Japan. The rate of 106.24=U.S.\$1.00, the rate of exchange in effect on March 31, 2018, has been used in translation. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.

## 3. Summary of Significant Accounting Policies

### a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 7 subsidiaries, except for 2 subsidiaries which are not consolidated due to its immateriality.

All significant intercompany receivables and payables and transactions have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Immaterial goodwill is charged to income when incurred.

### b. Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or other securities (securities available for sale). Trading account securities, which are purchased for trading purpose, are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities whose fair value is deemed to be extremely difficult to determine are carried at cost. Cost of securities sold is determined by the moving average method.

### c. Derivative financial instruments

Derivatives are stated at fair market value.

### d. Tangible fixed assets

The Bank recognizes depreciation by the straight-line method applicable to each specific category of assets. The useful lives of buildings and equipment are summarized as follows:

Buildings : 2 to 50 years      Equipment : 2 to 15 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.

### e. Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method. The

Bank's software, which is used in-house, is depreciated based on the estimated period of use (mainly five years) at the Bank and at consolidated subsidiaries.

### f. Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value or, where lease agreements stipulate guarantee of residual value, the guaranteed residual value. The Bank leases certain vehicle, computer equipment and other assets.

### g. Reserve for possible loan loss

The reserve for possible loan losses of the Bank is provided in accordance with internally established standards for write-offs and reserve provisions. The reserve for possible loan losses on loans to borrowers who are classified as substantially bankrupt or who are legally bankrupt is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and amounts recoverable under guarantees. In addition, an allowance is provided for loans to borrowers who, although not legally bankrupt, are experiencing serious difficulties and whose failure is imminent. In such cases, a portion of this allowance is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and the amounts recoverable under guarantees, and the balance of the allowance is provided after giving full consideration to the amount which the borrower is deemed capable of repaying. In the case of all other loans, the amount provided as an allowance is based on the Bank's historical percentage of actual defaults over a specific fixed period in the past.

The relevant departments assess the assets for all of the credit, based on self-assessment standards for assets, and an independent asset audit department audits the results of the assessments. We provide a reserve described above based on the assessment results.

The reserve for possible loan losses is calculated based on the quality of the Bank's total loan assets, applying the Bank's internally established rules for the self-assessment of its assets.

### h. Reserve for bonuses to directors

A reserve for bonuses to directors and corporate auditors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payment to directors.

### i. Reserve for directors' retirement benefits

A reserve for directors' retirement benefits is provided in the amount accrued during the year, which is calculated based on the estimated amount of future retirement payments to directors.

### j. Reserve for stock payments of board incentive plan

A reserve for stock payments of board incentive plan is provided for the expected stock payments due to points assigned to directors based on the stock incentive plan, in order to prepare for the delivery of the Bank's stock through the board incentive BIP trust.

### k. Reserve for losses on dormant deposit repayments

A reserve for losses on dormant deposit repayments which are derecognized as liabilities is provided for the possible losses on the future claims of repayments based on the historical repayments experience.

### l. Reserve for losses on contingencies

A reserve for losses on contingencies is provided for future estimated payments to the Credit Guarantee Corporations.



#### m. Reserve for point service program

A reserve for point service program relating to the points awarded by the use of credit cards issued by consolidated subsidiaries is provided in the amount deemed necessary based on the reasonable estimate of expected future use of the points in order to prepare for the costs in the event of future use.

#### n. Reserve for loss due to returning interests

A reserve for loss due to returning interests is provided for the possible losses on the future claims of returning interests.

#### o. Employees' retirement benefits

For the calculation of employees' retirement benefit obligation, the estimated amount of employees' retirement benefits is attributed to each period by the straight-line method.

Prior service cost is amortized as incurred, by the straight-line method over a period (5years) which falls within the average remaining years of service of the active participants in the plans.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, by the straight-line method over a period (5years) which falls within the average remaining years of service of the active participants in the plans.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the necessary payments of the voluntary retirement for all employees at the fiscal year-end.

#### p. Foreign currency translation

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the balance sheet date.

#### q. Hedge accounting

##### 1. Interest rate risk hedges

The Bank uses deferral hedges described in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24 February 13, 2002, referred to as Report No. 24 of the Industry Audit Committee) to hedge interest rate risks generated by the Bank's financial assets and liabilities. The effectiveness of hedges to offset market fluctuations is assessed for each hedged item (for example, deposits and loans) and its hedging instrument (such as interest rate swaps). Concerning hedges to fix the cash flow, the Bank identifies hedged items by grouping them based on interest rate indexes and on interest rate revision periods in accordance with Report No. 24 of the Industry Audit Committee, and specifies interest rate swaps as hedging instruments. The Bank specifies hedges in such a way that the major conditions of hedged items and hedging instruments are almost the same, so we believe that our hedges are highly effective.

The Bank applies the exceptional method for interest rate swaps to certain assets and liabilities.

##### 2. Exchange rate fluctuation risk hedges

The hedge we use against exchange rate fluctuation risks, which are generated by our financial assets and liabilities in foreign currencies, is the deferral hedge described in "Accounting and auditing for transactions in foreign currencies, etc., in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 25 July 29, 2002, referred to as Report No. 25 of the Industry Audit Committee). We assess the effectiveness of the hedge by regarding currency swaps and foreign exchange swaps, which are conducted to reduce or eliminate exchange rate fluctuation risks generated by monetary claims and liabilities in foreign currencies, etc., as hedging instruments and by checking whether or not we have appropriate foreign currency positions for the hedging instruments to meet the hedged items (monetary claims and liabilities in foreign currencies, etc.).

#### r. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

#### s. Consumption tax and regional consumption tax

With respect to the Bank and the domestic consolidated subsidiaries, all amounts in the accompanying consolidated balance sheet are recorded exclusive of consumption tax and regional consumption tax.

#### t. Finance leases

The criteria used is to record sales and cost of sales at the time of the receipt of lease payments.

#### u. Accounting standards issued but not yet effective

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

##### 1. Overview

These are comprehensive standards relating to revenue recognition. Revenue is recognized by applying the following 5 steps:

- Step 1: Identify each contract with clients.
- Step 2: Identify the performance obligations of each contract.
- Step 3: Calculate the transaction price.
- Step 4: Allocate the transaction price to the contractual performance obligations.
- Step 5: Recognize revenue as performance obligations are completed.

##### 2. Scheduled date of adoption

The Bank expects to adopt these revised standards from the beginning of the fiscal year ending March 31, 2022.

##### 3. Impact of adopting revised standards

The Bank is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

#### v. Additional Information

Yamagata Bank has implemented a BIP (Board Incentive Plan) trust for directors using the trust framework to grant Bank stock as director compensation, with the aim to motivate directors to more commit to the medium - to long - term contribution to the Bank's corporate value and improvement of the Bank's business performance.

##### 1. Summary of the Transaction

Pursuant to the Stock Grant Rules of the Bank, points are allotted to each director based upon level of achievement of business performance goals each fiscal year and based upon individual position, and the Bank stock and the money equivalent to the converted value of the Bank stock based on the points are granted and delivered through the trust at the time of leaving the Bank.

##### 2. Matters regarding the Bank stock held by the Trust

- (1) The Bank's stock held by the trust is recorded as treasury stock as part of shareholder's equity at the trust's book value.
- (2) The trust's book value is ¥187 million (\$1,760 thousand).
- (3) The number of the Bank stocks held by the trust at the end of the fiscal year was 88 thousand shares.

## 4. Stock or Contributed Capital of Non-Consolidated Subsidiaries and Affiliated Companies

Stock or contributed capital of non-consolidated subsidiaries and affiliated companies totaled ¥939 million (\$8,838 thousand) and ¥990 million at March 31, 2018 and 2017, respectively.

## 5. Government Bonds with Lending Agreements

The "securities" include government bonds lent through unsecured lending agreements. Their amount totaled ¥62,497 million (\$588,262 thousand) and ¥63,484 million at March 31, 2018 and 2017, respectively.

## 6. Loans and Bills Discounted

(i) Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥1,701 million (\$16,010 thousand) and ¥14,222 million (\$133,866 thousand), respectively, at March 31, 2018, and ¥582 million and ¥14,040 million, respectively, at March 31, 2017. A loan is placed on non-accrual status when substantial doubt as to the collectibility of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans, after the charge-offs of loans deemed uncollectible, to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4

of Enforcement Ordinance of the Corporation Income Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

(ii) Loans past due for 3 months or more totaled ¥30 million (\$282 thousand) and ¥23 million at March 31, 2018 and 2017, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrower under bankruptcy procedures or delinquent loans.

(iii) Restructured loans totaled ¥4,953 million (\$46,620 thousand) and ¥3,697 million at March 31, 2018 and 2017, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction of the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Restructured loans are not included in loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

(iv) The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥20,908 million (\$196,799 thousand) and ¥18,343 million at March 31, 2018 and 2017, respectively.

(v) Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry" issued by the JICPA Industry Audit Committee Report No.24 issued on February 13, 2002. The Bank has rights to sell or pledge accepted banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills acquired at discount and foreign exchange bought at a discount was ¥7,184 million (\$67,620 thousand) and ¥7,432 million as of March 31, 2018 and 2017, respectively.

(vi) Overdraft protection on current accounts and contracts for loan commitments are agreements under which the Bank and the consolidated subsidiaries are bound to extend loans up to a prearranged amount, at the request of the customer, unless the customer is in breach of contract. The unutilized balance of such contracts amounted to ¥573,831 million (\$5,401,270 thousand) and ¥567,645 million as of March 31, 2018 and 2017, respectively, in which the balance of contracts that have a term of one year or less are unconditionally cancelable at any time were ¥549,919 million (\$5,176,195 thousand) and ¥548,801 million as of March 31, 2018 and 2017, respectively. Since many of these contracts are scheduled to expire without the rights having been exercised, any unutilized balance in itself does not necessarily affect the future cash flows of the Bank or its consolidated subsidiaries. A provision is included in many of these contracts which entitles the Bank and the consolidated subsidiaries to refuse the execution of such loans, or to reduce the maximum amount loaned under such contracts when there is a change in the borrowers' financial situation, or when there is the necessity to secure a claim, or when other similar factors arise. In addition, the Bank and its consolidated subsidiaries obtain, if needed, real estate or securities as collateral at the time when the contracts are entered into and they subsequently monitor the borrowers' financial condition periodically based on, and in accordance with, the procedures established. If deemed necessary, specific measures such as amendments to the contracts are undertaken in order to control the credit risk.

