

History of the Chiba Bank

Since its establishment in 1943, the Chiba Bank has continued to grow in step with the region by actively responding to financial needs generated by the development of Chiba Prefecture.

The population of Chiba Prefecture is steadily increasing as the number of people relocating to the prefecture exceeds those moving out. In a population movement report for 2017, Chiba Prefecture was ranked second only to Tokyo out of the seven prefectures experiencing excessive influxes of people relocating.

(millions of people)

7

1943.3 | **Founded the Chiba Bank**
Chiba Godo Bank, Omigawa Agricultural and Commercial Bank, and the Kujuhachi Bank merged

1970.10 | Listed on TSE 2nd Section
1971.8 | Listed on TSE 1st Section
1973.3 | Newly built and relocated the Head Office in Chiba-minato

Overseas offices opened

1987.4 | New York Branch
1989.4 | Hong Kong Branch
1991.2 | London Branch
1995.11 | Shanghai Rep.
2011.3 | Singapore Rep.
2014.9 | Bangkok Rep.

6



5

4

3

2

1

0

1943.3

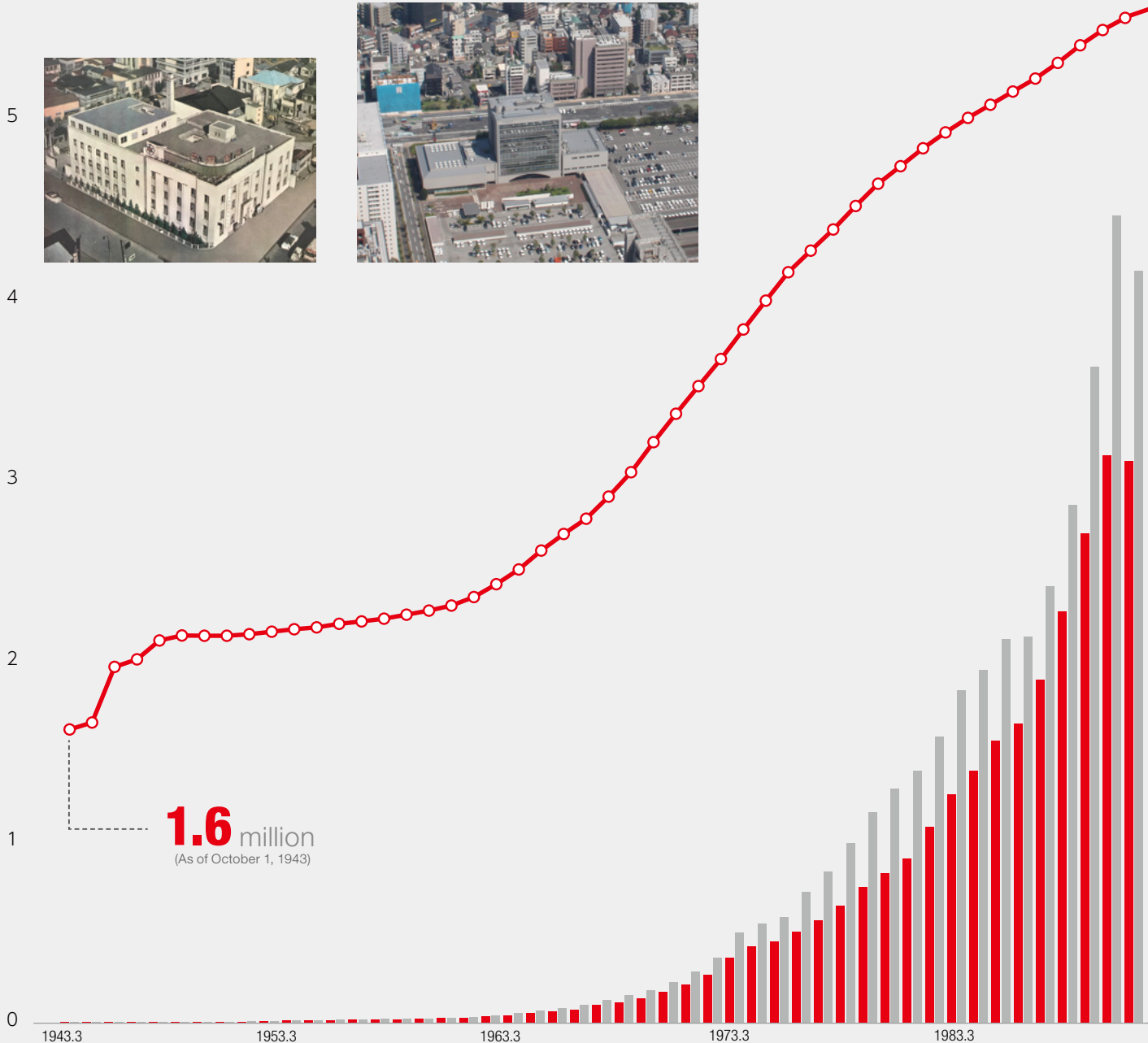
1953.3

1963.3

1973.3

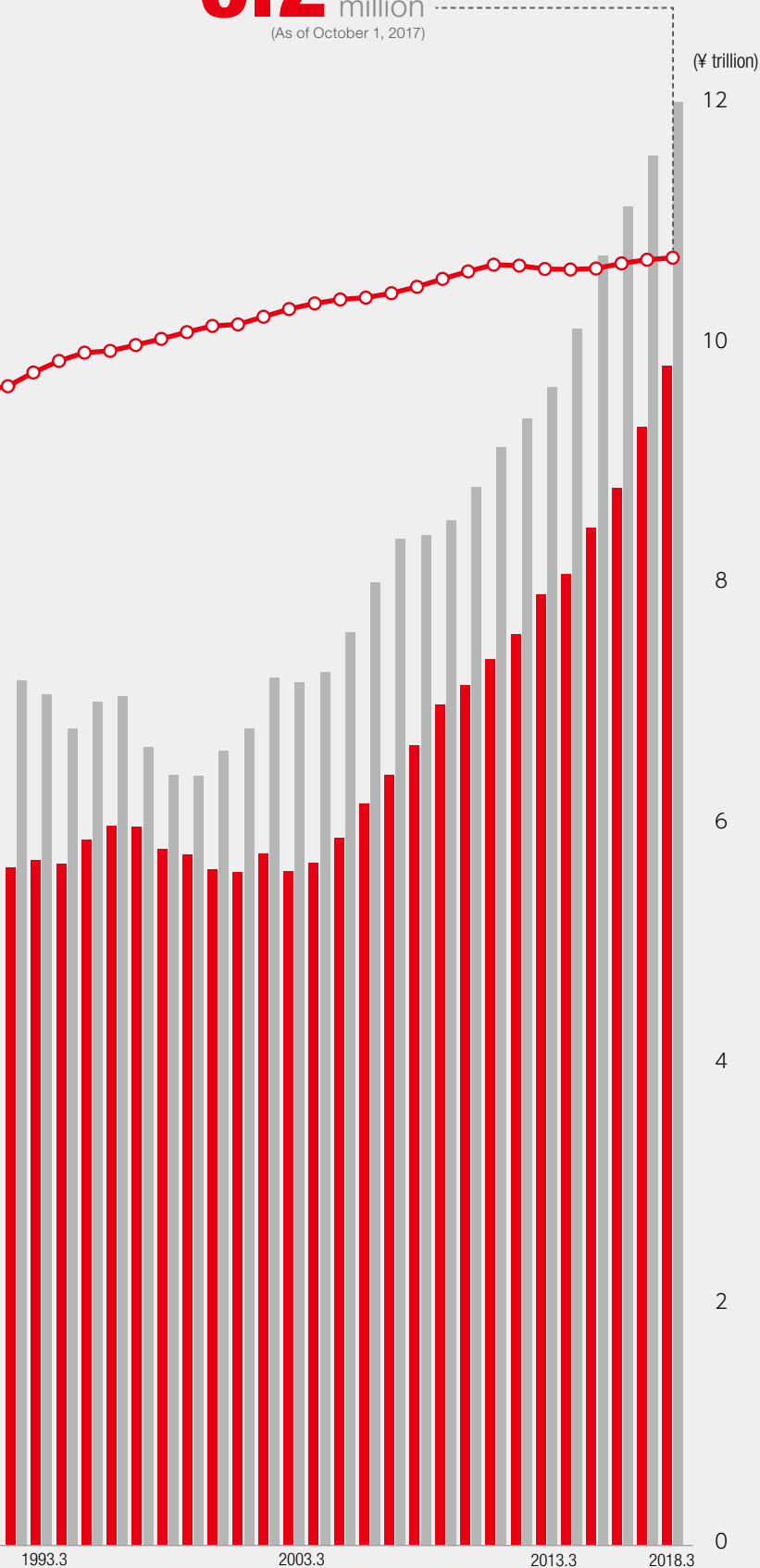
1983.3

1.6 million
(As of October 1, 1943)



■ Balance of Loans ■ Balance of Deposits ● Population of Chiba Prefecture*
*Source: Chiba Prefecture

6.2 million
(As of October 1, 2017)



The Chiba Bank's Strengths

(As of March 31, 2018)

● Sound Financial Base

Total Assets

¥ **14.3** trillion

Profit Attributable to Owners of Parent
(FY2017 ended March 31, 2018)

¥ **53.7** billion

Total Capital Ratio (Consolidated)

13.18 %

● Solid Relationship with Customers

Domestic Branch Network

181 Branches

Overseas

3 Branches **3** Rep. Offices

● Highly Professional Workforce

Number of Employees

4,343

● Credit Ratings

	Long-Term	Short-Term
Standard & Poor's	A	A-1
Moody's	A1	P-1
Rating and Investment Information	AA-	-

Overview of Japanese Regional Banks

Japan's 64 regional banks each have a dense network of branches that center on the prefecture where their head office is located. The banks accommodate the diverse financial needs of individual customers and regional small- and medium-sized and middle-market companies, playing a leading role in regional finance for the promotion and development of regional communities.

About the Chiba Bank

The Chiba Bank is a regional bank with its main operating base in Chiba Prefecture. As of March 31, 2018, total assets on a non-consolidated basis were ¥14.3 trillion, ranking the Bank second among Japan's regional banks.

While maintaining Chiba Prefecture as our core foundation, we have been expanding our sales base in the greater Tokyo metropolitan area, especially in Tokyo, Saitama, and Ibaraki where market potential is high. We have 160 branches in Chiba Prefecture, 14 in Tokyo, 3 in

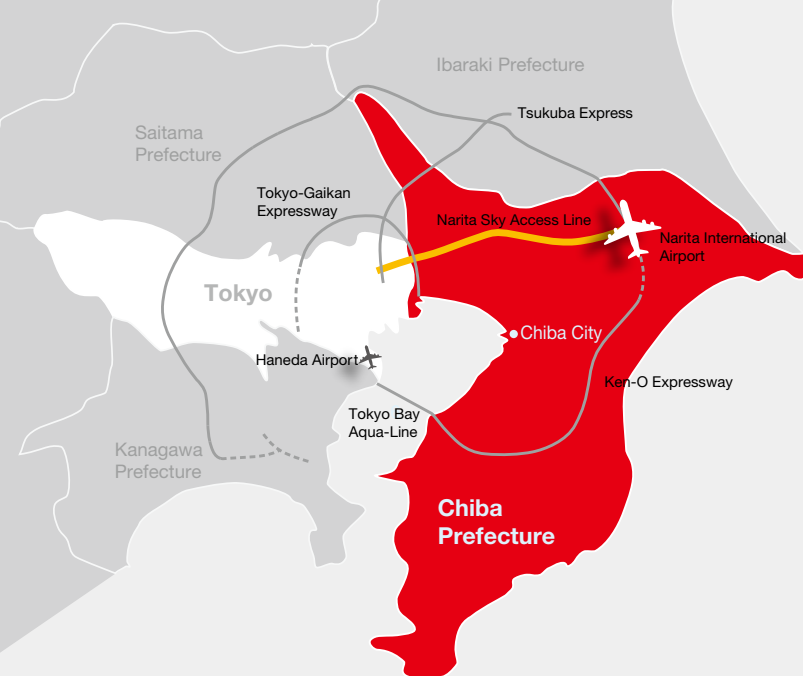
Saitama Prefecture, 3 in Ibaraki Prefecture, and 1 in Osaka, and additionally, overseas branches in New York, Hong Kong and London, and representative offices in Shanghai, Singapore and Bangkok. We are also enhancing our overseas network.

In Chiba Prefecture, our share of loans is approximately 40%, and our share of deposits is approximately 25%, both of which exceed all other financial institutions—we have a very powerful customer base in the region.



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Growth Potential of Our Operating Area

Chiba Prefecture, the Chiba Bank's primary operating base, is Japan's sixth largest in terms of both population and GDP. With favorable geographic conditions and a warm climate, the prefecture has thriving agriculture and fishing industries, and one of Japan's most prominent industrial areas along the coast of Tokyo Bay, giving the prefecture a well-balanced industrial structure.

In addition, a well-developed transportation network connected with the greater Tokyo metropolitan area, including Narita International Airport, supports people's daily lives and companies' business activities in the region. The Chiba section of the Tokyo-Gaikan Expressway opened in June 2018, a complete opening is scheduled for FY2024 even if a part of the Ken-O Expressway is unopened in the Chiba Prefecture. Moreover, further growth is expected going forward as various infrastructure and other development projects are expected to be carried out ahead of the Tokyo Olympic and Paralympic Games in 2020.

Narita City is conducting urban development projects and has been designated a National Strategic Special Zone with the aim of becoming a world class city in the field of medical services. The city will be responding to increasing aging-related medical needs and further enhancing medical services for foreigners, so a number of medical institutions are expected to be established, including a medical university, and medical professionals and other personnel will be trained, and this is expected to generate major economic benefits.

Key Data for Chiba Prefecture

Population*1

6.2 million

6th among Japanese Prefectures

Number of Households*1

2.6 million

6th among Japanese Prefectures

Gross Prefectural Product*2

¥ **20.0** trillion

6th among Japanese Prefectures

*1 Statistics Bureau, Ministry of Internal Affairs and Communications "Population Census" (2015)

*2 Economic and Social Research Institute, Cabinet Office "Prefectural Accounts" (FY2015)

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Hidetoshi Sakuma

President (Representative Director), Group CEO

Co-Create Value with the Region and Customers

Our Vision

The Chiba Bank's role and mission as a regional financial institution based in Chiba Prefecture is to meet customer needs and contribute to development in the region by providing financing services. Under a customer-first policy of constantly thinking from the customer's perspective and acting for the customer's sake, the Bank strives to actively propose solutions to the issues that customers face while participating in regional revitalization efforts in order to be a financial group that provides top-class customer satisfaction and is highly regarded by our region's customers, both individuals and SMEs.

The Chiba Bank's customer-first policy is the unwavering principle at the heart of the Bank's operations no matter the circumstances, and the entire Chiba Bank Group intends to continue to abide fully by this principle going forward, and provide high-quality financial products and services. We will work to create new value in every way possible alongside our customers and with all other stakeholders, including shareholders, employees and local communities, and thereby achieve sustainable growth.

Market Environment

The Japanese economy continues to maintain a moderate recovery, but caution is still required in light of concerns over the declining and aging population, soundness of public finances, and political and economic uncertainties overseas. Although fiscal policy is beginning to normalize in the U.S. and Europe, the operating environment for banks in Japan remains challenging due in part to continuation of the negative interest rate policy. Further, structural factors in the

form of population decline and widening disparities between urban and rural areas, combined with rapid digitalization and market entry by companies in other sectors, are making it necessary to drastically transform the business models of financial institutions.