## 7. Assets Pledged

Pledged assets and liabilities related to pledged assets as of March 31, 2018 and 2017 were summarized as follows:

	2018	2017	2018
	(Millions of yen)		(Thousands of U.S.dollars)
Pledged assets:			
Securities	¥ 157,288	¥ 178,096	\$ 1,480,496
Liabilities related to the above pledged assets:			
Deposits	¥ 12,871	¥ 14,187	\$ 121,150
Payables under securities lending transactions	¥ 26,536	¥ 45,126	\$ 249,774
Borrowed money	¥ 50,811	¥ 50,116	\$ 478,266

In addition, securities totaling ¥16,744 million (\$157,605 thousand) and ¥31,837 million were pledged as collateral for settlement of exchange and futures transactions at March 31, 2018 and 2017, respectively.

Deposits included in other assets as of March 31, 2018 and 2017 were ¥284 million (\$2,673 thousand) and ¥300 million, respectively.

Initial margins of central counterparty included in other assets as of March 31, 2018 and 2017 were ¥15,000 million (\$141,189 thousand) and zero, respectively.

## 8. Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Bank's business operations was revalued on March 31, 2002. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in net assets at an amount net of the related tax effect at March 31, 2002. The corresponding income taxes were included in liabilities at March 31, 2002 as deferred taxes liability on revalued land.

The revaluation of the land was determined based on two method, the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments, and the appraisal by Real estate appraiser.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the above-mentioned law, and the total book value of the land after the revaluation was ¥3,734 million (\$35,146 thousand) and ¥3,860 million at March 31, 2018 and 2017.

## 9. Accumulated Depreciation

Accumulated depreciation totaled ¥25,479 million (\$239,824 thousand) and ¥25,812 million at March 31, 2018 and 2017, respectively.

## 10. Recorded Reduction in Value of Tangible Fixed Assets

The recorded reduction in value of tangible fixed assets was ¥2,044 million (\$19,239 thousand) and ¥2,050 million at March 31, 2018 and 2017, respectively. During the current consolidated fiscal year there were no new tangible fixed assets for which the book value was reduced in value.

## 11. Guarantee Obligations in Respect of the Corporate Bonds

Among the corporate bonds included in the "securities", the guarantee obligations in respect of the corporate bonds pursuant to private offering securities (Article 2, paragraph 3 of the Financial Instruments and Exchange Act) was ¥9,287 million (\$87,415 thousand) and ¥9,127 million at March 31, 2018 and 2017, respectively.

## 12. Other Income

Other income includes profit from sale of stock, etc. of ¥2,557 million (\$24,068 thousand) and ¥2,750 million at March 31, 2018 and 2017, respectively.

## 13. General and Administrative Expenses

General and administrative expenses include salary and benefits of ¥9,946 million (\$93,618 thousand) and ¥10,153 million, and outsourcing costs of ¥2,041 million (\$19,211 thousand) and ¥2,253 million at March 31, 2018 and 2017, respectively.

## 14. Loss on Impairment

The Bank reviewed its long-lived assets by grouping into the units consisting of operating branches, idle assets, jointly used assets including head office, administrative centers, company housing and dormitories and each consolidated subsidiary for impairment and recognized loss on impairment of land in the amount of ¥72 million (\$677 thousand) and zero for the year ended March 31, 2018 and 2017, respectively. The recoverable amount used for measurement of loss on impairment was net selling price and computed mainly based on the real estate appraisal value.



## 15. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to other comprehensive income for the year ended March 31, 2018 and 2017 are summarized as follows:

	2018		2017		2018	
	(Millions of yen)		(Thousands of U.S.dollars)			
Net unrealized holding gain on securities available for sale:						
Amount arising during the year	¥ 2,518	¥ (5,061)	\$ 23,701			
Reclassification adjustments	(2,724)	(2,680)	(25,640)			
Amount before tax effect	(206)	(7,741)	(1,939)			
Tax effect	35	2,443	329			
Net unrealized holding gain on securities available for sale:	(170)	(5,297)	(1,600)			

Deferred gain (loss) on hedging instruments:

Amount arising during the year	(360)	187	(3,388)
Reclassification adjustments	927	1,038	8,725
Amount before tax effect	567	1,226	5,336
Tax effect	(172)	(374)	(1,618)
Deferred gain (loss) on hedging instruments	394	852	3,708

Revaluation of land:

Amount arising during the year	—	—	—
Reclassification adjustments	—	—	—
Amount before tax effect	—	—	—
Tax effect	—	—	—
Revaluation of land	—	—	—

Retirement benefits liability adjustments:

Amount arising during the year	(211)	676	(1,986)
Reclassification adjustments	17	167	160
Amount before tax effect	(194)	843	(1,826)
Tax effect	59	(257)	555
Retirement benefits liability adjustments	(134)	586	(1,261)
Total other comprehensive income	¥ 89	¥ (3,859)	\$ 837

## 16. Stocks Issued

The number of stocks issued and changes during the year ended March 31, 2018 and 2017 are summarized as follows:

	Thousands of stocks		Thousands of stocks	
	2018		2017	
	Treasury stock	Common stock issued	Treasury stock	Common stock issued
Beginning of the year	7,022	170,000	6,563	170,000
Increase during the year	8 <sup>*1</sup>	—	458 <sup>*6</sup>	—
Decrease during the year	5,624 <sup>*2</sup>	136,000 <sup>*5</sup>	—	—
End of the year	1,406 <sup>*3</sup>	34,000 <sup>*4</sup>	7,022	170,000

\*1 The number of increase in treasury stock of 8 thousand, which are common stocks, was increased by 6 thousand due to the purchase of fractional numbers of less than one unit before the stock consolidation, increased by 1 thousand due to the purchase of fractional stock in connection with the stock consolidation, and increased by 0 thousand due to the purchase of fractional numbers of less than one unit after the stock consolidation.

\*2 The number of decrease in treasury stock of 5,624 thousand, which are common stocks, was decreased by 7 thousand due to the delivery of the Bank's stock from the board incentive BIP trust conducted before the stock consolidation, decreased by 0 thousand in response to request to purchase of fractional numbers of less than one unit, decreased by 5,616 thousand resulting from the stock consolidation, and decreased by 0 thousand through the disposition of fractional numbers of less than one unit in connection with the stock consolidation.

\*3 The number of treasury stock as of the end of the consolidated fiscal year includes 88 thousand of the Bank's stock held by the board incentive BIP trust.

\*4 Effective on October 1, 2017 the Bank executed the 1-for-5 stock consolidation.

\*5 The decrease of 136,000 thousand stocks of issued and outstanding common stocks is a result of the stock consolidation.

\*6 The number of treasury stock as of the end of the consolidated fiscal year includes 450 thousand of the Bank's stock held by the board incentive BIP trust. The number of increase in treasury stock of 458 thousand, which are common stocks, was increased by 450 thousand due to the purchase of own stocks by the board incentive BIP trust and increased by 8 thousand due to the purchase of fractional numbers of less than one unit.

## 17. Dividends

Dividends for the year ended March 31, 2018 and 2017 are summarized as follows:

	2018			
	November 10, 2017		May 12, 2017	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 571 million	\$ 5,374 thousand	¥ 571 million	\$ 5,374 thousand
Dividend per stock	¥ 3.5	\$ 0.03	¥ 3.5	\$ 0.03
Base date	September 30, 2017	September 30, 2017	March 31, 2017	March 31, 2017
Effective date	December 6, 2017	December 6, 2017	June 5, 2017	June 5, 2017

	2017	
	November 11, 2016	June 23, 2016
	Resolution by the board of directors	Resolution by the general shareholders' meeting
Total dividends	¥ 572 million	¥ 653 million
Dividend per stock	¥ 3.5	¥ 4.0
Base date	September 30, 2016	March 31, 2016
Effective date	December 9, 2016	June 24, 2016

Dividend of which base date belonged to the year ended March 31, 2018 and 2017 but to be effective in the following year is summarized as follows:

	2018		2017	
	May 11, 2018		May 12, 2017	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 571 million	\$ 5,374 thousand	¥ 571 million	
Dividend per stock	¥ 17.5	\$ 0.16	¥ 3.5	
Base date	March 31, 2018	March 31, 2018	March 31, 2017	
Effective date	June 4, 2018	June 4, 2018	June 5, 2017	

Total dividends above mentioned include 1 million yen for the stocks held by the board incentive BIP trust.

Dividend per stock pursuant to the November 10, 2017 director's resolution is based on the record date of September 30, 2017 and does not reflect the stock consolidation of October 1, 2017.

Since the stock consolidation was conducted on October 1, 2017, the dividend amount per stock specifies the amount per stock following the consolidated stock, taking into account the effect of the stock consolidation.

## 18. Cash Flows

Cash and cash equivalents stated in the consolidated statement of cash flows consisted of the following:

	2018		2017		2018	
	(Millions of yen)		(Thousands of U.S.dollars)			
Cash and due from banks	¥ 82,343	¥ 153,056	\$ 775,065			
Current deposits	(92)	(134)	(865)			
Ordinary deposits	(309)	(393)	(2,908)			
Time deposits	(5,000)	(3,000)	(47,063)			
Deposits with Japan Post Bank	(169)	(99)	(1,590)			
Others	(7)	(7)	(65)			
Cash and cash equivalents	¥ 76,764	¥ 149,420	\$ 722,552			

## 19. Leases

(As lessee)

1.Finance Lease transaction

(1)Finance lease transactions that do not transfer ownership.

①Description of lease asset

Tangible fixed assets

Primarily, a portion of vehicles and electronic computers.

②Method of depreciation of lease assets

As stated in the "f. Leased assets" of "3. summary of significant Accounting Policies".