At the same time, Chiba Prefecture, the primary base of the Bank's operations, continues to see an increase in population, largely in urban areas. In response, the prefecture is currently making progress with its transportation infrastructure projects and its public-private projects for regional revitalization. There is much cause for optimism ahead of the Tokyo Olympic and Paralympic Games, from hotel construction to inbound demand, and the Chiba Bank intends to steadily expand its share of this buoyant market.

Review of the Fiscal Year Ended March 31, 2018

As of March 31, 2018, our balance of loans increased by ¥510.6 billion from the end of the previous fiscal year to ¥9,816.0 billion, and the balance of deposits increased by ¥451.2 billion year on year to ¥12,017.0 billion. Profit attributable to owners of parent for the year ended March 31, 2018 increased by ¥1.0 billion compared to the previous fiscal year to ¥53.7 billion, the third highest level of net profit for the Bank on both a consolidated and non-consolidated basis.

In corporate banking, fees and commissions income continues to increase as a result of the strengthening of solution proposals for business succession and business matching. In retail banking, we focused on reinforcing non-face-to-face channels, such as by enhancing services that could be used from our app and website, as we worked to provide progressive and highly convenient services. In addition, our efforts to actively support the regional revitalization measures of local governments and promote the use of land previously occupied by elementary schools have received the Minister's Commendation as a unique and outstanding example for others to emulate. It was a year of making steady progress in terms of achieving sustainable growth together with the region.

Accelerating Alliance Strategies

In the second year of the Chiba-Musashino Alliance, we continued to carry out various initiatives at an accelerated pace, including the opening of four Chibagin Securities branches in Saitama Prefecture, and we also collaborated in inheritance-related operations. In June 2018, the two banks opened a sales base in the Hamamatsucho area of Tokyo's Minato Ward and conducted joint operations. Going forward, the banks will work to further increase market share in the Tokyo metropolitan area as a whole.

With respect to the TSUBASA Alliance, the Hokuetsu Bank became a member of the alliance in April 2018, and the seven banks are deepening their partnership beyond regional boundaries. The application programming interface (API) platform being developed with the joint venture T&I Innovation Center Co., Ltd. was completed, thereby enabling a range of FinTech services to be provided to customers. The Bank also continues working with the Daishi Bank to establish shared administrative operation.

Through our strategy of forming alliances without conducting management integration, the Chiba Bank will pursue benefits for regional customers and work to build a new model for the sustainable growth of regional banks.

Best Bank 2020 Final Stage — 3 years of value co-creation

The first fiscal year of our 13th medium term management plan, "Best Bank 2020 Final Stage—3 years of value co-creation," covering the period from April 2017 to March 2020, has now been completed. In most respects, steady progress has been made as regards the plan's main numerical targets. The balance of loans in particular is increasing beyond expectations, and as a result of working to actively supply funds based on evaluation of businesses and to propose diverse solutions, the number of companies making the Chiba Bank their main bank has steadily increased.

We are also steadily carrying out initiatives for continuing to grow over the next 10 to 20 years and thereby beat the competition, including raising

productivity through major business reforms and implementing a more advanced human resources strategy. We intend to maintain our current workforce of 4,300 employees while redeploying personnel to growth areas. By boosting administrative efficiency in internal clerical work and in loans and headquarters operations and by introducing robotic process automation (RPA), we will build a structure that allows existing work operations to be conducted by a smaller number of people over the medium to long term.

Personnel Development and Diversity

The Chiba Bank will put even more focus on personnel development to maximize the abilities of each and every employee as well as on creating comfortable, rewarding workplaces. To create a strong, flexible organization responsive to future changes, the Bank has positioned diversity promotion as a key management strategy, striving to make the most of its diverse personnel.

In particular, in the area of women's participation and advancement in the workplace, we have actively carried out related initiatives, such as promoting women to executive officer and branch manager positions in Japan and abroad. In 2018, as a part of our efforts to establish the infrastructure for helping workers balance career development with raising children, Himawari Nurseries were opened in two new locations, thereby expanding the Bank's company-led nursery facilities to three locations. This initiative was rated highly by an outside institution, and in March 2018, we became the first regional bank to be selected as a FY2017 Nadeshiko Brand by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

Addressing Social Issues through Business Activities

Addressing social issues in the region is an activity indispensable to realizing sustainable growth in corporate value, and we intend to continue to give importance to responding to local issues.

For example, Chiba Prefecture is Japan's fourth leading agricultural producer, but in recent years, the

farming population has declined and aged, and more and more farmland is being abandoned. To help in solving this problem, in March 2018, the Chiba Bank established an agricultural corporation, Fresh Farm Chiba Co., Ltd., with 15 local companies and other organizations, and began participating in agricultural management. While incorporating IoT and other advanced agricultural technologies, we will work to expand the scale of operations through corporate management. Moreover, by utilizing our customer network to support the development of new sales channels, we will establish a framework for conducting sustainable agriculture that is profitable as a business, thereby working to further develop the region's agriculture and bolster its competitiveness.

In Conclusion

The Chiba Bank believes its own growth depends ultimately on the region's development. Based on this thinking, we intend to pool the Group's strengths to help revitalize the region's economy. While maintaining the financial soundness necessary for reliably supplying funds to local communities, we intend to effectively use capital and invest in strategic fields, in order to improve capital efficiency and raise shareholder returns.

With the Group playing an increasingly important role in the region's development, all of our directors and employees intend to give maximum effort to meeting customer expectations at even higher levels of precision.

We thank you for your continuing support and patronage.



The 13th Medium Term Management Plan

“Best Bank 2020 Final Stage”

— 3 years of value co-creation

2017.4.1 – 2020.3.31

Our vision “best retail” banking group

— We will aim to be the “best retail” banking group, providing top-class satisfaction through advanced services, and to be highly regarded by our regional customers, both individuals and SMEs. —

CS Customer Satisfaction
Respond speedily to customers' needs

ES Employee Satisfaction
Make a work environment where all employees can realize their potential

SS Social Satisfaction
Drive regional development, concentrating our Group's capabilities

1 Co-creating customer value

- Further enhancement of initiatives that offer core business support for business partners based on evaluation of their businesses and that contribute to regional revitalization
- Extensive focus on “fiduciary duties” in the asset management business
- Creating advanced services with high added value that utilize FinTech, etc., in response to the digitalization of society as a whole

2 Realizing work style reforms that allow all employees to shine

- Developing a professional workforce
- Promoting further diversity
- Review the way individual employees work to develop a structure that allows them to specialize in business with high added value

3 Strengthening a sustainable management structure

- Further strengthen alliances with other banks such as the Chiba-Musashino Alliance and the TSUBASA Alliance
- Achieve low-cost operations through drastic reviews of business processes
- Positive and proactive response to ESG issues

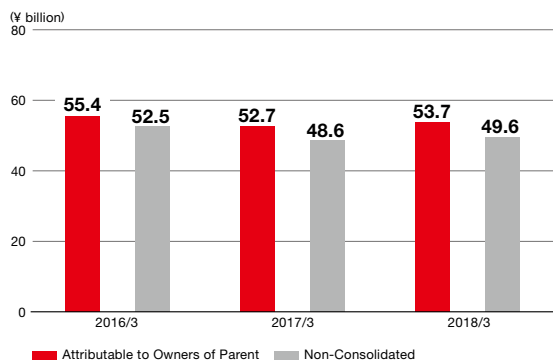
Target Indicators

(¥ billion)	2018/3 (Actual)	2020/3 (Target)
Profit Attributable to Owners of Parent	53.7	60
Consolidated ROE*	6.76%	7% range
Consolidated Common Equity Tier 1 Capital Ratio	12.48%	12% range
Balance of Loans	9,816.0	10,500
Balance of Deposits	12,017.0	12,500
Group Total Balance of Financial Products	2,049.9	2,500

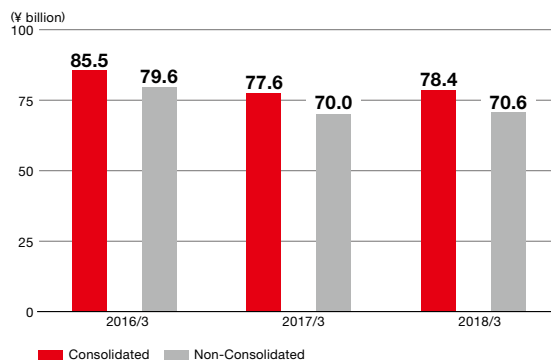
* Consolidated ROE = Profit attributable to owners of parent ÷ Total shareholders' equity (Capital stock + Capital surplus + Retained earnings – Treasury shares)

Financial Highlights

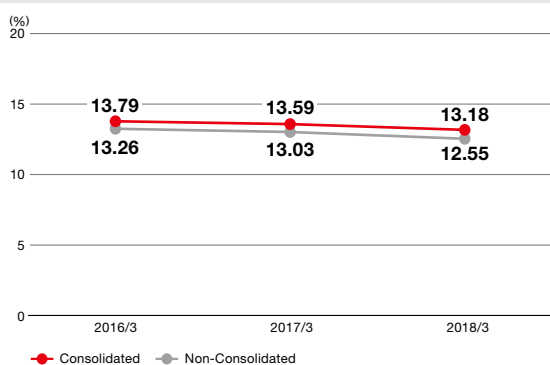
Profit



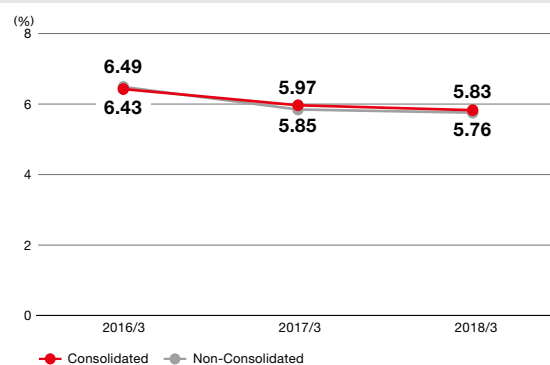
Ordinary Profit



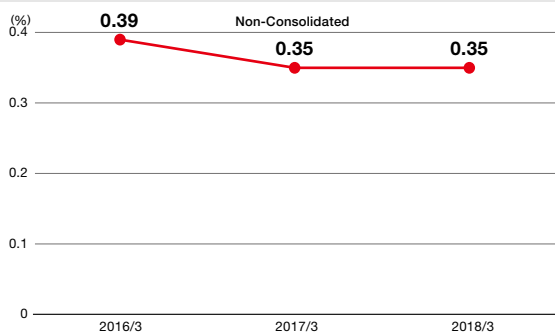
Total Capital Ratio



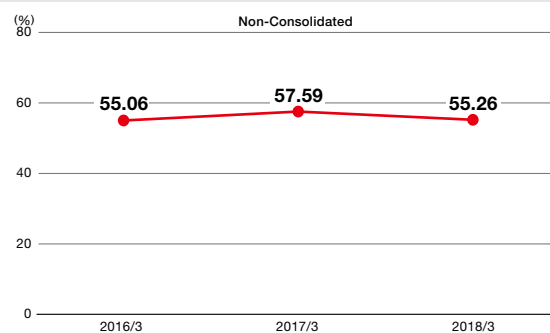
ROE



ROA

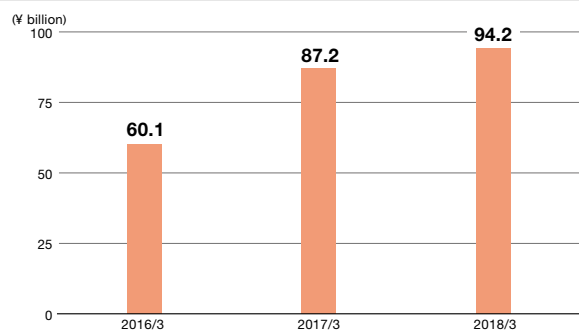


OHR

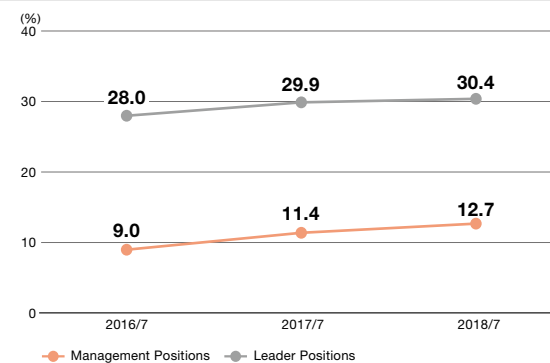


Non-Financial Highlights

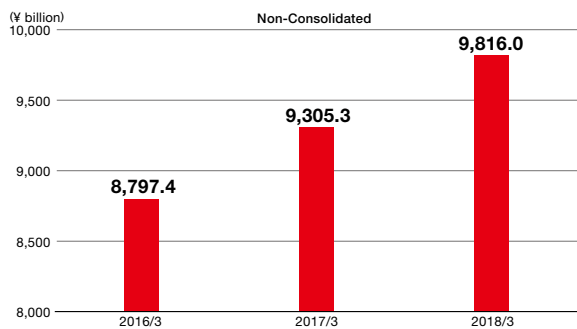
Balance of Loans Related to Renewable Energies (Financing Related to Solar Power Business)



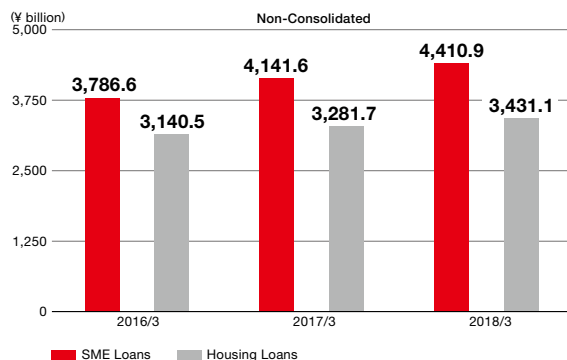
Ratio of Women in Management Positions and Women Promoted to Leader Positions