(As lessor)

Investments in leased assets at March 31, 2018 and 2017 are summarized as follows:

	2018		2017		2018	
	(Millions of yen)		(Thousands of U.S.dollars)			
Gross lease receivables	¥ 13,627	¥ 12,093	\$ 128,266			
Estimated residual values	873	735	8,217			
Unearned interest income	(1,897)	(1,678)	(17,855)			
Investments in leased assets	¥ 12,603	¥ 11,149	\$ 118,627			

Maturities of lease receivables at March 31, 2018 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S.dollars)
2019	¥ 4,103	\$ 38,620
2020	3,376	31,777
2021	2,541	23,917
2022	1,715	16,142
2023	953	8,970
2024 and thereafter	936	8,810

Maturities of lease receivables at March 31, 2017 are as follows:

Years ending March 31	(Millions of yen)
2018	¥ 3,755
2019	3,026
2020	2,345
2021	1,558
2022	790
2023 and thereafter	616

## 20. Financial Instruments

1. Matters relating to the state of financial instruments

(1) Policy for financial instruments

The Yamagata Bank group (referred to as the "Bank" below) provides financial services mainly connected with the banking business including deposits, loans, buying and selling trading securities and security investments. In the banking business, which is the main business of the Bank, funds are raised by means such as accepting deposits and borrowing money from the call money market, and are invested by providing loans and buying securities. Financial assets and liabilities are susceptible to interest rate fluctuations, so the Bank bears market risk, which is the risk of loss caused by changes in financial market conditions (for example, interest rate risk and price fluctuation risk), and the risk of failing to raise sufficient funds.

The Bank performs comprehensive asset and liability management (ALM) to appropriately control the balance of profit and risk in a way that suits fund raising and investment policy as well as taking into consideration the state of assets and liabilities and the trends of the financial and capital markets. The Bank uses derivatives as part of such management.

(2) Nature and risk of financial instruments

The Bank's financial assets consist mainly of loans to domestic companies and individuals, and the Bank is exposed to the credit risks arising from customers' default on their loans. Securities mainly consist of stocks, bonds and investment trusts, some of which are held until the maturity date, others are held for purposes such as investment and business promotion. Those securities are exposed to credit risk of the relevant issuer, the risks of fluctuations in interest rates and market prices.

Deposits, call money, etc., that are financial liabilities have interest rate fluctuation risks caused by differences in interest rates and the periods between financial liabilities and financial assets. Financial liabilities also have the funding risk of loss due to inability to raise funds, because of reasons such as unexpected outflow of funds, and by raising funds at interest rates much higher than the normal rate because of unavoidable reasons; and the market liquidity risk of loss caused by the inability to raise the required funds because of disruption such as a credit crunch in the entire market and by trading at prices greatly disadvantageous compared with the normal price.

(3) Risk management for financial instruments

i. Credit risk management

The Bank measures the risk amount through credit judgments, credit ratings and self-assessments, attaching importance to the public good, safety, growth potential and profitability, and controls the risk on the principle of elimination of concentration on specific customers, in accordance with credit policy (lending standards), which states the basic ideas about lending, the code of conduct and other matters, and with the credit risk management rules, which specify credit risk management methods.

The Bank's credit review division and sales promotion division are separated to ensure independence of each other and stringent

credit risk management.

The Bank conducts rigorous self-assessment, which includes audits by the audit division, from the aspect of securing the soundness of the assets. Based on the results, the Bank appropriately writes off bad debts and sets aside reserves.

The Bank has a credit rating system for business loans to understand the true state of companies from both quantitative and qualitative aspects.

To reduce and offset credit risk, the Bank receives collateral and guarantees for lending transactions and offsets loans against deposits. The basic ideas about security are stated in the credit policy, and security assessments, management policies and procedures are set out in the operation manual.

Measurement method and procedures for credit risk amount are stipulated in the operation manual and the risk is measured monthly based on the borrowers' credit rating and other factors. The results are reported to the ALM Council (the board of managing directors).

ii. Market risk management

a. Interest rate risk management

The Bank's interest rate fluctuation risk is managed by ALM. Risk management methodology and procedures are stated in detail in the rules and manuals related to ALM. Present conditions are checked, state of execution is checked and future actions are discussed by the ALM Council, based on the outcome of the deliberations of the ALM Committee.

Risks are monitored using methodology such as basis point value (BPV) and value at risk (VaR), and mainly with gap analyses and interest rate sensitivity analyses, and the results are reported monthly to the ALM Council. As part of ALM, derivatives such as interest rate swap transactions are conducted to hedge interest rate risks.

b. Price fluctuation risk management

Trading and management of investment instruments such as securities are performed in accordance with the investment policy and risk management policy as determined by the board of directors half-yearly. The middle section of the Financial Market Division and the Risk Control Section of the General Planning & Coordinations Division measure market risk for securities investments quantitatively and comprehensively using VaR, etc. The results are reported to the relevant directors, the ALM Council, etc., with the frequency set for each financial instrument to check the state of compliance with the rule.

c. Quantitative information concerning market risk

The principal financial instruments that are subject to interest rate risk and price fluctuation risk, which are the main risk variables affecting the Bank, are loans and bills discounted, securities, deposits and derivatives transactions.

The variance-covariance method (holding period: 90 days\*, confidence interval: 99%, observation period: 250 business days) was used for the calculation of VaR, the market risk volume. The volume of overall market risk (estimated loss) as of March 31, 2018 (consolidated accounts settlement date) and 2017 were ¥26,579 million (\$250,178 thousand) and ¥26,173 million.

The Bank believes that the measurement model estimates market risk with sufficient accuracy because the Bank examines the model by means such as performing backtesting to compare the VaR calculated using the model with the actual profit and loss.

However, VaR measures market risk volume with a certain probability that is calculated statistically based on historical market movements, and therefore VaR may fail to represent risk in the case of exceptionally drastic change in market conditions.

\* Holding period for shares purchased for the business relationship, which are included in the securities: 125 days.

iii. Liquidity risk management

Sections managing liquidity risks at the Bank are clearly stated in the liquidity risk management rule that stipulate the liquidity risk management procedures, system and so on. The Bank has a management system to secure sufficient liquidity in case of unexpected events by setting liquidity standards for various cases including times of normality, times of concern, and times of emergency.

(4) Supplementary explanation of fair values, of financial instruments

Fair value of financial instruments includes market price as well as reasonably determined value where market price is unavailable. The reasonably determined value could differ depending on different conditions and assumptions because calculation of such value is conducted based on certain conditions and assumptions.



2. Fair value of financial instruments

Carrying amount and fair value, as of March 31, 2018 and 2017, and the difference between the values are shown in the table below. Unlisted stocks and others whose fair value is deemed to be extremely difficult to determine are not listed in the table (see Note 2). Accounts considered to be immaterial are omitted.

<March 31, 2018> (Millions of yen)

	Carrying amount	Fair Value	Difference
(1) Cash and due from banks	¥ 82,343	¥ 82,343	¥ -
(2) Securities			
Held-to-maturity bonds	9,287	9,402	114
Other securities	713,214	713,214	-
(3) Loans and bills discounted	1,726,334		
Reserve for possible loan losses (*1)	(7,133)		
	1,719,201	1,738,863	19,661
<b>Total assets</b>	<b>2,524,046</b>	<b>2,543,822</b>	<b>19,775</b>
(1) Deposits	2,206,819	2,206,872	53
(2) Negotiable certificates of deposit	114,497	114,497	0
(3) Payables under securities leading transactions	26,536	26,536	-
(4) Borrowed money	54,245	54,265	19
(5) Bonds with stock acquisition rights	10,624	10,641	17
<b>Total liabilities</b>	<b>2,412,722</b>	<b>2,412,812</b>	<b>90</b>
Derivatives transactions (*2)			
To which hedge accounting is not applied	11	11	-
To which hedge accounting is applied	(3,146)	(3,146)	-
<b>Total derivatives</b>	<b>¥ (3,135)</b>	<b>¥ (3,135)</b>	<b>¥ -</b>

<March 31, 2018> (Thousands of U.S. dollars)

	Carrying amount	Fair Value	Difference
(1) Cash and due from banks	\$ 775,065	\$ 775,065	\$ -
(2) Securities			
Held-to-maturity bonds	87,415	88,497	1,073
Other securities	6,713,234	6,713,234	-
(3) Loans and bills discounted	16,249,378		
Reserve for possible loan losses (*1)	(67,140)		
	16,182,238	16,367,309	185,062
<b>Total assets</b>	<b>23,757,963</b>	<b>23,944,107</b>	<b>186,135</b>
(1) Deposits	20,772,016	20,722,515	498
(2) Negotiable certificates of deposit	1,077,720	1,077,720	0
(3) Payables under securities leading transactions	249,774	249,774	-
(4) Borrowed money	510,589	510,777	178
(5) Bonds with stock acquisition rights	100,000	100,160	160
<b>Total liabilities</b>	<b>22,710,109</b>	<b>22,710,956</b>	<b>847</b>
Derivatives transactions (*2)			
To which hedge accounting is not applied	103	103	-
To which hedge accounting is applied	(29,612)	(29,612)	-
<b>Total derivatives</b>	<b>\$ (29,508)</b>	<b>\$ (29,508)</b>	<b>\$ -</b>

(\*1) General reserve and specific reserve for possible loan losses corresponding to loans and bills discounted are deducted.

(\*2) Derivative transactions recorded in other assets and other liabilities are presented on a net basis.