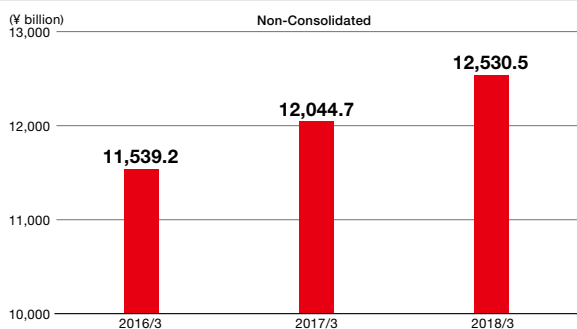
Balance of Loans



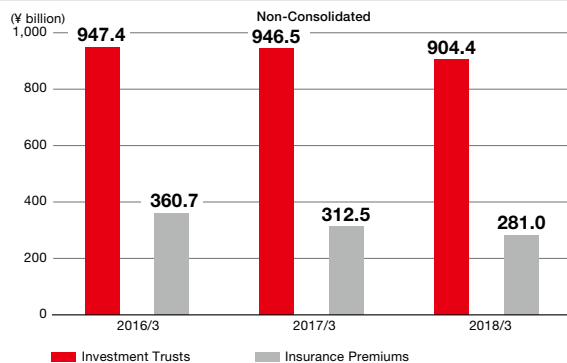
SME Loans / Housing Loans



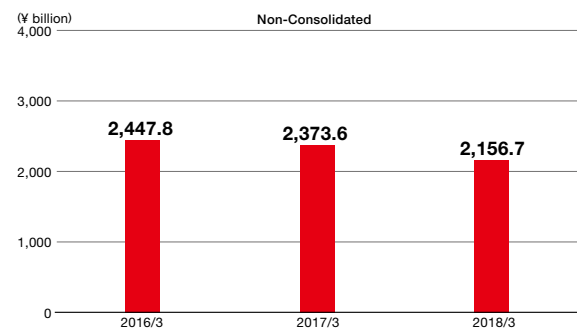
Balance of Deposits including NCDs



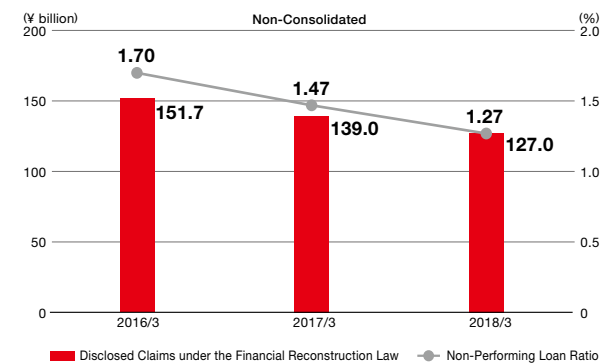
Balance of Financial Products



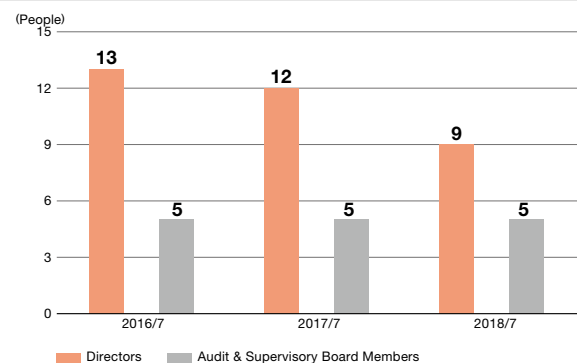
Balance of Securities



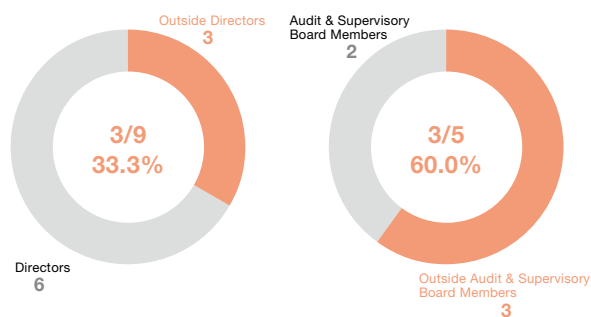
Disclosed Claims under the Financial Reconstruction Law / Non-Performing Loan Ratio



Number of Directors and Audit & Supervisory Board Members



Number of Independent Directors and Audit & Supervisory Board Members



Corporate Banking

As a regional financial institution, the Chiba Bank exercises an intermediation function by closely engaging with customers involved in the regional economy, and provides valuable advice to solve management issues based on a deep understanding of their businesses.

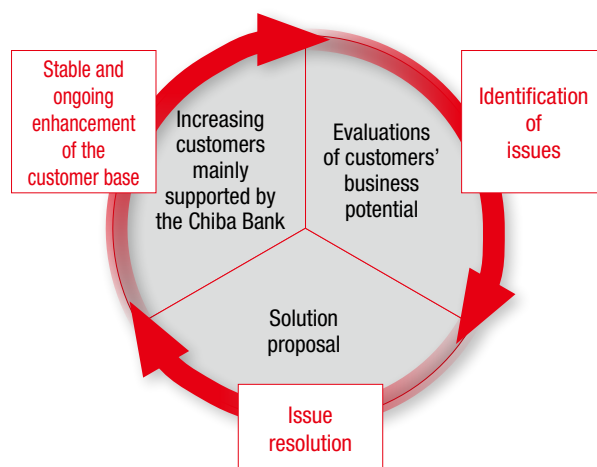
Evaluations of Customers' Business Potential

Regarding transactions with corporate customers, the Chiba Bank rigorously conducts activities centered on supporting their main businesses based on evaluations of their business potential. We conducted these initiatives at top-level regional companies—those with more than 20,000 customers—to understand the businesses of our customers. In particular, we have selected core companies that lead regional economies and industries and we are meeting their needs with a wide range of proposals, including optimal financing schemes, M&As and business matching. According to an annual survey of main banks by the Teikoku Databank, more than 20,000 companies use the Chiba Bank as their main bank—more than any other regional bank for the ninth consecutive year since the survey began.

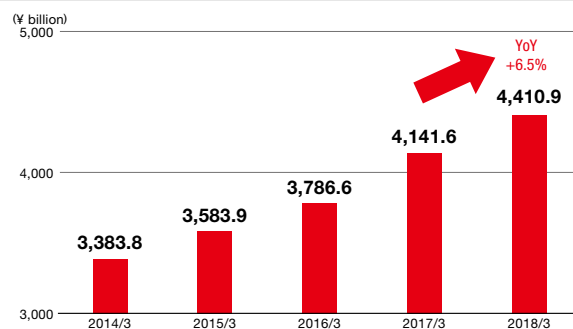
Regional Revitalization

The Chiba Bank proactively participates in initiatives to revitalize the region. In the fiscal year ended March 31, 2018, the Chibagin Research Institute, Ltd. was asked to help attract companies to Chiba Prefecture in order to facilitate the use of four former elementary schools in the prefecture as part of a project to use idle public facilities. In February 2018, our contribution to facilitating population movement and increasing jobs was recognized with an award from the Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan as a specific example of how financial institutions can revitalize regions. As a Group, we will continue to support local governments in building communities and businesses that help revitalize regions.

PDCA Cycle for Evaluation of Businesses

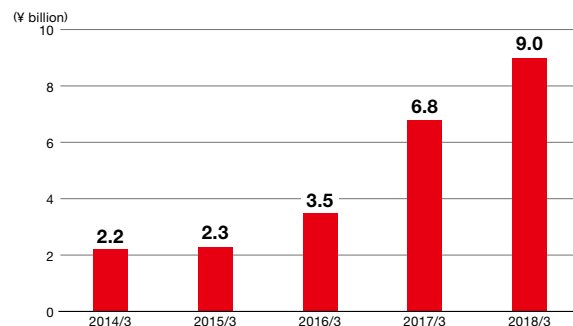


SME Loans



Solution-Related Fees from Corporate Customers

(Private placement bonds, syndicated loans, etc., M&A, business matching, inheritance-related services and others)



Retail Banking

In order to address the diverse needs of individual customers, the Chiba Bank provides a wide range of financial products and services, including deposit accounts, investment trusts, insurance and loans.

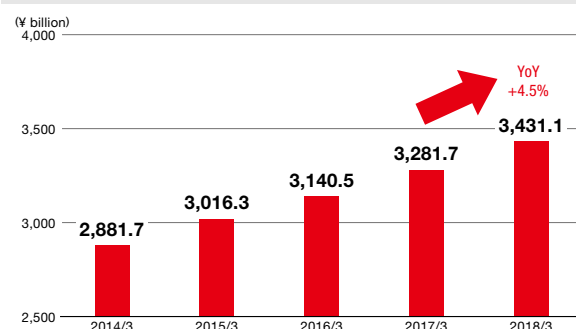
Consumer Loans

The Chiba Bank has prepared a variety of products that customers can use in accordance with their life events, such as housing loans, student loans, and auto loans. The unsecured loan balance has expanded briskly as a result. In addition to developing new branch models that are open for business longer during the weekdays and also on the weekends, the Chiba Bank is improving non-face-to-face channels including our Internet Branch and call center. We aim to improve customer convenience and the efficiency of our business operations at the same time.

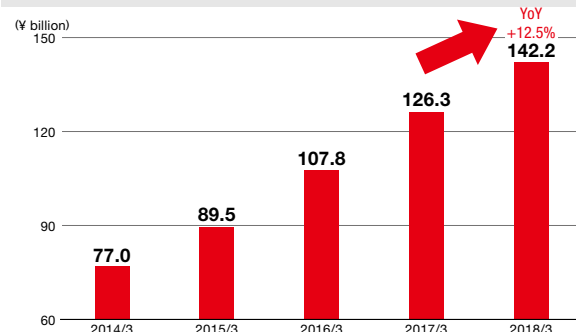
Asset Management Consulting

The Chiba Bank ensures “customer-focused” business management (fiduciary duties). We encourage the flow of funds from savings to investments by holding seminars for novice investors and by proposing the best products based on customer needs, such as long-term investments or diversified investments. Utilizing our specialized staff, we aim to enhance our consulting capabilities in order to better meet the diverse needs of our customers. At the same time, we are keen to satisfy needs for a broader range of customers who are in the middle of constructing wealth through funded investment trusts and funded NISAs that welcome small investment amounts. Through the unified activities of the Head Office, branches and Group companies, the Chiba Bank helps its customers steadily accumulate assets through initiatives to strengthen bank-securities collaboration and expand investment funds originated by the Chibagin Asset Management Co., Ltd.

Housing Loans



Unsecured Consumer Loans



● Alliance Strategies

The Chiba Bank is leveraging various alliance frameworks in its pursuit to provide customers in the region with a range of benefits. We believe the optimal alliance model for regional financial institutions is to collaborate in areas where collaboration is possible, while remaining rooted regionally. In our view, such alliances will generate much larger benefits than would the action of integrating as a single bank, and the alliances also lead to higher profits and corporate value for the Chiba Bank.

● New Alliance Model for Regional Banks



Strategic Alliances

In the Chiba-Musashino Alliance with the Musashino Bank, the two banks, both of which are based in the Tokyo metropolitan area, have agreed to collaborate in a wide range of fields. In the TSUBASA Alliance, seven regional banks with total assets of over ¥50 trillion are partnered over a broad geographic area, and the collaboration, which began with sharing systems, is currently expanding to various operational areas. Moreover, the Chiba Bank is also establishing joint

operations with other financial institutions in Chiba Prefecture, primarily in order to reduce costs.

The purpose of these alliances is to speedily execute initiatives as a regional financial institution that helps raise profit and service levels for local customers. While constantly considering what we can do to make this possible, the Bank intends to further strengthen the frameworks for regional bank alliances that forego the implementation of management integration.

Chiba-Musashino Alliance

In March 2016, the Chiba Bank concluded a comprehensive alliance with the Musashino Bank, which is based in Saitama Prefecture. Under this alliance, rather than a merger, the two banks will work swiftly to prioritize the enactment of measures from which tangible economic benefits can be expected, maintaining their strong regional commitments.

Since the start of the alliance, various measures have been quickly realized through conducting planning and preparations in all divisions across both banks. Moreover, in the fiscal year ended March 31, 2018, major initiatives were launched that included the opening of Chibagin Securities branches in Saitama Prefecture and collaborating in inheritance-related operations.

The Chiba-Musashino Alliance Co., Ltd., established jointly by the banks in April 2017, has also begun full-fledged operations, providing functions indispensable to the alliance's aim of implementing quick and agile collaborations. Through the Alliance Promotion Committee, officers from both banks hold discussions on the medium- and long-term development of the alliance and make recommendations to the banks. Personnel at various levels at the Head Office and branches actively interact with one another, providing additional stimulus to each other fostering a climate of self-improvement as well as positive, friendly rivalries at both banks. This climate is helping to boost motivation and raise the overall quality of operations.

The alliance measures agreed to by the banks thus far are expected to generate more than ¥10.0 billion cumulatively over five years, exceeding initial estimates. Many measures have also been established that will enhance services to customers, expand the scope of solutions, and help develop personnel and further advance management at both banks. Going forward, we plan to continue expanding the scope of the partnership.



TSUBASA Alliance

The TSUBASA Alliance has the participation of seven prominent regional financial institutions that occupy large shares of their respective operating areas (Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, North Pacific Bank, and Hokuetsu Bank). This trans-regional partnership is being deepened through collaborations across broad areas, starting with joint system development and operation and extending to joint customer referrals, joint arrangement of syndicated loans and other operations.

The joint-use mainframe system put in place by the Chiba Bank, the Daishi Bank and the Chugoku Bank is operating stably, and full-fledged planning is currently underway at the North Pacific Bank, which has finalized an agreement for system operations in FY2022, and at the Toho Bank as well. Furthermore, the Chiba Bank and the Daishi Bank are making steady progress toward sharing administrative operations, instituting the joint management of exchange transactions, and establishment, revision and abolition of certain administrative processes.

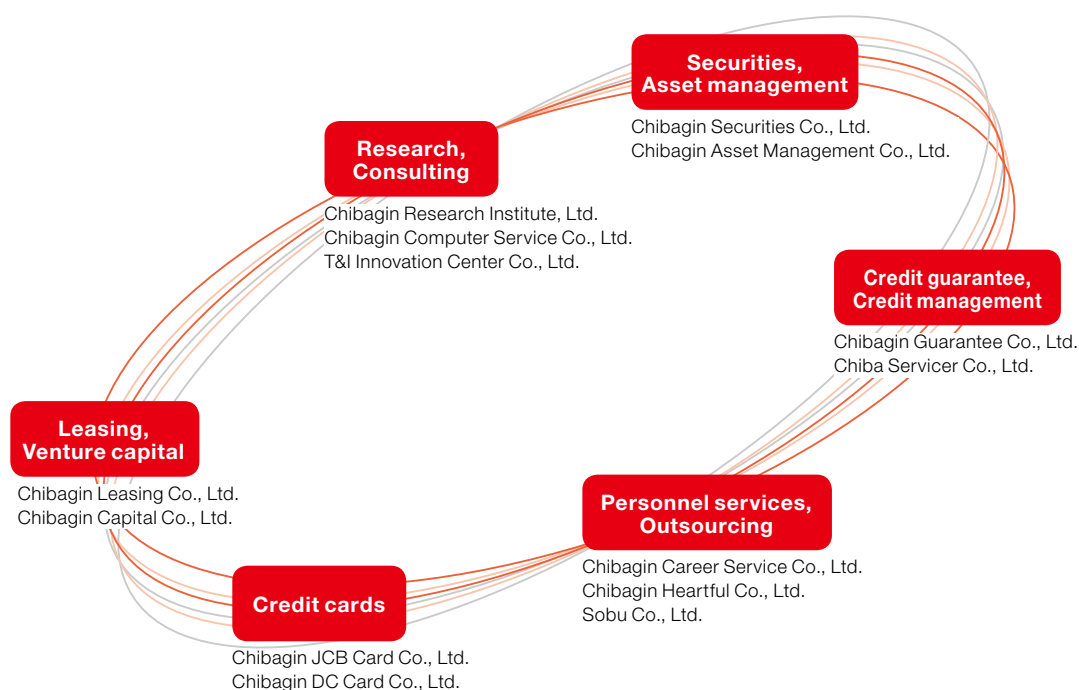
The quantitative benefits since the alliance first started, primarily reduced costs from system sharing, are estimated to exceed ¥8.5 billion for the Chiba Bank alone. Going forward, the banks plan to share expertise and ideas and actively consider progressive initiatives found nowhere else.



The logo created as a part of the branding process is a bird in flight whose wings are formed from individual feathers being joined together. It was designed to represent the partnership and progress of the member banks.

Leveraging Group Functions

The Chiba Bank has 14 subsidiaries and provides its customers with a wide-ranging lineup of financial products and services. Thanks to the wide-ranging functions inside the Group, we are able to provide our customers with optimal solutions, which allows us to maintain a solid customer base over the long term. We will enhance these strengths by expanding the functions we provide to alliance banks, while reinforcing the sales structure of Group companies through the strategic reallocation of personnel.



FinTech

The T&I Innovation Center conducts surveys and research related to FinTech. It was established jointly by six banks in the TSUBASA Alliance (Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank and North Pacific Bank) along with IBM Japan. The TSUBASA FinTech Platform, which started providing services in April 2018, is an open platform that transcends the differences in mainframe systems. The aim is to make it key infrastructure that allows various FinTech companies and others to connect safely and quickly. The Musashino Bank is already using the platform, and the intention is to also broadly provide it to financial institutions outside the TSUBASA Alliance.

Leveraging the alliance, the Chiba Bank will provide progressive services with flexibility and speed to effectively accommodate diversifying customer needs and the digitalization of society in general, while also reducing costs.

FinTech Subsidiary

Name	T&I Innovation Center Co., Ltd.	
Holding ratio	Chiba Bank	40%
	Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, North Pacific Bank and IBM Japan	10% each

Asset Management Business

In the field of asset management business, the Chiba Bank offers three investment funds originated by the Chibagin Asset Management Co., Ltd. to customers of the Musashino Bank, as well as one investment fund each to customers of the Toho Bank, the North Pacific Bank and the Daishi Bank. Assets under management have gradually expanded, leading to growth in the customer base and higher fees and commissions income.

In securities business, the Chibagin Securities Co., Ltd. has opened four branches in Saitama Prefecture since summer 2017 in order to better serve the needs of customers at the Musashino Bank for sophisticated asset management, including the sale of structured bonds. Group securities companies in the TSUBASA Alliance are working to improve collaboration between Group companies, such as the joint sale of Green Bonds issued by the World Bank. Fees and commissions income has benefited from our initiatives to satisfy the diverse needs of customers that banks cannot cover on their own.

International Operations

The Chiba Bank has overseas branches in New York, Hong Kong and London, and representative offices in Shanghai, Singapore and Bangkok. In addition, we are further enhancing our alliances with local financial institutions. We support the overseas business expansion of our customers, including by supporting trade transactions, providing the latest overseas information and holding business consultations aimed at developing sales channels.

At overseas branches, we accept trainees from the Musashino Bank and TSUBASA Alliance banks, and we will work to expand our earnings opportunities by proactively responding to the finance needs of the client companies of alliance banks.

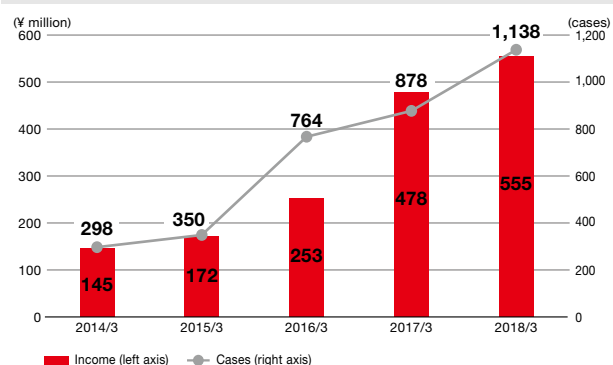
Trust Business and Inheritance-Related Services

Since being the first regional bank to enter the trust business and inheritance-related services in 2006, the Chiba Bank has been offering one-stop services in response to the diverse needs of wealthy individuals, mainly landlords and company owners. Our experience in these transactions has steadily increased, as customers are relieved at their ability to receive advice and process important matters regarding their personal and family assets at the bank.

Other regional banks have shown a strong interest in our initiatives in inheritance-related services, and by leveraging our accumulated know-how and systems, it has been possible for us to provide similar services to the customers of these banks. The Chiba Bank has already collaborated with the Daishi Bank, the Chugoku Bank, the Musashino Bank and the Toho Bank. We anticipate a gradual increase in business opportunities as the population ages and alliance banks help local customers meet their needs.

We aim to increase fees and commissions income by proactively responding to the diverse needs of our customers while staying one step ahead of needs related to the inheritance and succession of assets and businesses in accordance with asset transfers across regions and generations.

Number of Contracts and Income for Inheritance-Related Services

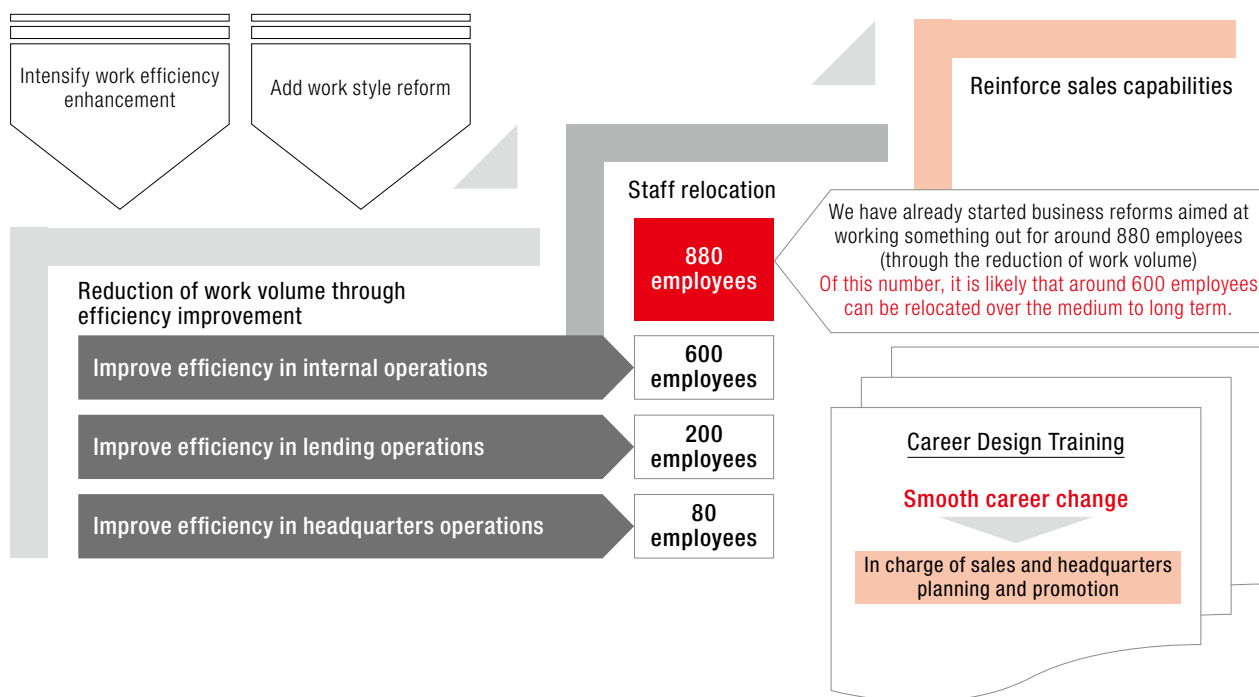


Business Efficiency Enhancement

In accordance with diversifying customer needs and the spread of digital technology throughout society, the absence of face-to-face contact has become more prevalent in services, which are now available at any time and any place. At the same time, it has become more important to have the ability to provide consulting services that offer optimal solutions and planning abilities that keep up with changes in the operating environment. It is imperative to strategically allocate personnel in high-value-added businesses in order to steadily achieve results and improve customer satisfaction.

The Chiba Bank aims to increase the efficiency of every business by spending proactively on IT and reassigning personnel to growth fields. By enhancing the skills and awareness of each and every employee, and emphasizing productivity in our approach to work, we will maintain and improve our competitiveness without increasing the total headcount.

Maintain the Total Number of Personnel and Reassign to Growth Fields through Business Reforms



Work Style Reforms

The Chiba Bank's efforts at work style reforms have been recognized by the Ministry of Economy, Trade and Industry and the Certified Health and Productivity Management Organization, earning us the designation of being one of the Excellent Enterprises of Health and Productivity Management.

With work style reforms focused on the four specific areas of "environment," "procedures," "systems" and "awareness," the Chiba Bank is creating a structure that specializes in high-value-added businesses by putting into place a thoroughly paperless work environment where communications do not rely on telephones and employees can work from anywhere outside the office.



Initiatives to Improve Productivity

The aim of the business reforms currently being undertaken is to reduce the volume of work through higher work efficiency and digital technologies, and then to reassign extra employees to growth fields in order to reinforce our sales capabilities.

To improve business efficiency, the Chiba Bank is advancing reforms in back-office work and counter services in branches, as well as in loan operations, based on the three concepts of simplification, systematization and centralization at the headquarters. As a result, the Chiba Bank estimates 880 employees will become redundant, including full-time and part-time employees, and plans to reassign about 600 employees over the medium to long term. By cutting down work volume, we aim to create a structure where business can be managed with fewer employees, while shedding employees through natural attrition in the future.

These reassignments will have a major impact on the roles and skills demanded of our employees. In order to smoothly facilitate career changes, we have held Career Design Training since January 2018. These training sessions are based on a curriculum designed to foster changes in perceptions among younger employees in particular, by explaining the Bank's future vision in relation to changes in the operating environment, as well as giving specific examples of work reforms. We are continuing to hold these training sessions.

Fundamental Concepts

Simplification: Simplify complex rules and procedures into logical, easy-to-understand workflows.

Systematization: Integrate and unify systems and customer data with the aim of automating inquiry and key entry work.

Centralization at the headquarters: Concentrate operations that have no contact with customers at the center instead of at sales branches.

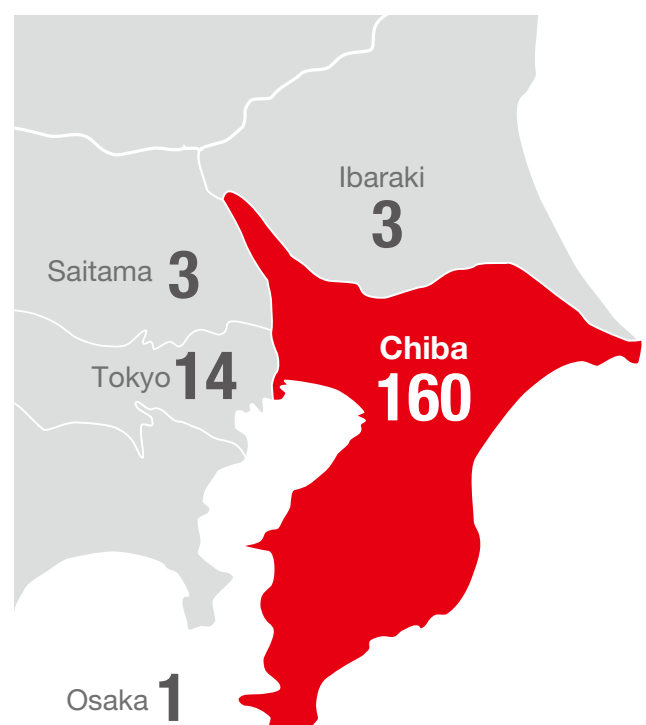
Branch Management

The Chiba Bank is reviewing branch functions and networks within the context of demographics and digital technology in society. As of March 31, 2018, the Chiba Bank had 181 branches in Japan, mainly in Chiba Prefecture. We are moving to make branch management more efficient while taking care to ensure convenience for our customers by reassessing the services we provide in light of the number of customers who visit our branches, integrating neighboring branches as "branches in stores," and introducing lunch breaks at some branches.

Positioning the 23 wards of Tokyo as a strategic operating area, we have expanded our presence on the marketing side. In urban areas with large market scales, business has been brisk with the joint origination of syndicated loans and the cross-introduction of customers with the Musashino Bank. In June 2018, we jointly opened a sales base in Hamamatsucho. Overseas, we plan to share a representative office in Singapore in August 2018, while building a network of highly profitable branches inside and outside Japan.

Domestic Branch Network

(As of March 31, 2018)



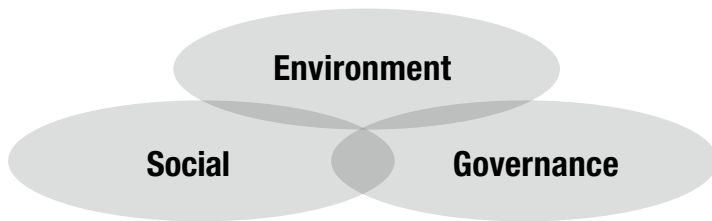
● ESG

Under its customer-first policy, and as a financial group with local roots, the Chiba Bank aims to grow sustainably along with the region by engaging in corporate activities with sincerity and fairness to help customers and local communities solve their problems. To this end, the Chiba Bank aggressively promotes efforts to address environmental, social and governance (ESG) issues and Sustainable Development Goals (SDGs) towards the realization of sustainable management that strikes a balance between social value and economic value over the long term.

**Sustainable management =
Long-term outlook + Social value (Solving social issues) + Economic value**



ESG (Environment, Social, Governance)



ESG is the name of the belief that the three perspectives of environment (E), social (S) and governance (G) are all necessary to achieve the sustainable growth of a company

SDGs (Sustainable Development Goals)



A set of 17 sustainable development goals adopted by the United Nations member states, who aim to achieve the goals by 2030

Establishment of ESG Promotion Committee

In November 2017, the Chiba Bank established the ESG Promotion Committee, which is chaired by the President, to discuss the identification of key issues (materiality) that the Bank should address over the medium to long term, with due consideration paid to local issues, national issues and globally shared issues.

Environment



Viewing global warming and other environmental problems as important issues to address, the Chiba Bank strives to counter global warming by the measure of reducing CO₂ emissions through its business activities while encouraging efforts to beautify and greenify local communities.

Contributions to the Environment through Core Businesses

The Chiba Bank provides broad support to customers taking advantage of renewable energy. In December 2017, we redoubled the efforts in this regard by putting together project financing for a biomass power generation project.

The Group's securities subsidiaries of the banks in the TSUBASA Alliance jointly sell Green Bonds issued by the World Bank (International Bank for Reconstruction and Development) in Indian rupees, with the Chiba Bank acting as an intermediary in the sale of these financial instruments. (Chibagin Securities' total sales of Green Bonds amounted to ¥2,611 million in the fiscal year ended March 31, 2018.)

Forest Management Activities

We continuously conduct "Chibagin Forest" forest management activities in various locations throughout Chiba Prefecture. The activities aim to regenerate coastal barrier forests that have been lost to insect damage and tsunami. The Bank's directors, employees and former employees volunteer regularly in forest nurturing activities such as cutting the underbrush.

During the fifth "Chibagin Forest" event in May 2018, 5,000 saplings were planted. (These included Japanese black pine and Japanese spindle trees.)

Environmentally Friendly Branches

The Chiba Bank has been installing solar power systems at new or relocated branches in a bid to cut CO₂ emissions and help preserve the natural environment. As of June 30, 2018, a total of 23 branches have solar panels and solar lighting outdoors. At the headquarters and sales branches, we have 80 electric and hybrid vehicles in our fleet.



Social



With the aim of regional revitalization, we proactively engage in activities that support the core businesses of our customers and contribute to the advancement of local industry.

Private Placement Bonds for Regional Revitalization

In order to provide support for initiatives that contribute to local communities, such as for education, the Chiba Bank handles Private Placement Bonds for Regional Revitalization (Mirai Hagukumi Bonds), where a part of the commission fees received from companies issuing private placement bonds are used to buy education-related supplies that are donated to schools and other institutions designated by the issuer. As of the fiscal year ended March 31, 2018, a total of 344 of these bonds have been issued in the amount of ¥33.9 billion.

Establishment of Agricultural Corporations

In March 2018, the Fresh Farm Chiba Co., Ltd. was jointly established with local companies as an agricultural corporation. It engages in wet-rice farming on two hectares of rice paddy fields in Chiba Prefecture. The aim is to improve competitiveness and develop regional farming through efforts to increase scale and secure sales channels via corporate management, in order to solve issues faced by the agricultural community, such as a lack of people to carry on farming, aging farmers, and abandoned farmland.