<March 31, 2017> (Millions of yen)

	Carrying amount	Fair Value	Difference
(1) Cash and due from banks	¥ 153,056	¥ 153,056	¥ -
(2) Securities			
Held-to-maturity bonds	9,127	9,289	162
Other securities	699,830	699,830	-
(3) Loans and bills discounted	1,674,250		
Reserve for possible loan losses (*1)	(6,563)		
	1,667,687	1,689,417	21,730
<b>Total assets</b>	<b>2,529,701</b>	<b>2,551,594</b>	<b>21,892</b>
(1) Deposits	2,180,460	2,180,615	154
(2) Negotiable certificates of deposit	115,701	115,701	0
(3) Payables under securities leading transactions	45,126	45,126	-
(4) Borrowed money	53,245	53,211	(34)
(5) Bonds with stock acquisition rights	11,219	11,417	198
<b>Total liabilities</b>	<b>2,405,754</b>	<b>2,406,073</b>	<b>318</b>
Derivatives transactions (*2)			
To which hedge accounting is not applied	(38)	(38)	-
To which hedge accounting is applied	(3,538)	(3,538)	-
<b>Total derivatives</b>	<b>¥ (3,577)</b>	<b>¥ (3,577)</b>	<b>¥ -</b>

Note 1 Method to calculate fair values of financial instruments

Assets

(1) Cash and due from banks

Concerning due from banks without maturity, the carrying amount is reported as fair value because the fair value is approximately the same as the carrying amount. Concerning due from banks with maturity, the carrying amount is reported as fair value because the remaining periods are as short as less than one year, and the fair value is approximately the same as the carrying amount.

(2) Securities

Fair value of stocks is determined based on the exchange price, and that of bonds based on the exchange price or price quoted by the counter party financial institutions. Fair value of investment trusts is determined based on the price publicly available. Fair value of privately placed guaranteed bonds is calculated by discounting the total amount of principal and interest at an interest rate deemed to be applicable to similar bonds by categories based on internal ratings and terms of the bonds.

(3) Loans and bills discounted

Fair value of loans and bills discounted is calculated by categorizing the loans based on the type, internal rating, term (the remaining period or the period between interest rate renewals), and then discounting the total of the principals and interest with a rate expected of a new similar loan. For loans with short remaining periods (less than one year), the carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

For receivables from "legally bankrupt", "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on factors such as present value of expected future cash flow and expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected loan losses at the end of the year, such carrying amount is presented as fair value. Concerning loans whose maturity dates were not set because they were limited to within the values of the collateral offered as security, the carrying amount is reported as fair value because the fair value is expected to be approximately the same as the carrying amount considering expected periods of repayments and the terms of interest rate.

Liabilities

(1) Deposits, and (2) negotiable certificates of deposit

Concerning demand deposits, the amounts to be paid if such deposits were withdrawn on the end of the year (book values) are regarded as fair value. Time deposits are separated by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for new deposit-taking. For those with short remaining periods (less than one year), their carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

(3) Payables under securities lending transactions.

The carrying amount is reported as fair value for payables under securities lending transactions because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

(4) Borrowed money

Fair value of borrowed money is calculated by discounting the total amount of the principal and interest of such borrowed money classified by the type, and the remaining period at the interest rates considered to be applicable to new similar borrowed money. The fair value of short-term borrowed money with remaining period as of the end of the fiscal year not exceeding one year is based on the carrying amount because the fair value is approximately the same as the carrying amount.

(5) Bonds with stock acquisition rights

Fair value for bonds with stock acquisition rights is determined based on the exchange price.

Derivative transactions

Matters related to derivatives transactions are as stated in the Note 23 "Fair Value Information on Derivatives".

Note 2 Financial instruments whose fair value is deemed to be extremely difficult to determine were as follows. These were not included in the Asset, "(2) Securities" in "Fair value of financial instruments".

Category	Carrying amount		
	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)
Unlisted stocks (*1)(*2)	¥ 1,590	¥ 1,590	\$ 14,966
Investment in partnerships (*3) and others	8,903	7,004	83,800
<b>Total</b>	<b>¥ 10,493</b>	<b>¥ 8,595</b>	<b>\$ 98,766</b>

(\*1) Unlisted stocks are not subject to fair value disclosure because of the extreme difficulty in determining their fair values as they are not sold in the market.

(\*2) Impairment accounting was applied to unlisted stocks of ¥ 14 million in the previous consolidated fiscal year. Impairment accounting was applied to unlisted stocks of ¥ 2 million (\$18 thousand) in this consolidated fiscal year.

(\*3) In the case that partnership assets consist of unlisted stocks whose fair value is deemed to be extremely difficult to determine, investment in partnerships is not subject to fair value disclosure.

Note 3 Scheduled redemption amounts of financial assets and securities with maturities

<March 31, 2018>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 82,343	¥ -	¥ -	¥ -	¥ -	¥ -
Securities	109,143	169,307	121,673	96,361	88,696	68,554
Held-to-maturity bonds	1,828	3,914	2,967	577	-	-
Corporate bonds	1,828	3,914	2,967	577	-	-
Other securities with a maturity date	107,314	165,393	118,706	95,784	88,696	68,554
Japanese government bonds	36,423	97,799	42,428	41,682	8,255	32,916
Municipal bonds	36,120	10,357	25,333	12,250	19,297	21,603
Corporate bonds	16,868	36,989	30,752	24,330	15,252	-
Other	17,901	20,247	20,192	17,520	45,890	14,035
Loans and bills discounted (*)	403,781	323,922	252,227	164,436	158,122	407,256
<b>Total</b>	<b>¥ 595,267</b>	<b>¥ 493,230</b>	<b>¥ 373,901</b>	<b>¥ 260,798</b>	<b>¥ 246,818</b>	<b>¥ 475,810</b>

\* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loan to "Legally bankrupt" borrowers, loan to "Virtually bankrupt" borrowers, loan to "Possibly bankrupt" borrowers, amounting to ¥ 16,587 million (\$ 156,127 thousand) is not included in the above table.

<March 31, 2018 >

(Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	\$ 775,065	\$ -	\$ -	\$ -	\$ -	\$ -
Securities	1,027,324	1,593,627	1,145,265	907,012	834,864	645,274
Held-to-maturity bonds	17,206	36,841	27,927	5,431	-	-
Corporate bonds	17,206	36,841	27,927	5,431	-	-
Other securities with a maturity date	1,010,109	1,556,786	1,117,338	901,581	834,864	645,274
Japanese government bonds	342,836	920,547	399,359	392,338	77,701	309,826
Municipal bonds	339,984	97,486	238,450	115,304	181,635	203,341
Corporate bonds	158,772	348,164	289,457	229,009	143,561	-
Other	168,495	190,577	190,060	164,909	431,946	132,106
Loans and bills discounted	3,800,649	3,048,964	2,374,124	1,547,778	1,488,347	3,833,358
<b>Total</b>	<b>\$ 5,603,040</b>	<b>\$ 4,642,601</b>	<b>\$ 3,519,399</b>	<b>\$ 2,454,800</b>	<b>\$ 2,323,211</b>	<b>\$ 4,478,633</b>

<March 31, 2017>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 153,056	¥ -	¥ -	¥ -	¥ -	¥ -
Securities	72,915	239,009	95,789	89,180	87,986	66,035
Held-to-maturity bonds	1,786	3,562	2,838	939	-	-
Corporate bonds	1,786	3,562	2,838	939	-	-
Other securities with a maturity date	71,128	235,446	92,951	88,240	87,986	66,035
Japanese government bonds	34,244	110,091	43,364	50,301	23,234	32,114
Municipal bonds	6,811	47,381	7,931	4,415	10,157	21,715
Corporate bonds	18,473	44,163	28,478	14,675	14,753	-
Other	11,598	33,810	13,176	18,847	39,841	12,206
Loans and bills discounted (*)	391,552	326,267	255,110	156,391	162,614	365,378
<b>Total</b>	<b>¥ 617,525</b>	<b>¥ 565,277</b>	<b>¥ 350,899</b>	<b>¥ 245,571</b>	<b>¥ 250,601</b>	<b>¥ 431,414</b>

\* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loan to "Legally bankrupt" borrowers, loan to "Virtually bankrupt" borrowers, loan to "Possibly bankrupt" borrowers, amounting to ¥ 16,934 million is not included in the above table.

Note 4 Scheduled repayment amounts of bonds, borrowed money and other interest bearing liabilities

<March 31, 2018>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	¥ 2,066,726	¥ 126,655	¥ 13,436	¥ -	¥ -	¥ -
Negotiable certificates of deposit	114,277	220	-	-	-	-
Payable under securities lending transactions	26,536	-	-	-	-	-
Borrowed money	51,980	1,645	597	11	9	-
Bonds with stock acquisition right	-	10,624	-	-	-	-
<b>Total</b>	<b>¥ 2,259,520</b>	<b>¥ 139,145</b>	<b>¥ 14,034</b>	<b>¥ 11</b>	<b>¥ 9</b>	<b>¥ -</b>

\* Demand deposits are included in "Due in 1 year or less".



<March 31, 2018>

(Thousands of U.S.dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits	\$ 19,453,369	\$ 1,192,159	\$ 126,468	\$ —	\$ —	\$ —
Negotiable certificates of deposit	1,075,649	2,070	—	—	—	—
Payable under securities lending transactions	249,774	—	—	—	—	—
Borrowed money	489,269	15,483	5,619	103	84	—
Bonds with stock acquisition right	—	100,000	—	—	—	—
Total	\$ 21,268,072	\$ 1,309,723	\$ 132,097	\$ 103	\$ 84	\$ —

<March 31, 2017>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	¥ 2,031,664	¥ 139,783	¥ 9,013	¥ —	¥ —	¥ —
Negotiable certificates of deposit	115,671	30	—	—	—	—
Payable under securities lending transactions	45,126	—	—	—	—	—
Borrowed money	51,241	1,467	521	15	—	—
Bonds with stock acquisition right	—	11,219	—	—	—	—
Total	¥ 2,243,704	¥ 152,499	¥ 9,535	¥ 15	¥ —	¥ —

\*Demand deposits are included in "Due in 1 year or less".