Social Welfare Activities

The Chibagin Heartful Co., Ltd. was founded for the purpose of encouraging the employment of persons with disabilities. As of April 1, 2018, it had hired 30 persons with disabilities who work creating forms used at the bank and help with data entry for exchange transactions. Moreover, the Chibagin Heartful Welfare Fund supports social welfare corporations, groups and initiatives in Chiba Prefecture by providing them with financial assistance. Donations in the amount of ¥53 million have been extended to a total of 95 organizations.

Financial Education Activities

To help people of all ages to grasp the importance of money, the workings of finance, and a correct understanding as a consumer, the Bank works to provide financial education. We receive visits to our locations from school children of all ages, teaching staff, local government organizations, and companies from other industries. At the Chibagin Archive on Finance, we provide educational exhibits on the history of finance in Chiba Prefecture and also on the Chiba Bank.



Promotion of Women

As a part of efforts to promote diversity, we are making diligent efforts to help women form careers and expand their roles at work. We have set and disclosed the following numerical targets for promoting women to management positions, while greatly expanding the number of promotions.

As of July 2018, there are 6 women working as general managers in the headquarters, including 1 executive officer and 20 women holding the title of branch manager.

● Women in Management Positions

	As of 2006/3	As of 2018/7	Target for 2020
Management position	2.0% (17 persons)	12.7% (129 persons)	20%
Leader position*	9.4% (98 persons)	30.4% (273 persons)	30%

* Leader positions refer to employees who share organizational responsibilities for managing the Chiba Bank Group in their roles as managers of their assigned operations. These employees are in positions supervising subordinates or hold an equivalent post.

Nursery Facilities at Business Offices

As part of efforts to provide an environment where employees can take care of their children while working in order to balance their careers with childrearing, the Chiba Bank has set up Himawari Nurseries for the children of Group employees. In 2018, the Bank opened two new Himawari Nurseries, bringing the total of Company-led nursery facilities at business offices to three locations.



Talent Bank for Regional Banks

The Talent Bank for Regional Banks has been put in place for assisting employees in continuing their careers at regional banks. It was created at the Meeting of Regional Bank Presidents to Accelerate the Careers of Women, with the presidents of all 64 member banks of the Regional Banks Association of Japan in attendance. The Chiba Bank acts as the secretariat for the meeting. In the event an employee reluctantly plans to quit due to a move into a new home as a result of life changes, such as getting married, accompanying a working spouse who is transferred to another location or taking care of elderly parents, the Talent Bank will introduce the employee to another regional bank in the area of their new home. As of March 2018, a total of 133 employees have found new work this way.

External Awards

Mar. 2015

Ministry of Economy, Trade and Industry
“FY2014 Diversity Management Selection 100”

Dec. 2015

Cabinet Office
“Awards to Commend Leading Companies
Where Women Shine
(Prime Minister’s Award)”

Apr. 2016

Ministry of Health, Labour and Welfare
“L-Star” (top-ranked) designation



Aug. 2017

Ministry of Health, Labour and Welfare
“Platinum Kurumin” certified



Mar. 2018

Ministry of Economy, Trade and
Industry and Tokyo Stock Exchange
“FY2017 Nadeshiko Brand”



Corporate Governance

The Chiba Bank bases all of its corporate activities on the Chiba Bank Code of Ethics, which includes earning unwavering trust, thorough compliance with laws, rules and other fundamental principles, opposition to antisocial forces, and transparent management. Under the medium term management plan “Best Bank 2020 Final Stage—3 years of value co-creation” (FY2017–FY2019), we have raised “positive and active action on ESG issues” as an initiative to be addressed, and we are working to advance the level of corporate governance.

To create a more robust and sound organizational structure, the Bank has adopted the supervisory systems and constructed the efficient business execution structure mentioned below.

Directors and Board of Directors

The Board of Directors consists of nine directors, including three outside directors (outside directors make up one-third of the total number of directors). The Board of Directors makes decisions about management policies and other important matters and supervises the execution of business by the directors and executive officers.

The Chiba Bank has also adopted an executive officer system. This system provides for the clear separation of the roles of the directors, who reach decisions on important matters, supervise the execution of business operations, and perform other tasks, and the role of the executive officers, who conduct business operations.

Audit & Supervisory Board and Its Members

The Chiba Bank has adopted a company with audit & supervisory board system with five Audit & Supervisory Board members, including a majority of three outside Audit & Supervisory Board members. In particular, three of the Audit & Supervisory Board members, including two of the outside Audit & Supervisory Board members, are standing Audit & Supervisory Board members. They regularly attend meetings of the Board of Directors and other important meetings, check important documents, and perform other tasks to conduct objective and reasonable audits of the status of business execution. The Chiba Bank believes that this system provides an adequate management supervisory function.

Appointment, Remuneration and Corporate Advisory Committee

For nomination and remuneration of the Chiba Bank’s directors, the Appointment, Remuneration and Corporate Advisory Committee has been established to ensure objectivity, timeliness, and transparency. The committee members are selected by the Board of Directors and include a majority of outside directors.

Internal Audit

The Audit and Inspection Division, which reports directly to the Board of Directors and is independent of the units subject to auditing, conducts internal audits of headquarters, sales branches and subsidiaries in accordance with the Internal Audit Regulations and the Internal Audit Plan, which is established each year by the Board of Directors. The division reports the results and findings of internal audits on a monthly basis to the Board of Directors, in addition to the Internal Audit Committee, which meets once a month as a rule. Problem areas from the perspective of compliance and risk management and improvement measures are examined during this process.

Group Management Systems

The Group Chief Officer System* was introduced and under the overall supervision of the Group CEO, the Group Chief Officers are assigned responsibility for their areas of supervision, thereby creating a Group-wide corporate management system. Moreover, a responsible director is assigned to supervise each Group company and meetings of the Group Supervision Committee are held to strengthen understanding, administration, and supervision of the management status of Group companies. In addition, the Chiba Bank’s internal audit units conduct internal audits of subsidiaries and assure proper operations throughout the Chiba Bank Group.

* The following Group Chief Officers are assigned:

- Group CEO (Chief Executive Officer)
- Group COO (Chief Operating Officer)
- Group CSO (Chief Strategy Officer)
- Group CRO (Chief Risk Officer)
- Group CBO (Chief Business Officer)
- Group CIO (Chief Information Officer)

Corporate governance system	Audit & Supervisory Board system
Number of directors	9
Of which, outside directors	3
Number of Audit & Supervisory Board members	5
Of which, outside Audit & Supervisory Board members	3
Number of independent directors and Audit & Supervisory Board members	6 (3 outside directors, 3 outside Audit & Supervisory Board members)

Directors and Audit & Supervisory Board Members

Directors who possess the knowledge and experience needed to precisely, fairly and efficiently execute bank management duties have been appointed.

Name (Appointment)	Reason for Appointment as a Director
Hidetoshi Sakuma (June 2003)	President since March 2009, after serving previously as General Manager of Corporate Planning Division and General Manager of Head Office
Osamu Kimura (June 2012)	Previously served as General Manager of Keisei-ekimae Branch, General Manager of Inage Branch, General Manager of Matsudo Branch, and General Manager of Branch Support Division
Norio Takatsu (June 2016)	Previously served as General Manager of EDP System Division
Yukihito Inamura (June 2016)	Previously served as General Manager of New York Branch, General Manager of Public Relations and CSR Division, General Manager of General Secretariat, and General Manager of Human Resources Division
Tsutomu Yonemoto (June 2017)	Previously served as General Manager of Hong Kong Branch, General Manager of Akihabara Branch, General Manager of Corporate Planning Division, and General Manager of Business Promotion Division
Tadayoshi Shinozaki (June 2018)	Previously served as General Manager of London Branch, General Manager of Treasury Division, and General Manager of Corporate Planning Division

Audit & Supervisory Board members who possess the knowledge and experience to audit the directors' execution of business accurately, fairly, and efficiently have been appointed.

Name (Appointment)	Reason for Appointment as an Audit & Supervisory Board Member
Toshikazu Okubo (June 2016)	Previously served as General Manager of Yachiyo Branch and General Manager of Corporate Planning Division. Served as a director from June 2011 to June 2016
Kazuyoshi Fukushima (June 2016)	Previously served as General Manager of Risk Management Division and General Manager of Audit and Inspection Division

Outside Directors and Outside Audit & Supervisory Board Members

Outside directors have been appointed for their ability to help improve the Bank's corporate value over the medium to long term as they apply their knowledge and experience to the management of the Bank toward the strengthening of the decision-making functions and supervisory functions of the Board of Directors.

Name (Appointment)	Reason for Appointment as an Outside Director
Tomoyuki Yokota (June 2017)	Has a high level of expertise as a judge and attorney, with experience as a Supreme Court Justice and advisor at Nagashima Ohno & Tsunematsu Law Office
Yuko Tashima (June 2015)	Has a high level of expertise as an attorney, with experience as an outside director at other non-financial companies, and public service as an official of the Financial Services Agency
Yasuko Takayama (June 2015)	Has experience as a manager of customer service and CSR divisions and as a standing Audit & Supervisory Board member of Shiseido Company Limited, as well as experience as an outside director at other non-financial companies

Outside Audit & Supervisory Board members who can enhance auditing functions by applying their knowledge and experience to the management of the Bank have been appointed.

Name (Appointment)	Reason for Appointment as an Outside Audit & Supervisory Board Member
Tomohiko Sakamoto (June 2017)	Has a high level of expertise gained through experience as a branch manager, Director-General, Administration Department, and other positions at the Bank of Japan as well as extensive knowledge in finance overall
Kazuhiko Ishihara (June 2017)	Has a high level of expertise and extensive knowledge of overall administration gained through experience as Deputy Director-General of Minister's Secretariat, Ministry of Finance, Director-General, Okinawa Development and Promotion Bureau, Cabinet Office, and other positions
Akio Shirato (June 2011)	Has broad and deep knowledge of administration and related matters gained from experience as Vice Governor of Chiba Prefecture

(Relationship with the Chiba Bank)

The Chiba Bank has three outside directors and three outside Audit & Supervisory Board members. None of them have any personal relationships with other directors or Audit & Supervisory Board members at the Chiba Bank, nor does the Chiba Bank have any particular beneficial relationships with them.

(Functions and roles in corporate governance)

The Chiba Bank has appointed three outside directors to further strengthen the management decision-making and supervisory functions of business operations. The outside Audit & Supervisory Board members serve a management supervisory function for the Chiba Bank, using their impartial viewpoints from outside of the Bank to audit business operations objectively and reasonably.

They work to implement efficient and effective auditing, cooperating with the representative directors, internal audit units, independent auditor and internal control departments through periodical information exchange and holding interviews as necessary.

(Standards regarding independence)

The Chiba Bank has established standards regarding the independence of outside directors and outside Audit & Supervisory Board members in electing members that can satisfy independence while appropriately performing their duties. All the Chiba Bank's outside directors and outside Audit & Supervisory Board members satisfy these standards regarding independence. We have submitted notification to the Tokyo Stock Exchange that the three outside directors and three outside Audit & Supervisory Board members are independent and secure from any risk of conflicts of interest with general shareholders.

(Overview of liability limitation agreements)

Based on Article 427, Section 1 of the Companies Act, the Chiba Bank has entered into liability limitation agreements with the outside directors and outside Audit & Supervisory Board members to limit their liability for damages pursuant to Article 423, Section 1 of the Companies Act to the minimum liability amount set forth in Article 425, Section 1 of the Companies Act when they have acted in good faith and have not been grossly negligent in performing their duties.

Remuneration of Directors and Audit & Supervisory Board Members

Remuneration of the Chiba Bank's directors is based on remuneration regulations established by the Board of Directors, and is determined by the Board of Directors following deliberations by the Appointment, Remuneration and Corporate Advisory Committee, whose members include a majority of outside directors, to ensure that the remuneration is transparent, fair and rational. To function as a sound incentive for the directors to strive for sustainable growth and enhance corporate value over the medium to long term, equity-based remuneration in the form of stock options, linked to the Chiba Bank's medium- to long-term earnings performance, is provided as a component of the remuneration packages. From the standpoint of emphasizing soundness as a financial institution, the Chiba Bank has not introduced remuneration linked to short-term earnings performance.

Remuneration Policies










- Director remuneration consists of a fixed portion comprising fixed remuneration based on rank, and a variable portion comprising fluctuating remuneration linked to stock price performance. However, outside directors only receive fixed remuneration.
- Fixed remuneration based on rank is paid to match the weight of responsibility for each position.
- The ratio of fixed remuneration based on rank to variable remuneration (equity-based remuneration in the form of stock options) is 80:20.

Remuneration Determination Procedure

- Remuneration of a director shall be determined by resolution of the Board of Directors within the scope of the total remuneration for directors established by resolution of the Annual General Meeting of Shareholders.

Regarding remuneration for Audit & Supervisory Board members, a full fixed remuneration shall be determined through discussions with them in order to ensure their independence.

Directors

	Hidetoshi Sakuma President (Representative Director) Group Chief Executive Officer		Osamu Kimura Deputy President (Representative Director) Group Chief Operating Officer
	Norio Takatsu Director and Managing Executive Officer Group Chief Information Officer		Yukihiro Inamura Director and Managing Executive Officer Group Chief Risk Officer
	Tsutomu Yonemoto Director and Managing Executive Officer Group Chief Business Officer		Tadayoshi Shinozaki Director and Managing Executive Officer Group Chief Strategy Officer
	Tomoyuki Yokota Non-Standing Director (Outside Director)		Yuko Tashima Non-Standing Director (Outside Director)
			Yasuko Takayama Non-Standing Director (Outside Director)

Audit & Supervisory Board Members

	Toshikazu Okubo Standing Audit & Supervisory Board Member		Tomohiko Sakamoto Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)		Kazuhiko Ishihara Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)		Kazuyoshi Fukushima Non-Standing Audit & Supervisory Board Member		Akio Shirato Non-Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
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Executive Officers

Shigenobu Sadachi Managing Executive Officer	Hirofumi Kadohata Managing Executive Officer	Arihiko Totsuka Managing Executive Officer	Shunichi Ishii	Satoru Maki
Takayuki Hosokai	Chigusa Saito	Hiroshi Seki	Hironaga Fukuo	Kiyomi Yamazaki
Yuichi Katayama	Haruhiko Miyachi	Kazuyoshi Takayama	Kazuhiko Miyagi	

Compliance

Compliance Structure

The Chiba Bank is constantly working on making compliance activities even more effective. We are determined to conduct all of our business activities fairly and in good faith, by complying with all laws and regulations relating to banking transactions, by observing all internal rules and regulatory requirements pertaining to our role in society and by avoiding actions that would fall short of normal social expectations.

Specific action plans and measures to ensure compliance are formulated at regular meetings of the Compliance Committee. This committee is chaired by the President and consists of directors, executive officers, and divisional general managers.

The Compliance Division is responsible for various compliance related tasks, including the administration of compliance regulations and manuals, the preparation and monitoring of training programs and periodic checks on the compliance situation. They also monitor branch-level compliance and provide advice.

Consistent Implementation of Basic Policies

We have a clearly defined code of conduct for employees in the form of the Chiba Bank Code of Ethics. To ensure that these rules are understood and observed, all employees receive a copy of our Compliance Manual, which contains specific guidelines.

Compliance Program

Every year, the Board of Directors establishes a compliance program to provide a specific action plan for achieving further improvements in compliance activities. The execution of this program is checked on a regular basis by the Board of Directors and Compliance Committee.

The Chiba Bank Code of Ethics Earning Unwavering Trust

Remaining constantly aware of the social responsibility and public mission of a bank, the Chiba Bank will strive to earn the unwavering trust of society through sound, appropriate business operations based on the principle of accountability.

Thorough Compliance with Laws, Rules and Other Fundamental Principles

Complying strictly with all laws and rules and never deviating from social standards, the Chiba Bank will conduct fair and honest business activities.

Opposition to Antisocial Forces

The Chiba Bank will firmly oppose antisocial forces and groups that threaten the order and safety of society and that undermine healthy economic and social development.

Transparent Management

The Chiba Bank will provide active and fair disclosure of management information and manage its operations in a transparent manner.

Protecting Customers and Personal Information

To protect customers and offer them greater convenience, employees of the Chiba Bank receive guidance and training designed to ensure that everyone conducts business with sincerity and fairness. We pay particular attention to complex financial products with risks that include the possible loss of principal and to derivative transactions. In these cases, we comply with the Financial Instruments and Exchange Law and always perform proper solicitation and sales activities in line with the Chiba Bank Solicitation Policy. Furthermore, we plan to upgrade follow-up activities for customers who use these types of financial products.

Prevention of Money Laundering and Financial Crimes

The Chiba Bank has established the Management Policy to Prevent Money Laundering and Terrorism Financing Activities and follows this policy in making thorough efforts aimed at preventing these problems. In addition, we are reinforcing measures to protect customers from a variety of financial crimes.

Opposition to Antisocial Forces

The Chiba Bank maintains links with police authorities, lawyers, and other external organizations as a structure to provide appropriate countermeasures against unreasonable demands, interference, or other inappropriate approaches from antisocial forces.

Moreover, the Bank has added organized crime disclaimers to all transaction documentation, particularly deposit account regulations, bank transaction agreements, and loan agreements, and is actively adding more measures to counteract antisocial forces.

Management Policy to Prevent Money Laundering and Terrorism Financing Activities

The Chiba Bank recognizes the importance of preventing money laundering and terrorism financing activities ("money laundering, etc.," hereinafter) and has established appropriate internal systems for the prevention of money laundering, etc.

Unified Control

The roles and responsibilities of managers and others who are responsible for preventing money laundering, etc., are clearly defined and control is centralized based on the suitable cooperation of all related departments.

Appropriate Administrative Procedures

The Chiba Bank has established and upgraded administrative procedures that are needed for the prevention of money laundering, etc., such as verification of customer identification, confirmation of frozen assets and other measures, and reports about suspicious transactions.

Employee Training Programs

There are continuous employee training programs on the prevention of money laundering, etc., to ensure that all employees are aware of the related laws and regulations and administrative procedures.

Verification of Effectiveness

The Chiba Bank monitors its internal management system regarding the prevention of money laundering, etc., verifies the effectiveness of these systems, and takes additional steps to upgrade these systems based on the outcomes of monitoring.

Risk Management

Integrated Risk Management System

The principal forms of risk to which banking operations are subject include credit risk, market risk, and operational risk.

In order to improve profitability and ensure sound business operations, the Chiba Bank considers it necessary to not only individually manage each of these forms of risk, but also to centrally monitor those risks to control within acceptable overall limits.

Accordingly, in addition to assigning divisions to manage overall risk in the Group for each form of risk, the Chiba Bank has an integrated risk management system in which the Risk Management Division centrally monitors these risks. The division engages in detailed management and discussions of risks at meetings of the ALM Committee, Credit Risk Management Committee, and Operational Risk Management Committee and reports to the Board of Directors on risk-related matters. In addition, the division is developing an integrated risk management system for considering and implementing risk countermeasures.

To ensure an effective risk management system, the Audit and Inspection Division periodically conducts audits to determine whether risk management is appropriately implemented and reports the audit results to the Board of Directors.

Integrated Risk Management

The basis of risk management at the Chiba Bank is the integrated management of various risks using uniform measures to the extent possible. The term “integrated risk” refers to the sum of credit risk, market risk, and operational risk measurement, forms of risk that can be managed by means of risk quantification.

The Risk Management Department in the Risk Management Division, the section responsible for integrated risk management, conducts a comparison of quantified integrated risk and capital, verifies the adequacy of capital with respect to risk, and reports the results quarterly to the Board of Directors. The division also conducts stress tests, a means of verification of capital adequacy in times of stress that involves the assumption of certain stress scenarios, such as deterioration of the corporate environment in a period of recession, or a decrease in land prices, and forecasting the increase in the amount of risk based on the scenarios.

The Chiba Bank has introduced a risk capital allocation system as a concrete framework for integrated risk management. A risk capital allocation system is a mechanism for engaging in business operations that duly recognizes risk and return, such as profitability improvement at business sectors and the effective utilization of capital. The system ensures management soundness by means of the preallocation of risk capital (the amount of acceptable risk) to areas such as the domestic banking sector and treasury sector within the scope of capital, an indicator of financial strength.

The Chiba Bank has introduced a risk appetite framework, which it uses to control the occurrence of losses. The framework monitors the current status of risk capital use and risk-return performance in

each business sector. It also performs scenario analysis predicated on future environmental changes.

Credit Risk Management

Credit risk is the risk of incurring a loss because of a decline in, or total loss of, the value of owned assets as a result of deterioration in the financial soundness of debtors. Credit risk accounts for a major portion of risk in banking operations.

The Chiba Bank has developed a rigorous credit risk management system centered on an internal credit rating system and engages in individual credit management and credit portfolio management. In the self-assessment of assets, the Chiba Bank implements appropriate write-offs and provisions.

Also the Chiba Bank has long ensured the independence of the sections involved in credit risk. Specifically, the credit screening and administrative sections manage credit risk for individual business transactions in the credit executing section (banking offices and sales promotion divisions). The Credit Risk Management Department in the Risk Management Division, whose organization and operation are independent from the credit screening and administrative sections and the credit executing sections, is a credit risk management section that engages in unified management of overall credit risk. The Risk Management Department in the Risk Management Division is a unified risk management section that engages in the integrated management of all forms of risk, including credit risk. The Audit and Inspection Division audits operations in the business units involved in credit risk management.

The Credit Risk Management Committee meets regularly and considers credit risk management policy, monitors the operation of the internal credit rating system and the credit portfolio, and works to ensure the quality of loan assets.

Internal Credit Rating System

The Chiba Bank uses an internal credit rating system to place borrowers into 15 credit rating categories on the basis of financial data such as financial condition and cash flow. We strive to enhance the identification and examination of the financial circumstances at companies, the starting point of credit risk management, by means of periodic annual reviews and reviews at other times in accordance with the status of individual debtors. The internal credit rating system is the core of credit risk management and is extensively used in actual management, such as credit pricing standards and approval authorization.

Individual Asset Credit Management

The banking branches or offices and the Credit and Supervisory Department in the Credit Division take the lead with regard to examining individual applications for credit, engaging in rigorous investigations in accordance with screening criteria on the basis of the basic principles of credit (safety, profitability, liquidity, growth potential

and public good). The Business Support Department in the Business Support Division provides support for the financial soundness of borrowers who need to improve their operations, and the Credit Administration Department in the Business Support Division engages in resolution and collection activities with regard to Bankrupt Debtors and other borrowers. The Chiba Bank strives to accumulate high-quality loan assets and minimize future losses through this practice of advanced screening and supervision after credit has been extended.

Credit Portfolio Management

Credit portfolio management is the management of the risk of incurring a major loss due to the concentration of individual loans in specific countries or specific industries. The Credit Risk Management Department in the Risk Management Division monitors the state of credit risk from various perspectives, such as by country, by industry, and by customer credit rating, and works to improve the quality of the credit portfolio by taking any necessary measures, including setting the maximum credit limit.

In credit portfolio management, the Chiba Bank engages in the quantification of credit risk. The quantification of credit risk is the forecasting by statistical methods of the amount of future losses (the amount of risk) forecasted to occur due to circumstances such as borrower bankruptcy or worsening business performance. We measure value at risk (VaR: the assumed maximum loss) as the amount of risk and strive to increase the soundness of the credit portfolio by accumulating and organizing default data and loan recovery data from defaulted borrowers.

By importing the quantitative results into various systems, we utilize them in loan pricing that reflects credit risk and other

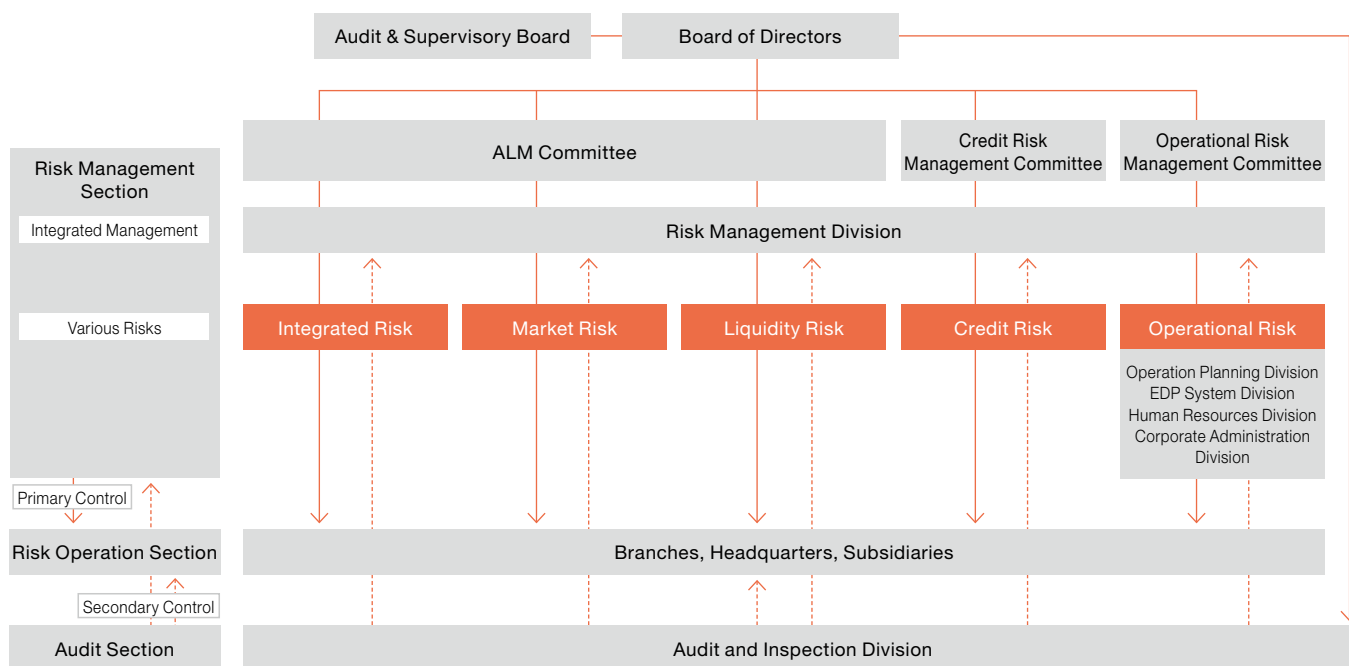
processes. In this way, we aim to ensure more appropriate interest rate levels than were previously possible and refine risk management.

Self-Assessment of Assets

Self-assessment of assets is the practice whereby financial institutions review and analyze their own assets individually and classify them on the basis of asset value impairment and the risk of default. Self-assessment of assets is obligatory for financial institutions under the system of prompt corrective action under the Banking Law. The system of prompt corrective action is a system by which administrative measures are triggered in accordance with the state of the capital ratio of financial institutions. A prerequisite to the accurate calculation of capital is implementation of appropriate write-offs and provisions and the preparation of financial statements that, to the extent possible, objectively reflect the actual state of asset quality.

At the Chiba Bank, branches and offices conduct self-assessments of assets on the basis of Asset Self-Assessment Regulations, and the credit screening and administrative sections check details of self-assessments. Next, the Audit and Inspection Division conducts an audit to verify the accuracy of the self-assessment results and process. According to the results of these assessments, the Credit Risk Management Department in the Risk Management Division calculates the amounts of provisions, and the Credit Administration Department in the Business Support Division implements write-offs. Finally, the Audit and Inspection Division conducts an audit. Through this process, the Chiba Bank rigorously maintains the soundness of its assets.

Risk Management System



Market Risk Management

Market risk is the risk of incurring a loss due to a change in the value of owned assets as a result of fluctuations in interest rates, prices of securities or other financial instruments, or exchange rates.

The Chiba Bank has introduced an ALM management system with respect to market risk. The ALM Committee meets periodically to discuss and decide detailed measures to counter interest rate risk, foreign exchange risk and price fluctuation risk, and manage overall market risk.

Specifically, as part of the Risk Capital Allocation System, within the scope of the risk capital allocated to the business sectors, the Chiba Bank sets and manages risk limits for the amount of market risk (value at risk or VaR: the assumed maximum loss) for each product, such as securities investments and other market transactions or loans and deposits. In this way, we strive to ensure management soundness. In addition to VaR management of market transactions, the Chiba Bank sets upper limits for market investments according to the balance and alarm point of valuation differences and implements risk control by reviewing investment policy each quarter.

The allotment of market operations among the front office (the Treasury Division and overseas branches), back office (the Treasury Operation Division), and middle office (the Market Risk Management Department in the Risk Management Division) results in the mutual control of each section.

Liquidity Risk Management

Liquidity risk consists of cash flow risk and market liquidity risk. Cash flow risk is the risk of incurring a loss due to failure to maintain cash flow as a result of the inability to secure necessary funds or the necessity of procuring funds at significantly higher interest rates than usual due to the worsening of the financial institution's financial position or other circumstances. Market liquidity risk is the risk of incurring a loss due to the inability to trade on markets or the necessity of trading at prices significantly less favorable than usual due to market turmoil or other circumstances.

At the Chiba Bank, the Treasury Division is the section that manages cash flow. The division ascertains the market environment and analyzes the state of investment and procurement of funds. With respect to cash flow risk, the division engages in appropriate day-to-day cash flow management through such means as the establishment of upper limits to ensure that the amount of funds procured on the market is not excessive and the maintenance of a certain minimum level of assets as a liquidity reserve that can be converted to cash in a short time. The Chiba Bank manages market liquidity risk by setting limits on daily positions taken in market trading.

As the section that manages risk, the Market Risk Management Department in the Risk Management Division strives to avoid increases in liquidity risk by identifying and assessing various factors that affect liquidity risk and monitoring the observance of limits.

The ALM Committee meets to discuss and decide matters related to liquidity risk, as it does with market risk.

The Chiba Bank also maintains a crisis management plan that provides for a rapid, network-wide response in the event of unforeseen circumstances that could affect the Chiba Bank's cash flow.

Operational Risk Management

Operational risk is the risk of incurring losses due to the inappropriateness of business processes, employee activities, or systems or external events.

The Chiba Bank classifies operational risk into clerical risk, system risk, human risk, tangible asset risk, and reputational risk. Human risk is the risk of a loss occurring due to workplace safety, discrimination, or the like. Tangible asset risk is the risk of a loss occurring due to damage to buildings or facilities or the like. Reputational risk is the risk of a loss occurring due to loss of public confidence resulting from deterioration of the Chiba Bank's reputation.

In its risk management structure, the Chiba Bank decides the corporate divisions having jurisdiction over the various forms of operational risk (the Operation Planning Division for clerical risk, the EDP System Division for system risk, the Human Resources Division for human risk, and the Corporate Administration Division for tangible asset risk), and the divisions collaborate in risk management under the overall management of the Risk Management Department in the Risk Management Division, which is responsible for central oversight of risk. The Risk Management Department in the Risk Management Division directly manages reputational risk and the Compliance Division jointly manages legal risk and compliance-related risk included in the various risk categories with the corporate divisions that have jurisdiction.