## 21. Securities

Trading securities, marketable securities classified as held-to-maturity bonds and other securities at March 31, 2018 and 2017 are summarized as follows:

1.Trading securities (as of March 31, 2018)	Unrealized holding gain charged to current operations (Millions of yen)	Unrealized holding gain charged to current operations (Thousands of U.S.dollars)	Trading securities (as of March 31, 2017)	Unrealized holding gain charged to current operations (Millions of yen)
	¥ 0	\$ 0		¥ 0

2. Held-to-maturity bonds (as of March 31, 2018)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Fair value	Difference	Carrying Value	Fair value	Difference
Fair value exceeding carrying value	Japanese government bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	8,604	8,722	117	80,986	82,097	1,101
	Other	—	—	—	—	—	—
	Subtotal	8,604	8,722	117	80,986	82,097	1,101
Fair value not exceeding carrying value	Japanese government bonds	—	—	—	—	—	—
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	683	679	(3)	6,428	6,391	(28)
	Other	—	—	—	—	—	—
	Subtotal	683	679	(3)	6,428	6,391	(28)
Total		¥ 9,287	¥ 9,402	¥ 114	\$ 87,415	\$ 88,497	\$ 1,073

Held-to-maturity bonds (as of March 31, 2017)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Fair value exceeding carrying value	Japanese government bonds	¥ —	¥ —	¥ —
	Municipal bonds	—	—	—
	Short-term bonds	—	—	—
	Corporate bonds	8,539	8,709	170
	Other	—	—	—
	Subtotal	8,539	8,709	170
Fair value not exceeding carrying value	Japanese government bonds	—	—	—
	Municipal bonds	—	—	—
	Short-term bonds	—	—	—
	Corporate bonds	587	579	(7)
	Other	—	—	—
	Subtotal	587	579	(7)
Total		¥ 9,127	¥ 9,289	¥ 162

3. Other securities (as of March 31, 2018)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Cost	Difference	Carrying value	Cost	Difference
Carrying value exceeding cost	Stocks	¥ 37,224	¥ 18,301	¥ 18,923	\$ 350,376	\$ 172,260	\$ 178,115
	Bonds	435,108	425,879	9,229	4,095,519	4,008,650	86,869
	Japanese government bonds	225,951	220,839	5,111	2,126,797	2,078,680	48,108
	Municipal bonds	124,962	121,627	3,335	1,176,223	1,144,832	31,391
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	84,194	83,411	782	792,488	785,118	7,360
	Other	58,067	56,340	1,727	546,564	530,308	16,255
	Foreign bonds	29,927	29,716	211	281,692	279,706	1,986
	Other	28,139	26,624	1,515	264,862	250,602	14,260
		Subtotal	530,400	500,520	29,879	4,992,469	4,711,219
Carrying value not exceeding cost	Stocks	3,596	3,924	(328)	33,847	36,935	(3,087)
	Bonds	73,552	74,026	(473)	692,319	696,780	(4,452)
	Japanese government bonds	33,554	33,938	(384)	315,832	319,446	(3,614)
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	39,998	40,087	(88)	376,487	377,324	(828)
	Other	106,078	108,430	(2,352)	998,475	1,020,613	(22,138)
	Foreign bonds	49,063	49,939	(875)	461,812	470,058	(8,236)
	Other	57,014	58,491	(1,476)	536,652	550,555	(13,893)
		Subtotal	183,227	186,381	(3,153)	1,724,651	1,754,339
Total		¥ 713,628	¥686,902	¥ 26,725	\$ 6,717,131	\$6,465,568	\$ 251,553

Other securities (as of March 31, 2017)

(Millions of yen)

	Type	Carrying value	Cost	Difference
Carrying value exceeding cost	Stocks	¥ 33,568	¥ 17,252	¥ 16,316
	Bonds	431,068	420,364	10,704
	Japanese government bonds	256,302	250,206	6,095
	Municipal bonds	93,041	89,590	3,450
	Short-term bonds	—	—	—
	Corporate bonds	81,724	80,567	1,157
	Other	76,017	73,478	2,539
	Foreign bonds	44,571	43,604	966
	Other	31,446	29,873	1,573
		Subtotal	540,655	511,095
Carrying value not exceeding cost	Stocks	2,389	2,557	(167)
	Bonds	81,240	82,291	(1,050)
	Japanese government bonds	37,048	37,868	(820)
	Municipal bonds	5,371	5,409	(37)
	Short-term bonds	—	—	—
	Corporate bonds	38,820	39,012	(192)
	Other	76,602	78,013	(1,410)
Foreign bonds	36,418	36,914	(496)	
Other	40,184	41,098	(914)	
	Subtotal	160,233	162,862	(2,628)
Total		¥ 700,888	¥673,967	¥ 26,931

4. Held-to-maturity bonds sold during the year ended March 31,2018

(Millions of yen)

(Thousands of U.S. dollars)

	Cost	Proceeds from sales	Gain(loss) on sales	Cost	Proceeds from sales	Gain(loss) on sales
Corporate bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Total	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —

Held-to-maturity bonds sold during the year ended March 31,2017

(Millions of yen)

	Cost	Proceeds from sales	Gain(loss) on sales
Corporate bonds	¥ 332	¥ 335	¥ 3
Total	¥ 332	¥ 335	¥ 3

The sales are due to redemption of securities.

5. Other securities sold during the year ended March 31, 2018

(Millions of yen)

(Thousands of U.S. dollars)

	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 8,954	¥ 2,270	¥ 108	\$ 84,280	\$ 21,366	\$ 1,016
Bonds	323,337	1,144	449	3,043,458	10,768	4,226
Japanese government bonds	312,542	1,125	345	2,941,848	10,589	3,247
Municipal bonds	5,679	19	—	53,454	178	—
Short-term bonds	—	—	—	—	—	—
Corporate bonds	5,115	—	104	48,145	—	978
Other	42,958	1,174	697	404,348	11,050	6,560
Total	¥ 375,250	¥ 4,589	¥ 1,256	\$ 3,532,097	\$ 43,194	\$ 11,822

Other securities sold during the year ended March 31, 2017

(Millions of yen)

	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 8,729	¥ 2,755	¥ 226
Bonds	232,710	3,474	2,477
Japanese government bonds	221,330	3,433	2,476
Municipal bonds	10,880	40	—
Short-term bonds	—	—	—
Corporate bonds	499	—	0
Other	66,317	1,293	1,412
Total	¥ 307,757	¥ 7,523	¥ 4,116

6. Securities which have readily determinable fair value are devaluated to fair value, and the difference between cost and fair value is treated as loss for the fiscal year if fair value has significantly deteriorated compared with cost and fair value is unlikely to recover up to the acquisition cost. The amount of the impairment loss for the year ended March 31, 2017 was zero. The amount of the impairment loss for the year ended March 31, 2018 was zero. The criteria for determining whether a security's fair value has "significantly deteriorated" are: where a security whose fair value is 50% or less and where a security whose fair value exceeds 50% but is 70% or less of the acquisition cost, considering the quoted market price transition during a certain period in the past, business performance and other factors.

## 22. Net Unrealized Holding Gain on Securities Available for Sale

The components of net unrealized holding gain on securities available for sale recorded on the consolidated financial statements at March 31, 2018 and 2017 are as follows:

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)
Valuation Gains (losses)	¥ 26,725	¥ 26,931	\$ 251,553
Other Securities	26,725	26,931	251,553
Other moneys in trust	—	—	—
(△) Deferred tax liabilities	8,071	8,107	75,969
Net unrealized holding gain on securities available for sale (before adjustment based on equivalent amount of shareholdings)	18,654	18,824	175,583
(△) Amount equivalent to non-controlling interests equity	—	—	—
(+) Net unrealized holding gain on securities available for sale owned by companies accounted for using the equity method, the amount equivalent to owners of parent.	—	—	—
Net unrealized holding gain on securities available for sale	¥ 18,654	¥ 18,824	\$ 175,583

## 23. Fair Value Information on Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Derivative transaction to which hedge accounting was not applied are set forth in the table below. Contract amounts themselves do not reflect the market risks of the derivative transactions.

Currency-related transactions

<March 31, 2018>

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Forward exchange contracts								
	Sold	¥ 6,651	¥ —	¥ 10	¥ 10	\$ 62,603	\$ —	\$ 94	\$ 94
	Bought	6,310	—	0	0	59,393	—	0	0

<March 31, 2017>

(Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Forward exchange contracts				
	Sold	¥ 12,188	¥ —	¥ (31)	¥ (31)
	Bought	1,039	—	(7)	(7)

- The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statement of income.
- Fair values are obtained using the discounted cash flow, etc.

(2) Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting is applied are set forth in the table below. Contract amounts themselves below do not represent the market risks of the derivative transactions.

Interest rate-related transactions (as of March 31, 2018)

(Millions of yen)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 67,753	¥ 65,753	¥ (3,143)	\$ 637,735	\$ 618,910	\$ (29,583)
			10,000	—	—	94,126	—	—
Exceptional method	Interest rate swaps receive-floating/pay-fixed	Loans	—	—	—	—	—	\$ (29,583)
Total			—	—	¥ (3,143)	—	—	—

Interest rate-related transactions (as of March 31, 2017)

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 67,929	¥ 65,929	¥ (3,708)
			10,000	10,000	—
Exceptional method	Interest rate swaps receive-floating/pay-fixed	Loans	—	—	—
Total			—	—	¥ (3,708)

- The above transactions apply deferral hedge accounting stipulated in JICPA Industry Audit Committee Report No. 24 February 2, 2002. "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking industry."
- The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.
- Since derivative transactions qualifying for the exceptional method are treated as a unit of loans, those fair values are included in fair values of such loans.

Currency-related transactions (as of March 31, 2018)

(Millions of yen)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Call loans in foreign currency/Call money in foreign currencies	¥ 7,128	¥ 2,519	¥ (3)	\$ 67,093	\$ 23,710	\$ (28)
			—	—	—	—	—	—
Total			—	—	¥ (3)	—	—	\$ (28)

Currency-related transactions (as of March 31, 2017)

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Call loans in foreign currency/Call money in foreign currencies	¥ 23,366	¥ 4,936	¥ 169
			—	—	—
Total			—	—	¥ 169

- The above transactions apply deferral hedge accounting stipulated in JICPA Industry Audit Committee Report No. 25 July 29, 2002. "Treatment for Accounting and Auditing for Transactions in foreign currencies, in Banking industry."
- The fair value is calculated based on the discounted present value.