The Chiba Bank has an Operational Risk Management Committee. On the basis of direct involvement in management, the committee receives reports concerning the state of operational risk losses and develops a management structure for improving and correcting problem areas by means of a PDCA cycle involving the preparation of a risk management plan, development of management regulations, and evaluation and improvement. To ensure the effectiveness of management by means of this PDCA cycle, the Chiba Bank has introduced Control Self-Assessment (CSA), by which it formulates and implements measures to identify, assess, monitor, and manage the details of risk, as well as to reduce risk. Management by means of CSA entails responding to operational risk loss events that have occurred at the Chiba Bank as well as preventing problems from occurring by evaluating the adequacy of the Chiba Bank's management system. This is based on scenarios prepared using loss events that have occurred at other banks or in other industries and devising countermeasures as necessary.

Clerical Risk Management

Clerical risk is the risk of incurring a loss due to the failure to perform

accurate clerical work, clerical accidents or fraud, or the failure to perform official obligations or provide explanations to customers.

The Chiba Bank considers accurate clerical work to be essential to obtain the trust of customers, and the Operation Planning Division plays a central role in the performance of exact clerical work in accordance with basic procedures and in the effort to prevent clerical accidents.

Specifically, the division prepares clerical standards that indicate detailed clerical procedures for each operation; ensures the correct handling of cash, promissory notes, passbooks, and other important items; provides guidance on clerical management systems at branches, offices, and headquarters; and conducts training to raise the standard of clerical work.

The branches and offices periodically conduct self-assessments and strive to ensure clerical accuracy and raise the level of clerical work through monitoring and verification by the Operation Planning Division.

With regard to the auditing system, the Audit and Inspection Division visits all branches, offices, and headquarters at least once a year and conducts rigorous audits of all clerical work in accordance with auditing standards. The division promptly notifies the branches, offices, and headquarters of the audit results, periodically reports to the Board of Directors, and implements a framework for reflecting audit results in clerical improvements.

System Risk Management

System risk is the risk of incurring a loss resulting from a leak or falsification of information owned by the Chiba Bank or the unauthorized use, failure, or incorrect operation of computer systems.

The Chiba Bank possesses customer transaction data and various other types of information and has developed systems to process that information. To ensure the provision of various services to customers, the role of computer systems in banking operations is increasing year by year, and a system risk event would result in great inconvenience to customers. For this reason, we regard system risk management as increasingly important.

The EDP System Division plays a central role in devising measures to ensure the stable operation of computer systems. Specifically, the Chiba Bank duplicates hardware and circuits for account systems and other backbone systems and maintains a framework for rapidly switching to the backup system so that business can continue in the event of a failure. In addition, for all computer systems, including those used individually at departments, the Chiba Bank has implemented a rigorous data management system, measures to prevent unauthorized access or the introduction of viruses, and the preparation of a contingency plan to provide for unforeseen circumstances such as large-scale disasters.

Moreover, in terms of cybersecurity, the Bank continues to take measures to ensure customer safety and security.

As part of audit procedures, the Audit and Inspection Division

conducts audits of computer systems throughout the organization.

Business Continuity System

In addition to the risk management system described above, the Chiba Bank maintains a business continuity system to allow essential operations to continue for the preservation of the financial system during an unexpected disaster such as an earthquake or pandemic influenza. Centered in the Risk Management Department in the Risk Management Division, this system focuses on the rapid restoration of operations that the Chiba Bank would be forced to suspend during an emergency.

Currently, in addition to preparing for a large-scale earthquake such as an earthquake directly under the Tokyo metropolitan area, the Chiba Bank is upgrading its management systems, including its countermeasures against a variety of risks such as complex disasters involving tsunami or volcanic eruptions.

Basel III Compliance

The Basel III capital adequacy regulation was first applied in the fiscal year ended March 31, 2013. Changes to the new regulation compared with the earlier Basel II regulation include tighter rules for items included in capital and an increase in the number of items excluded with the aim of improving the quality of capital. Other changes include additional provision for risks relating to transactions with large financial institutions and derivative transactions. Banks will also be required to meet minimum capital adequacy standards based on four capital ratios: total capital ratio, Tier 1 capital ratio, common equity Tier 1 capital ratio, and capital buffer ratio (applicable from the fiscal year ended March 31, 2016). Basel III consists of three pillars. Pillar 1 is a minimum capital ratio, which is the level of capital required to cover a bank's risk. Pillar 2 is the development of capital strategies by banks and verification by regulatory authorities. Pillar 3 is the assurance of market discipline through the increased disclosure of information. Under the regulation, each bank selects a method of calculating minimum required capital according to its risk profile and risk management method.

The basic policy of the Chiba Bank is to expand its business by upgrading internal management, and it is proactively complying with the regulation as part of its policy of building an integrated risk management system. With regard to the calculation of minimum required capital, we have adopted the foundation internal ratings-based (FIRB) approach for credit risk and standardized approach for operational risk (both approaches require the approval of regulatory authorities) and more thoroughly reflect risk in capital ratios.

Furthermore, for Pillar 3, disclosure of the leverage ratio was started as an indicator to complement the capital ratios.

Going forward, a number of new requirements will be introduced, including the net stable funding ratio. The Chiba Bank is currently developing and strengthening management systems to comply with these regulations.

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Five-Year Summary (Consolidated)

The Chiba Bank, Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen ¹					Thousands of U.S. Dollars ^{*2}
	2018	2017	2016	2015	2014	2018
For the Year						
Total Income	¥ 234,166	¥ 227,850	¥ 228,702	¥ 229,395	¥ 217,995	\$ 2,204,129
Total Expenses	157,077	151,243	143,826	141,162	140,775	1,478,516
Profit before Income Taxes	77,089	76,606	84,875	88,232	77,220	725,613
Profit	53,796	52,730	55,444	57,033	47,382	506,363
Profit Attributable to Non-Controlling Interests	—	—	—	—	944	—
Profit Attributable to Owners of Parent	53,796	52,730	55,444	57,033	46,438	506,363
At Year-End						
Total Assets	¥14,381,815	¥14,095,743	¥13,333,858	¥12,969,442	¥12,023,627	\$135,371,001
Loans and Bills Discounted	9,774,912	9,268,854	8,769,113	8,438,684	8,061,697	92,007,839
Securities	2,169,542	2,381,490	2,455,700	2,362,229	2,180,202	20,421,147
Deposits	12,468,379	11,984,784	11,486,430	11,218,113	10,495,839	117,360,499
Net Assets	943,236	900,550	866,398	858,747	766,187	8,878,353
Capital Ratio (BIS guidelines)	13.18%	13.59%	13.79%	14.66%	13.69%	13.18%
PER (Times)	12.57	10.94	8.36	12.96	11.71	12.57
PBR (Times)	0.70	0.63	0.53	0.85	0.71	0.70
Per Share						
	Yen					U.S. Dollars
Profit	¥ 67.98	¥ 65.32	¥ 67.03	¥ 68.02	¥ 54.29	\$ 0.64
Net Assets	1,207.15	1,128.31	1,053.76	1,030.64	895.60	11.36

*1 Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the consolidated financial statements do not necessarily agree with the sums of individual amounts.

*2 U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥106.24 to \$1.00, the exchange rate prevailing at March 31, 2018.

Financial and Economic Environment

In the fiscal year ended March 31, 2018, the Japanese economy continued to stage a gradual recovery, as personal consumption trended firmly as a result of improved employment and income levels and other factors. Corporate earnings also trended at a high level overall, mainly supported by a buoyant global economy.

Turning to financial market conditions, the unsecured overnight call rate stood at around -0.05% throughout the fiscal year. Secondary market yields on long-term government bonds trended at around +0.05%. The Nikkei Stock Average had been trending at above ¥23,000 from the second half of the fiscal year supported by strong corporate earnings, but had fallen to the ¥21,000 level by the end of the fiscal year due to the impact of interest rate hikes in the U.S.

Review of FY2017

In this financial and economic environment, the Chiba Bank pushed ahead with "Best Bank 2020 Final Stage—3 years of value co-creation," the Bank's 13th medium term management plan running from April 2017. Under this plan, we have vigorously implemented various measures to become a "Best Retail" Banking Group, providing the highest satisfaction and impressing our regional customers, including individuals and small- and medium-sized enterprises through advanced services.

Among these efforts, we accelerated initiatives under the Chiba-Musashino Alliance and the TSUBASA Alliance, which are our two strategic alliances.

Under the Chiba-Musashino Alliance, we established Chiba-Musashino Alliance Co., Ltd. in April 2017 through equal joint investment by both banks, and conducted strategic decision-making, management of initiatives, and so forth. In addition, Chibagin Securities Co., Ltd. opened four branches in Saitama Prefecture and started collaborating in the securities business.

In the TSUBASA Alliance, we continued discussions toward starting provision of API and FinTech services using the TSUBASA FinTech Platform. In addition, the Bank and The Daishi Bank, Ltd. concluded a basic agreement toward sharing their administrative operations.

In operations, the entire Group focused on regional revitalization. Furthermore, we took proactive initiatives to offer loans and core business support for business partners based on evaluation of their businesses. In the asset management business, we formulated and announced our policy regarding customer-oriented business operations (fiduciary duties) and implemented measures from the customer's perspective.

In other areas, we took steps to achieve high productivity by promoting work style reform, improving the efficiency of loan operations, and enhancing the effectiveness of branches and their operations. At branches, we strove to make further advances in customer service by utilizing IT to reduce wait times and so forth. We also reallocated staff and created an environment where they can focus completely on customer service by reducing their clerical workload.

Operating Results

Total income increased by ¥6.3 billion from the previous fiscal year to ¥234.1 billion, mainly due to increases in interest income, including interest on loans and discounts, and fees and commissions. Total expenses increased by ¥5.8 billion from the previous

fiscal year to ¥157.0 billion, mainly due to increases in other expenses including write-offs of loans.

As a result, profit before income taxes increased by ¥0.4 billion from the previous fiscal year to ¥77.0 billion. Profit attributable to owners of parent increased by ¥1.0 billion to ¥53.7 billion.

Cash Flows

Net cash used in operating activities was ¥100.8 billion, mainly due to an increase in loans and bills discounted. Net cash provided by investing activities was ¥210.1 billion, mainly due to sales of securities. Net cash used in financing activities was ¥25.9 billion, mainly due to the purchase of treasury shares.

As a result, cash and cash equivalents was ¥1,697.7 billion as of March 31, 2018, an increase of ¥83.4 billion compared with the previous fiscal year-end.

Financial Condition

The balance of total assets reached ¥14,381.8 billion as of March 31, 2018, an increase of ¥286.0 billion from a year earlier. The balance of net assets amounted to ¥943.2 billion as of the fiscal year-end, an increase of ¥42.6 billion from a year earlier.

Looking at the main account balances, the balance of deposits including NCDs as of March 31, 2018 was ¥12,468.3 billion, an increase of ¥483.5 billion from the previous fiscal year-end. This increase reflected our efforts to provide a variety of financial products and services, as well as a campaign to encourage customers to make the Chiba Bank their main banking institution for salary and pension payments and other household needs.

The balance of loans and bills discounted increased by ¥506.0 billion from the previous fiscal year-end to ¥9,774.9 billion as of March 31, 2018, reflecting our efforts to actively respond to the borrowing needs of both corporate and individual customers. The balance of securities decreased by ¥211.9 billion from the previous fiscal year-end to ¥2,169.5 billion as of March 31, 2018.

Dividends Policy

In light of the vital public role of the banking sector, the Bank's basic policy is to actively return profits to shareholders through stable dividends and share buybacks while maintaining sound financial health, in conjunction with effectively deploying capital to drive growth. Moreover, our basic dividend policy is to pay out dividends twice a year via an interim dividend and a year-end dividend, with record dates of September 30 and March 31 every year, respectively. The interim dividend is approved by resolution of the Board of Directors, while the year-end dividend is approved by resolution at the Annual General Meeting of Shareholders.

In terms of the dividends for the fiscal year ended March 31, 2018, a year-end dividend of ¥7.5 per share was approved at the Annual General Meeting of Shareholders. As a result, the total annual dividend, including an interim dividend of ¥7.5 per share, was ¥15 per share.

Outlook for FY2018

For the fiscal year ending March 31, 2019, our earnings forecasts are ordinary profit of ¥80.0 billion and profit attributable to owners of parent of ¥54.5 billion.

Our annual dividend forecast is ¥16 per share, including a projected interim dividend of ¥8 per share.

Asset Quality

The Chiba Bank is constantly working on preserving and improving the quality of its assets by using measures such as proper handling of non-performing loans, prevention of new occurrences of non-performing loans, and support to the financial rehabilitation of borrowers.

Non-performing loans are loans and other claims for which the collection of principal and interest are in doubt because of a bankruptcy or poor business performance.

Interest income from loans and other assets is the primary source of income for a bank. Consequently, difficulties in the collection of loans may have a material impact on a bank's financial condition. To maintain the quality of assets, we have upgraded and enhanced thorough credit screening and risk management systems.

Claims disclosed under the Financial Reconstruction Law were ¥127.0 billion as of March 31, 2018, and the non-performing loan ratio was 1.27%.

The Head Office and branches of the Chiba Bank will continue to work together, while using the resources of Small and Medium Enterprises Revitalization Support Councils and other external organizations, to extend support that enables customers to improve their business operations.

Self-Assessment and Debtor Classification

Self-assessment of assets is the process whereby financial institutions individually review and analyze assets and classify them on the basis of asset value impairment and the risk of default. Loans and other assets are classified into five categories according to debtor creditworthiness: Normal Debtors, Debtors Requiring Caution, Potentially Bankrupt Debtors, Effectively Bankrupt Debtors, and Bankrupt Debtors. In the Debtors Requiring Caution category, borrowers for whom loan repayment terms have been eased are classified as Substandard Debtors.

Disposal of Non-Performing Assets

The Chiba Bank has taken appropriate measures to dispose of non-performing assets by implementing write-offs and providing allowances at the end of each quarter on the basis of the results of a rigorous self-assessment of assets. With respect to major debtors, the Chiba Bank calculates the allowance for loan losses using the Discounted Cash Flow (DCF) method for Substandard Assets and Potentially Bankrupt Assets.

Moreover, the allowance for loan losses from Bankrupt Debtors and Effectively Bankrupt Debtors makes up the full amount of the

Debtor Classification

Normal Debtors	Debtors whose business situation is good and whose financial position gives no cause for concern.
Debtors Requiring Caution	Debtors who are viewed with concern because of stagnant or unstable business performance, including losses.
Potentially Bankrupt Debtors	Debtors who are not currently bankrupt but are seen as being at serious risk of bankruptcy.
Effectively Bankrupt Debtors	Debtors who are bankrupt in real terms, even though legal and formal bankruptcy proceedings have not been implemented.
Bankrupt Debtors	Debtors who have become bankrupt under various circumstances, including bankruptcy procedures, corporate liquidation, corporate rehabilitation and civil rehabilitation.

Risk-Monitored Loans

(¥ billion)

	Non-Consolidated		Consolidated	
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
Loans to Bankrupt Borrowers	2.2	1.3	1.8	1.2
Delinquent Loans	83.8	84.9	81.4	82.7
Loans Past Due 3 Months or More	1.3	1.1	1.3	1.1
Restructured Loans	51.4	39.3	51.4	39.3
Total	138.9	126.7	136.2	124.4

claims not covered by collateral. The allowance for loan losses from Potentially Bankrupt Debtors is equal to the amount of expected losses calculated on the past loan loss ratio, as a rule.