## 24. Retirement Benefit Plans

The Bank and the consolidated subsidiaries have defined-benefit corporation pension funds and lump-sum retirement benefits. Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities. The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet for the Bank's and the consolidated subsidiaries' defined retirement benefit plans:

(1) The changes on the retirement benefit obligation during the year ended March 31, 2018 and 2017 are as follows:

(2) The changes in plan assets during the year ended March 31, 2018 and 2017 are as follows:

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	¥ 16,374	¥ 17,071	\$ 154,122
Service cost	515	547	4,847
Interest cost	97	68	913
Actuarial gain/loss	492	(546)	4,631
Retirement benefits paid	(755)	(766)	(7,106)
Prior service cost	—	—	—
Other	—	—	—
Retirement benefit obligation at the end of the year	¥ 16,723	¥ 16,374	\$ 157,407

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S. dollars)
Plan assets at the beginning of the year	¥ 17,268	¥ 17,136	\$ 162,537
Expected return on plan assets	448	394	4,216
Actuarial gain/loss	281	129	2,644
Contributions by employers	303	307	2,852
Contributions by employees	59	60	555
Retirement benefits paid	(756)	(760)	(7,115)
Other	—	—	—
Plan assets at the end of the year	¥ 17,605	¥ 17,268	\$ 165,709



(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the bank's and the consolidated subsidiaries' defined benefit plans:

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Funded retirement benefit obligation ...	¥ 16,675	¥ 16,327	\$ 156,955
Plan assets at fair value ...	(17,605)	(17,268)	(165,709)
	(930)	(940)	(8,753)
Unfunded retirement benefit obligation ...	48	47	451
Net liability for retirement benefits in the consolidated balance sheet ...	(881)	(893)	(8,292)
Liability for retirement benefits ...	48	47	451
Assets for retirement benefits ...	930	940	8,753
Net liability for retirement benefits in consolidated balance sheet	¥ (881)	¥ (893)	\$ (8,292)

(4) The components of retirement benefit expense for the year ended March 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Service cost .....	¥ 455	¥ 486	\$ 4,282
Interest cost .....	97	68	913
Expected return on plan assets ...	(448)	(394)	(4,216)
Amortization of actuarial gain/loss cost ...	17	167	160
Amortization of prior service cost ...	—	—	—
Other .....	—	—	—
Retirement benefit expense ...	¥ 121	¥ 327	\$ 1,138

Notes

- Concerning the consolidated subsidiaries that use a simplified method, all of the retirement benefit cost is included in the service cost.
- Service cost does not include the amounts contributed by employees with respect to corporate pension fund plans.

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Prior service cost .....	¥ —	¥ —	\$ —
Actuarial gain and loss .....	(194)	843	(1,826)
Other .....	—	—	—
Total .....	¥ (194)	¥ 843	\$ (1,826)

(6) Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Unrecognized prior service cost ...	¥ —	¥ —	\$ —
Unrecognized actuarial gain/loss ...	(159)	34	(1,496)
Other .....	—	—	—
Total .....	¥ (159)	¥ 34	\$ (1,496)

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Bonds .....	30%	35%
Stocks .....	33%	32%
General account .....	28%	28%
Other .....	9%	5%
Total .....	100%	100%

Notes

- The expected long-term return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term return on assets held in each category.

(8) The assumptions used in accounting for the above plans are as follows:

	<b>2018</b>	<b>2017</b>
1) Discount rate: .....	0.5%	0.6%
2) Expected rate of long-term return on assets: ...	2.6%	2.3%

## 25. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2018 and 2017 are summarized as follows:

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Deferred tax assets:			
Reserve for possible loan losses	¥ 2,107	¥ 1,758	\$ 19,832
Devaluation on securities	240	246	2,259
Depreciation	713	753	6,711
Tax loss carryforwards	461	459	4,339
Deferred gain (loss) on hedging instruments	958	1,131	9,017
Other	1,647	1,174	15,502
Subtotal: deferred tax assets	6,129	5,522	57,690
Valuation allowance	(1,308)	(1,355)	(12,311)
Total: deferred tax assets	4,821	4,167	45,378
Deferred tax liabilities:			
Net unrealized holding gains on securities available for sale	(8,071)	(8,107)	(75,969)
Net defined benefits assets	(283)	(271)	(2,663)
Other	(150)	(4)	(1,411)
Total: deferred tax liabilities	(8,505)	(8,383)	(80,054)
Net deferred tax assets (liabilities)	¥ (3,684)	¥ (4,216)	\$ (34,676)

Note: Net deferred tax assets (liabilities) as of March 31, 2018 and 2017 were included in the following accounts in the consolidated balance sheets.

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Deferred tax assets	¥ 289	¥ 291	\$ 2,720
Deferred tax liabilities	(3,973)	(4,507)	(37,396)

For the fiscal year ended March 31, 2018, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate was as follows:

	<b>2018</b>	<b>2017</b>
Statutory tax rate	30.50%	—
Valuation allowance	(0.69%)	—
Non-deductible expenses	0.50%	—
Non-taxable income	(0.78%)	—
Per capita inhabitants' tax rate	0.50%	—
Others	(1.37%)	—
Effective tax rate	28.66%	—

Note: For the fiscal year ended March 31, 2017, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate is not stated as the difference between them is less than 5% of the statutory tax rate.

## 26. Asset Retirement Obligations

Among asset retirement obligations, recorded amounts on the consolidated financial statements.

A. Summary description of the asset retirement obligations  
Obligation to restore to original condition, under leasing agreements for land for operating facilities and for ATMs outside of the bank facilities, obligation to remove toxic substances used at a portion of the operating facilities and the administrative center, due to legal requirements, etc.

B. Calculation Method of Amount of Asset Retirement Obligations  
The asset retirement obligation amounts are calculated by estimating the period of use to be from 6 years to 30 years from time of acquisition, using a discount rate of 0.0% to 2.0% based on the government bond yields as a reference.

C. Gains/Losses in total asset retirement obligation

	<b>2018</b>	<b>2017</b>	<b>2018</b>
	(Millions of yen)		(Thousands of U.S.dollars)
Balance at beginning of year	¥ 123	¥ 122	\$ 1,157
Increase in amount due to acquisition of tangible fixed assets	10	0	94
Adjustment due to the passage of time	0	0	0
Reduction due to performance of asset retirement obligations	0	0	0
Balance at the end of the year	¥ 134	¥ 123	\$ 1,261

## 27. Segment Information

1. Outline of reportable segments

Reportable segments are components for which separate financial information is available and that are subject to periodic examination by the board of directors to determine the allocation of management resources and assess performances.

The Bank and its consolidated subsidiaries comprise of the Bank and 7 consolidated subsidiaries that are engaged in the financial services business that includes mainly banking services as well as leasing services.

Therefore, the reportable segments of the Bank and its consolidated subsidiaries comprise 'Banking' and 'Leasing' that are distinguished by the type of the business.

'Banking' includes deposit taking, lending, investment in securities and exchange services.

'Leasing' represents lease business by Yamagin Lease Co., Ltd., one of the consolidated subsidiaries.

2. Calculation method of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies in Note 3, "Summary of Significant Accounting Policies", are adopted for the reportable segments.

Reportable segment profit corresponds to ordinary income (net).

Ordinary income arising from intersegment transactions is based on arm's length prices.

3. Information of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	¥ 35,957	¥ 5,108	¥ 41,065	¥ 1,423	¥ 42,488	¥ —	¥ 42,488
Intersegment	189	114	304	982	1,286	(1,286)	—
Total	36,146	5,222	41,369	2,405	43,775	(1,286)	42,488
Segment profit (loss)	6,367	(2)	6,365	640	7,005	133	7,138
Segment assets	2,606,825	15,952	2,622,777	12,824	2,635,601	(17,421)	2,618,179
Segment liabilities	2,455,545	12,549	2,468,095	8,435	2,476,531	(15,794)	2,460,737
Other items							
Depreciation	1,103	15	1,119	3	1,122	—	1,122
Interest income	25,188	0	25,188	84	25,272	(86)	25,186
Interest expense	2,147	64	2,212	32	2,244	(76)	2,168
Increase in tangible fixed assets and intangible fixed assets	1,692	52	1,745	6	1,751	—	1,751

Year ended March 31, 2018

(Thousands of U.S.dollars)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	\$ 338,452	\$ 48,082	\$ 386,534	\$ 13,395	\$ 399,930	\$ —	\$ 399,930
Intersegment	1,782	1,079	2,862	9,249	12,112	(12,112)	—
Total	340,234	49,162	389,397	22,645	412,042	(12,112)	399,930
Segment profit (loss)	59,933	(19)	59,913	6,026	65,939	1,252	67,192
Segment assets	24,537,136	150,153	24,687,289	120,709	24,807,999	(163,986)	24,644,013
Segment liabilities	23,113,196	118,126	23,231,322	79,400	23,310,722	(148,664)	23,162,058
Other items							
Depreciation	10,386	149	10,535	29	10,565	—	10,565
Interest income	237,089	2	237,092	790	237,883	(810)	237,072
Interest expense	20,212	608	20,821	303	21,125	(716)	20,408
Increase in tangible fixed assets and intangible fixed assets	15,928	498	16,426	60	16,487	—	16,487

Notes

- Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.
- "Other" represents business segments that are not the reportable segments and comprises business support service, credit guarantee service, data processing, credit card business, venture capital business, etc.
- "Adjustments" are as follows:  
"Adjustments for segment profit" are eliminations of intersegment transactions.
- "Segment profit (loss)" corresponds to ordinary income(net) of Consolidated Statements of Income.

Year ended March 31, 2017

(Millions of yen)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	¥ 39,467	¥ 4,815	¥ 44,282	¥ 1,575	¥ 45,857	¥ 28	¥ 45,886
Intersegment	200	115	316	867	1,183	(1,183)	—
<b>Total</b>	<b>39,667</b>	<b>4,930</b>	<b>44,598</b>	<b>2,442</b>	<b>47,041</b>	<b>(1,155)</b>	<b>45,886</b>
Segment profit	7,254	111	7,365	650	8,016	67	8,083
Segment assets	2,602,273	14,944	2,617,217	12,288	2,629,505	(16,721)	2,612,784
Segment liabilities	2,454,342	11,540	2,465,882	8,372	2,474,255	(14,985)	2,459,270
Other items							
Depreciation	952	13	966	3	970	—	970
Interest income	25,354	3	25,357	194	25,551	(93)	25,457
Interest expense	2,459	62	2,521	47	2,569	(88)	2,480
Increase in tangible fixed assets and intangible fixed assets	1,963	45	2,008	3	2,012	—	2,012

## Notes

- Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.
- "Other" represents business segments that are not the reportable segments and comprises business support service, credit guarantee service, data processing, credit card business, venture capital business, etc.
- "Adjustments" are as follows:
  - "Ordinary income for External customers" is elimination related to provision of reserve for loan losses.
  - "Adjustments for segment profit" are eliminations of intersegment transactions.
- "Segment profit" corresponds to ordinary income(net) of Consolidated Statements of Income.

## 4. Related information

Information by service  
Year ended March 31, 2018

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 18,358	¥ 11,235	¥ 5,109	¥ 7,785	¥ 42,488

Year ended March 31, 2018

(Thousands of U.S.dollars)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	\$ 172,798	\$ 105,756	\$ 48,090	\$ 73,284	\$ 399,930

Information about geographical areas is omitted because the Bank and its consolidated subsidiaries conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

Year ended March 31, 2017

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 18,318	¥ 14,222	¥ 4,813	¥ 8,532	¥ 45,886

## 5. Information concerning the impairment loss of fixed assets by reportable segment

The amount of the impairment loss for the year ended March 31, 2017 was zero.

Year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other	Total
	Banking	Leasing	Total		
Impairment loss	¥ 72	¥ —	¥ 72	¥ —	¥ 72

Year ended March 31, 2018

(Thousands of U.S.dollars)

	Reportable segment			Other	Total
	Banking	Leasing	Total		
Impairment loss	\$ 684	\$ —	\$ 684	\$ —	\$ 684

## 28. Related Parties Information

Transactions with Related Parties

Transactions of the Corporation Submitting Consolidated Financial Statements with Related Parties.

Directors and Major Stockholders (only in the case of individuals) etc. of the Corporation Submitting Consolidated Financial Statements

Year ended March 31, 2018

(Millions of yen)

Category	Name of Company, etc. or Individual's Full Name	Location	Capital or Investment Contribution	Description of Business or Job	Percentage of Ownership of Voting Rights, etc. Owned (or owned by) (%)	Relation to Affiliated Parties	Description of Transaction	Amount of Transaction	Account name	Balance at end of Financial Period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights.	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned by, directly, 0.01	Credit customer	Loan of funds	38	Loans and bills dis-counted	49

Year ended March 31, 2018

(Thousands of U.S.dollars)

Category	Name of Company, etc. or Individual's Full Name	Location	Capital or Investment Contribution	Description of Business or Job	Percentage of Ownership of Voting Rights, etc. Owned (or owned by) (%)	Relation to Affiliated Parties	Description of Transaction	Amount of Transaction	Account name	Balance at end of Financial Period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights.	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	329	Sake Manufacturer	Owned by, directly, 0.01	Credit customer	Loan of funds	357	Loans and bills dis-counted	461

## Notes

- The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. The transaction amount specifies that average balance.
- A majority of the voting rights of Otokoyama Shuzou Co., Ltd. is owned by Board of Director Gisuke Ohara and his close relatives.

Year ended March 31, 2017

(Millions of yen)

Category	Name of Company, etc. or Individual's Full Name	Location	Capital or Investment Contribution	Description of Business or Job	Percentage of Ownership of Voting Rights, etc. Owned (or owned by) (%)	Relation to Affiliated Parties	Description of Transaction	Amount of Transaction	Account name	Balance at end of Financial Period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights.	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned by, directly, 0.01	Credit customer	Loan of funds	40	Loans and bills dis-counted	43
	Yamagata Sake Service Corporation (Note 3)	Yamagata City, Yamagata Prefecture	30	Food/Drink Wholesaler	—	Credit customer	Loan of funds	12		

## Notes

- The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. The transaction amount specifies that average balance.
- A majority of the voting rights of Otokoyama Shuzou Co., Ltd. is owned by Board of Director Gisuke Ohara and his close relatives.
- A majority of the voting rights of Yamagata Sake Service Corporation is owned by Board of Director Gisuke Ohara and his close relatives.

## 29. Amounts Per Stock

Amounts per stock of net assets, net income and diluted net income, as presented below, are based on the number of stocks outstanding at each balance sheet date and the weighted average number of stocks of common stock outstanding during each year respectively.

	2018	2017	2018
	(Yen)		(U.S. dollars)
Net assets	¥ 4,825.85	¥ 4,705.09	\$ 45.42
Net income	¥ 153.04	¥ 167.74	\$ 1.44
Diluted net income	¥ 136.52	¥ 149.68	\$ 1.28

## Notes

- The number of the Bank's common stocks held by board incentive BIP trust is included in the treasury stocks which was deducted from the number of common stocks outstanding at each balance sheet date, respectively. The weighted average number of the Bank's common stocks held by board incentive BIP trust is included in the treasury stocks which was deducted from the weighted average number of stocks of common stock outstanding, respectively.

- Effective on October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per stock information are calculated under assumption that the stock consolidation had taken effect at the preceding fiscal year.

The basis for the calculation of net income per stock for the year ended March 31, 2018 and 2017 are summarized as follows:

	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Net income attributable to owners of parent	¥ 4,988	¥ 5,473	\$ 46,950
Amount not attributable to common stock	—	—	—
Net income attributable to owners of parent related to common stock	4,988	5,473	46,950
Weighted average number of stocks of common stock outstanding	32,595 thousand	32,630 thousand	32,595 thousand
Effect of dilutive securities bonds with stock acquisition rights	3,944 thousand	3,937 thousand	3,944 thousand

## 30. Significant Subsequent Events

There is not applicable matter.



## Non-Consolidated Balance Sheet

As of March 31, 2018 and 2017

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S.dollars)
<b>Assets</b>			
Cash and due from banks	¥ 82,337	¥ 153,050	\$ 775,018
Call loans	1,339	8,377	12,612
Monetary claims bought	5,339	5,648	50,260
Trading securities	4	22	44
Securities	733,811	718,370	6,907,115
Loans and bills discounted	1,735,529	1,682,480	16,335,930
Foreign exchange	941	979	8,864
Other assets	19,252	4,504	181,220
Tangible fixed assets	14,752	14,313	138,856
Buildings	3,811	3,608	35,873
Land	9,109	9,175	85,747
Leased assets	39	52	369
Construction in process	26	30	250
Other tangible fixed assets	1,765	1,446	16,616
Intangible fixed assets	1,965	1,898	18,500
Software	1,759	1,690	16,563
Other intangible fixed assets	205	207	1,936
Prepaid pension cost	1,089	906	10,258
Customers' liabilities for acceptances and guarantees	16,582	17,129	156,085
Reserve for possible loan losses	¥ (6,839)	¥ (6,124)	\$ (64,380)
<b>Total assets</b>	<b>2,606,108</b>	<b>2,601,556</b>	<b>24,530,387</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Deposits	¥ 2,209,410	¥ 2,183,249	\$ 20,796,408
Negotiable certificate of deposits	117,797	119,131	1,108,783
Call money	7,968	11,219	75,000
Payables under securities lending transactions	26,536	45,126	249,774
Borrowed money	50,863	50,155	478,756
Foreign exchange	32	53	301
Bonds with stock acquisition rights	10,624	11,219	100,000
Other liabilities	9,959	11,205	93,747
Reserve for bonuses to directors	25	22	235
Reserve for stock payments of board incentive plan	45	24	431
Reserve for losses on dormant deposits repayments	143	47	1,347
Reserve for losses on contingencies	301	226	2,834
Deferred tax liabilities	3,948	4,206	37,169
Deferred tax liabilities arising from revaluation of land	1,308	1,324	12,319
Acceptance and guarantees	¥ 16,582	¥ 17,129	\$ 156,085
<b>Total liabilities</b>	<b>2,455,545</b>	<b>2,454,342</b>	<b>23,113,196</b>
<b>Net Assets</b>			
Common stock	¥ 12,008	¥ 12,008	\$ 113,032
Capital surplus	4,932	4,932	46,428
Retained earnings	119,179	116,024	1,121,792
Treasury stock	(3,176)	(3,171)	(29,896)
<b>Total shareholders' equity</b>	<b>132,944</b>	<b>129,794</b>	<b>1,251,357</b>
Net unrealized holding gain on securities available for sale	18,638	18,810	175,434
Deferred gain (loss) on hedging instruments	(2,184)	(2,578)	(20,564)
Revaluation of land	1,164	1,188	10,963
<b>Total</b>	<b>17,618</b>	<b>17,419</b>	<b>165,833</b>
<b>Total net assets</b>	<b>150,562</b>	<b>147,214</b>	<b>1,417,191</b>
<b>Total liabilities and net assets</b>	<b>¥ 2,606,108</b>	<b>¥ 2,601,556</b>	<b>\$ 24,530,387</b>

## Non-Consolidated Statements of Income

For the years ended March 31, 2018 and 2017

	2018 (Millions of yen)	2017 (Millions of yen)	2018 (Thousands of U.S.dollars)
<b>Ordinary Income</b>			
Interest Income	¥ 36,146	¥ 39,667	\$ 340,234
Interest on loans and discounts	25,188	25,354	237,089
Interest and dividends on securities	17,797	17,947	167,519
Interest on call loans	7,216	7,184	67,929
Interest on receivables under resale agreements	92	130	871
Interest on deposits with banks	(0)	—	(3)
Other interest	8	9	78
Fees and commissions	73	82	694
Fees and commissions on domestic and foreign exchange	6,618	6,687	62,299
Other fees and commissions	1,571	1,558	14,787
Other operating income	5,047	5,128	47,511
Gains on sales of trading securities	1,376	4,590	12,955
Gains on sales of bonds	0	0	0
Income from derivatives other than for trading or hedging	1,376	4,172	12,954
Other Income	—	417	—
Recoveries of written off claims	2,963	3,034	27,890
Gains on sales of stocks and other securities	7	3	74
Other	2,557	2,662	24,073
<b>Ordinary Expenses</b>	<b>397</b>	<b>368</b>	<b>3,742</b>
Interest Expense	29,779	32,413	280,301
Interest on deposits	2,147	2,459	20,212
Interest on negotiable certificate of deposits	753	1,081	7,092
Interest on call money	60	101	567
Interest on payables under securities lending transaction	5	17	47
Interest on borrowings and rediscounts	274	139	2,587
Interest on interest swaps	125	62	1,181
Other interest	847	965	7,973
Fees and commissions payments	81	92	763
Fees and commissions on domestic and foreign exchange	3,102	2,828	29,201
Other fees and commissions	348	350	3,282
Other operating expense	2,753	2,478	25,919
Loss on foreign exchange transactions	2,013	3,851	18,948
Loss on sales of bonds	36	176	346
Expenses on derivatives other than for trading or hedging	1,100	3,675	10,357
General and administrative expenses	875	—	8,244
Other expenses	20,716	20,963	195,001
Provision on allowance for loan losses	1,799	2,309	16,936
Losses on sales of stocks and other securities	1,138	1,677	10,720
Losses on devaluation of stocks and other securities	108	436	1,025
Other	1	0	10
<b>Ordinary Income(Net)</b>	<b>550</b>	<b>195</b>	<b>5,180</b>
Extraordinary income	6,367	7,254	59,933
Gain on disposal of non-current assets	0	—	1
Other	0	—	0
Extraordinary losses	0	—	1
Loss on disposal of non-current assets	146	49	1,374
Impairment loss	73	49	690
<b>Income before income taxes</b>	<b>72</b>	<b>—</b>	<b>684</b>
Income taxes-current	6,221	7,205	58,560
Income taxes-deferred	2,356	2,794	22,182
<b>Total income taxes</b>	<b>(410)</b>	<b>(725)</b>	<b>(3,860)</b>
<b>Net income</b>	<b>1,946</b>	<b>2,068</b>	<b>18,321</b>
<b>Net income</b>	<b>¥ 4,274</b>	<b>¥ 5,136</b>	<b>\$ 40,238</b>
<b>Amounts per share:</b>			
Net income	2018 (yen)	2017 (yen)	2018 (U.S.dollars)
Net assets	131.15	157.42	1.23
	4,619.35	4,516.39	43.48

Note : Effective on October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per stock information are calculated under assumption that the stock consolidation had taken effect at the preceding fiscal year.

# Corporate Data

## Management

(As of June 22, 2018)

### President

**Kichishige Hasegawa**

### Senior Managing Directors

**Shinichiro Miura**

**Yoshihiro Ishikawa**

### Managing Directors

**Satoshi Nagai**

**Kiyohiro Naganuma**

**Shinya Katsuki**

### Directors

**Yoshihiro Domon**

**Hiroshi Koya**

**Yoshitaka Misawa**

**Eiji Sato**

**Takehiro Suzuki**

**Yumiko Inoue**

**Haruhiko Tanno (Audit & Supervisory Committee Member)**

**Masaki Kakizaki (Audit & Supervisory Committee Member)**

**Shinichi Nakayama (Audit & Supervisory Committee Member)**

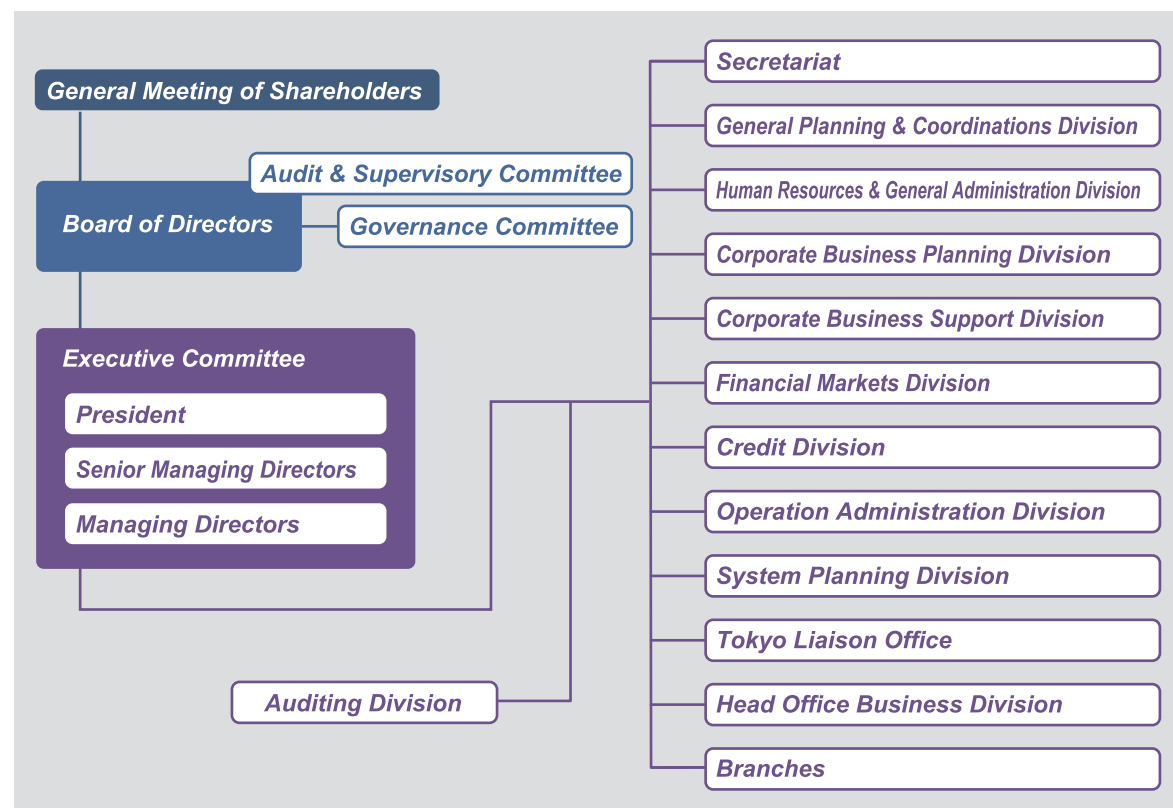
**Bin Hamada (Audit & Supervisory Committee Member)**

**Yasumasa Gomi (Audit & Supervisory Committee Member)**

**Gisuke Ohara (Audit & Supervisory Committee Member)**

## Organization

(As of June 22, 2018)



# Directory

## Headquarters:

1-2, Nanukamachi 3-chome, Yamagata 990-8642,Japan  
Phone: +81 23 623 1221

## Financial Markets Division:

1-2, Nanukamachi 3-chome, Yamagata 990-8642,Japan  
Phone: +81 23 634 7547  
Fax: +81 23 625 7185  
S.W.I.F.T.: YAMBJPJT

## Foreign Exchange Offices:

### Head Office

1-2, Nanukamachi 3-chome, Yamagata 990-8642,Japan  
Phone: +81 23 623 1221

### Yonezawa Branch

1-5, Monto-machi 3-chome, Yonezawa 992-0039,Japan  
Phone: +81 238 22 2010

### Nagai Branch

11-14, Sakae-machi, Nagai 993-0084,Japan  
Phone: +81 238 88 2105

### Sagaechuo Branch

2-33, Chuo 1-chome, Sagae 991-0021,Japan  
Phone: +81 237 86 1141

### Tendo Branch

9-1, Higashihoncho 1-chome, Tendo 994-0026,Japan  
Phone: +81 23 653 3355

### Shinjo Branch

2-16, Hon-cho, Shinjo 996-0027,Japan  
Phone: +81 233 22 2461

### Tsuruoka Branch

1-13, Hon-cho 2-chome, Tsuruoka 997-0034,Japan  
Phone: +81 235 22 5530

### Sakata Branch

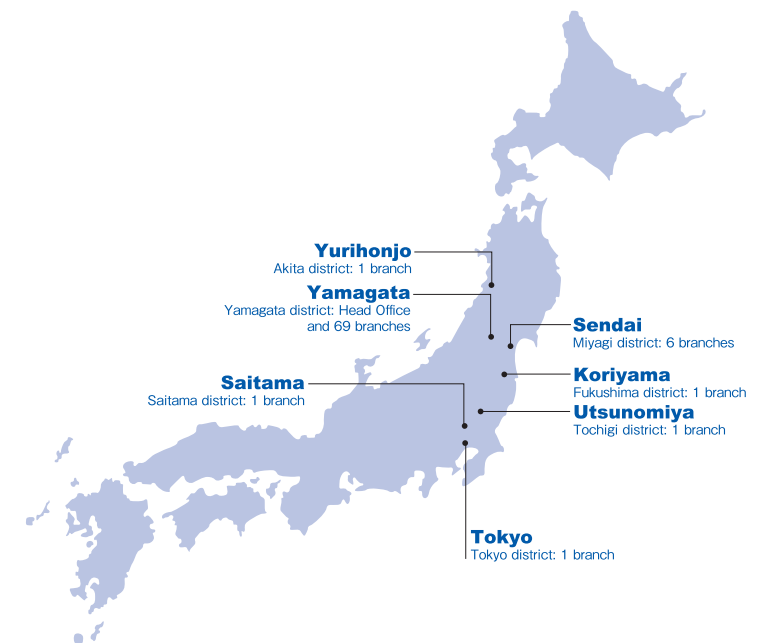
10-1, Hon-cho 3-chome, Sakata 998-0043,Japan  
Phone: +81 234 22 7222

### Tokyo Branch

5-16, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031,Japan  
Phone: +81 3 3567 1861

## Bank Data: (As of March 31, 2018)

Date of Incorporation: 1896  
Authorized Stocks: 59,670,000  
Issued Stocks: 34,000,000  
Number of Shareholders: 8,058  
Number of Employees: 1,303



(Total: Head Office and 80 branches)  
(As of March 31, 2018)



**Cherries**  
Cherries are a special product of Yamagata Prefecture. Stylized cherries are used as the symbol of The Yamagata Bank, Ltd.