The coverage ratio, calculated as the allowance for loan losses added to collateral and guarantees stands at 72.0%, indicating a high level of security on the basis of claims disclosed under the Financial Reconstruction Law and limited cause for concern about the occurrence of future losses.

Disclosure of Non-Performing Assets

Under banking regulations, disclosure of non-performing assets includes reporting of 1) Risk-Monitored Loans as defined in the Banking Law (hereinafter Risk-Monitored Loans) and 2) disclosed claims under the Financial Reconstruction Law.

Disclosure of Risk-Monitored Loans includes only the amount of such loans, while disclosed claims under the Financial Reconstruction Law include customers' liabilities for acceptances and guarantees other than loans, accrued interest, foreign exchange, and other assets, with the exception of Substandard Claims.

Risk-Monitored Loans

In the classification of Risk-Monitored Loans, Loans to Bankrupt Borrowers corresponds to Bankrupt Assets under self-assessment, Delinquent Loans corresponds to Effectively Bankrupt Assets and Potentially Bankrupt Assets under self-assessment, and Loans Past Due Three Months or More and Restructured Loans correspond to loans delinquent three months or more and loans for which repayment terms have been eased, respectively, in Assets Requiring Caution.

Disclosed Claims under the Financial Reconstruction Law

With regard to disclosure of claims under the Financial Reconstruction Law, the Chiba Bank discloses Claims of Bankrupt Debtors and Effectively Bankrupt Debtors under self-assessment as Bankrupt and Substantially Bankrupt Claims, Claims of Potentially Bankrupt Debtors under self-assessment as Doubtful Claims, and loans delinquent three months or more and loans for which repayment terms have been eased in Claims of Debtors Requiring Caution under self-assessment as Substandard Claims.

Disclosed Claims under the Financial Reconstruction Law (Non-Consolidated)

(¥ billion)

	As of March 31, 2017	As of March 31, 2018
Bankrupt and Substantially Bankrupt Claims	17.8	17.0
Doubtful Claims	68.4	69.4
Substandard Claims	52.8	40.4
Total	139.0	127.0
Normal Claims	9,275.2	9,803.7
Non-Performing Loan Ratio (%)	1.47	1.27
Coverage Ratio (%)	71.1	72.0

Comparison of Classifications under Self-Assessment, Financial Reconstruction Law and Risk-Monitored Loans

(Non-Consolidated) (As of March 31, 2018)

(¥ billion)

Asset Classification under Self-Assessment		Risk-Monitored Loans under the Banking Law		Disclosed Claims under the Financial Reconstruction Law	
Bankrupt Assets and Effectively Bankrupt Assets	17.0	Loans to Bankrupt Borrowers	1.3	Bankrupt and Substantially Bankrupt Claims	17.0
		Delinquent Loans	84.9		
Potentially Bankrupt Assets	69.4			Doubtful Claims	69.4
Assets Requiring Caution	871.9	Loans Past Due 3 Months or More	1.1	Substandard Claims	40.4
		Restructured Loans	39.3		
Other Assets Requiring Caution	826.2			Normal Claims	9,803.7
Normal Assets	8,972.2				
Total Assets	9,930.7	Loans Outstanding	9,816.0	Total Claims	9,930.7

Consolidated Balance Sheet

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

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Assets			
Cash and Due from Banks (Note 26)	¥ 1,845,198	¥ 1,806,514	\$ 17,368,207
Call Loans and Bills Bought	75,801	154,078	713,489
Receivables under Resale Agreements	14,999	14,999	141,189
Monetary Claims Bought	21,448	21,626	201,889
Trading Assets (Notes 5 and 32)	122,069	129,820	1,148,996
Money Held in Trust (Note 34)	30,911	28,140	290,958
Securities (Notes 6, 11, 32 and 33)	2,169,542	2,381,490	20,421,147
Loans and Bills Discounted (Notes 7, 11 and 32)	9,774,912	9,268,854	92,007,839
Foreign Exchanges (Note 8)	3,187	4,563	30,007
Other Assets (Notes 9 and 11)	185,943	144,579	1,750,223
Tangible Fixed Assets (Notes 10 and 19)	99,476	101,185	936,340
Intangible Fixed Assets	11,858	10,942	111,619
Net Defined Benefit Asset (Note 18)	1,072	—	10,100
Deferred Tax Assets (Note 29)	4,535	5,326	42,689
Customers' Liabilities for Acceptances and Guarantees	48,569	56,172	457,172
Allowance for Loan Losses	(27,714)	(32,551)	(260,863)
Total Assets	¥14,381,815	¥14,095,743	\$135,371,001
Liabilities			
Deposits (Notes 11, 12 and 32)	¥12,468,379	¥11,984,784	\$117,360,499
Call Money and Bills Sold	—	250,000	—
Payables under Repurchase Agreements (Note 11)	17,085	—	160,824
Payables under Securities Lending Transactions (Note 11)	260,387	318,992	2,450,937
Trading Liabilities (Notes 13 and 32)	12,632	16,474	118,906
Borrowed Money (Notes 11 and 14)	334,405	279,442	3,147,646
Foreign Exchanges (Note 15)	587	692	5,528
Bonds Payable (Note 16)	113,714	117,267	1,070,354
Borrowed Money from Trust Account	963	62	9,072
Other Liabilities (Note 17)	120,458	108,149	1,133,838
Net Defined Benefit Liability (Note 18)	14,898	22,838	140,231
Provision for Directors' Retirement Benefits	132	169	1,249
Provision for Reimbursement of Deposits	3,074	2,920	28,941
Provision for Point Loyalty Programs	482	506	4,541
Reserve under Special Laws	21	22	206
Deferred Tax Liabilities (Note 29)	31,930	25,765	300,551
Deferred Tax Liabilities for Land Revaluation (Note 19)	10,852	10,930	102,155
Acceptances and Guarantees	48,569	56,172	457,172
Total Liabilities	13,438,578	13,195,193	126,492,648
Net Assets			
Capital Stock (Note 20)	145,069	145,069	1,365,485
Capital Surplus	122,134	122,134	1,149,606
Retained Earnings	600,931	566,050	5,656,361
Treasury Shares	(59,256)	(52,219)	(557,758)
Total Shareholders' Equity	808,878	781,033	7,613,694
Valuation Difference on Available-for-sale Securities (Note 35)	121,950	109,427	1,147,878
Deferred Gains or Losses on Hedges	1,822	1,510	17,158
Revaluation Reserve for Land (Note 19)	10,802	10,733	101,682
Remeasurements of Defined Benefit Plans	(730)	(2,577)	(6,872)
Total Accumulated Other Comprehensive Income	133,846	119,093	1,259,846
Subscription Rights to Shares	511	423	4,813
Total Net Assets	943,236	900,550	8,878,353
Total Liabilities and Net Assets	¥14,381,815	¥14,095,743	\$135,371,001

See notes to consolidated financial statements.

Consolidated Statement of Income

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

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Income			
Interest Income:			
Interest on Loans and Discounts	¥108,285	¥107,525	\$1,019,257
Interest and Dividends on Securities	25,684	25,282	241,760
Other Interest Income	3,528	2,725	33,210
Trust Fees	16	2	154
Fees and Commissions	52,701	48,282	496,060
Trading Income (Note 21)	5,686	4,825	53,526
Other Ordinary Income (Note 22)	5,378	5,464	50,622
Other Income (Note 23)	32,885	33,741	309,540
Total Income	234,166	227,850	2,204,129
Expenses			
Interest Expenses:			
Interest on Deposits	8,374	6,038	78,825
Interest on Borrowings and Rediscounts	1,764	734	16,609
Other Interest Expenses	8,786	9,817	82,709
Fees and Commissions Payments	17,777	17,871	167,330
Other Ordinary Expenses (Note 24)	3,249	4,237	30,587
General and Administrative Expenses	91,193	90,368	858,369
Other Expenses (Note 25)	25,931	22,177	244,086
Total Expenses	157,077	151,243	1,478,516
Profit before Income Taxes	77,089	76,606	725,613
Income Taxes—Current	22,969	20,050	216,204
Income Taxes—Deferred	323	3,826	3,045
Profit	¥ 53,796	¥ 52,730	\$ 506,363
Profit Attributable to Owners of Parent	¥ 53,796	¥ 52,730	\$ 506,363

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Profit	¥53,796	¥52,730	\$506,363
Other Comprehensive Income (Note 27)			
Valuation Difference on Available-for-sale Securities	12,371	5,486	116,453
Deferred Gains or Losses on Hedges	312	1,278	2,943
Remeasurements of Defined Benefit Plans	1,847	1,283	17,393
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	151	19	1,424
Total Other Comprehensive Income	14,683	8,067	138,213
Comprehensive Income	¥68,479	¥60,798	\$644,577
(Breakdown)			
Comprehensive Income Attributable to Owners of Parent	¥68,479	¥60,798	\$644,577

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

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

	Millions of Yen (Note 1)											
	Shareholders' Equity					Accumulated Other Comprehensive Income						
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Subscription Rights to Shares	Total Net Assets
Balance at March 31, 2016	¥145,069	¥122,134	¥524,817	¥(37,480)	¥754,540	¥103,921	¥ 231	¥11,050	¥(3,861)	¥111,342	¥516	¥866,398
Cash Dividends	—	—	(11,783)	—	(11,783)	—	—	—	—	—	—	(11,783)
Profit	—	—	52,730	—	52,730	—	—	—	—	—	—	52,730
Purchase of Treasury Shares	—	—	—	(15,027)	(15,027)	—	—	—	—	—	—	(15,027)
Disposal of Treasury Shares	—	—	(31)	288	256	—	—	—	—	—	—	256
Reversal of Revaluation Reserve for Land	—	—	316	—	316	—	—	—	—	—	—	316
Net Changes of Items other than Shareholders' Equity	—	—	—	—	—	5,505	1,278	(316)	1,283	7,750	(92)	7,657
Total of Items during FY2016	—	—	41,232	(14,738)	26,493	5,505	1,278	(316)	1,283	7,750	(92)	34,151
Balance at March 31, 2017	¥145,069	¥122,134	¥566,050	¥(52,219)	¥781,033	¥109,427	¥1,510	¥10,733	¥(2,577)	¥119,093	¥423	¥900,550
Cash Dividends	—	—	(11,900)	—	(11,900)	—	—	—	—	—	—	(11,900)
Profit	—	—	53,796	—	53,796	—	—	—	—	—	—	53,796
Purchase of Treasury Shares	—	—	—	(14,058)	(14,058)	—	—	—	—	—	—	(14,058)
Disposal of Treasury Shares	—	—	(14)	91	77	—	—	—	—	—	—	77
Retirement of Treasury Shares	—	—	(6,930)	6,930	—	—	—	—	—	—	—	—
Reversal of Revaluation Reserve for Land	—	—	(69)	—	(69)	—	—	—	—	—	—	(69)
Net Changes of Items other than Shareholders' Equity	—	—	—	—	—	12,523	312	69	1,847	14,752	88	14,841
Total of Items during FY2017	—	—	34,881	(7,036)	27,844	12,523	312	69	1,847	14,752	88	42,686
Balance at March 31, 2018	¥145,069	¥122,134	¥600,931	¥(59,256)	¥808,878	¥121,950	¥1,822	¥10,802	¥ (730)	¥133,846	¥511	¥943,236

	Thousands of U.S. Dollars (Note 1)											
	Shareholders' Equity					Accumulated Other Comprehensive Income						
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Subscription Rights to Shares	Total Net Assets
Balance at March 31, 2017	\$1,365,485	\$1,149,606	\$5,328,035	\$(491,527)	\$7,351,599	\$1,030,001	\$14,215	\$101,031	\$(24,265)	\$1,120,982	\$3,982	\$8,476,564
Cash Dividends	—	—	(112,016)	—	(112,016)	—	—	—	—	—	—	(112,016)
Profit	—	—	506,363	—	506,363	—	—	—	—	—	—	506,363
Purchase of Treasury Shares	—	—	—	(132,327)	(132,327)	—	—	—	—	—	—	(132,327)
Disposal of Treasury Shares	—	—	(133)	858	725	—	—	—	—	—	—	725
Retirement of Treasury Shares	—	—	(65,238)	65,238	—	—	—	—	—	—	—	—
Reversal of Revaluation Reserve for Land	—	—	(651)	—	(651)	—	—	—	—	—	—	(651)
Net Changes of Items other than Shareholders' Equity	—	—	—	—	—	117,877	2,943	651	17,393	138,864	830	139,695
Total of Items during FY2017	—	—	328,325	(66,231)	262,095	117,877	2,943	651	17,393	138,864	830	401,789
Balance at March 31, 2018	\$1,365,485	\$1,149,606	\$5,656,361	\$(557,758)	\$7,613,694	\$1,147,878	\$17,158	\$101,682	\$ (6,872)	\$1,259,846	\$4,813	\$8,878,353

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Cash Flows from Operating Activities			
Profit before Income Taxes	¥ 77,089	¥ 76,606	\$ 725,613
Depreciation and Amortization	8,605	8,020	81,000
Impairment Loss	107	270	1,014
Equity in (Earnings) Losses of Affiliates	(380)	(270)	(3,583)
Increase (Decrease) in Allowance for Loan Losses	(4,836)	(8,260)	(45,528)
Decrease (Increase) in Net Defined Benefit Asset	(1,072)	—	(10,100)
Increase (Decrease) in Net Defined Benefit Liability	(7,940)	(1,644)	(74,744)
Increase (Decrease) in Provision for Directors' Retirement Benefits	(37)	3	(349)
Increase (Decrease) in Provision for Reimbursement of Deposits	153	644	1,449
Increase (Decrease) in Provision for Point Loyalty Programs	(24)	92	(228)
Interest Income	(137,498)	(135,533)	(1,294,227)
Financing Expenses	18,925	16,589	178,143
Loss (Gain) Related to Securities	(1,022)	(384)	(9,624)
Loss (Gain) on Money Held in Trust	(604)	262	(5,692)
Foreign Exchange Losses (Gains)	(16)	43	(155)
Loss (Gain) on Disposal of Fixed Assets	379	726	3,571
Loss on Reconstruction of the Head Office	907	—	8,546
Net Decrease (Increase) in Trading Assets	7,751	52,771	72,959
Net Increase (Decrease) in Trading Liabilities	(3,841)	(6,431)	(36,158)
Net Decrease (Increase) in Loans and Bills Discounted	(506,058)	(499,740)	(4,763,354)
Net Increase (Decrease) in Deposits (excluding Negotiable Certificates of Deposit)	452,815	423,184	4,262,196
Net Increase (Decrease) in Negotiable Certificates of Deposit	30,779	75,170	289,713
Net Increase (Decrease) in Borrowed Money (excluding Subordinated Borrowings)	54,963	10,957	517,350
Net Decrease (Increase) in Due from Banks (excluding Due from BOJ)	44,723	7,960	420,968
Net Decrease (Increase) in Call Loans and Bills Bought and Others	78,455	34,723	738,478
Net Increase (Decrease) in Call Money and Bills Sold	(232,914)	115,500	(2,192,339)
Net Increase (Decrease) in Payables under Securities Lending Transactions	(58,605)	127,293	(551,630)
Net Decrease (Increase) in Foreign Exchanges—Assets	1,375	(1,966)	12,950
Net Increase (Decrease) in Foreign Exchanges—Liabilities	(105)	52	(992)
Increase (Decrease) in Borrowed Money from Trust Account	901	62	8,483
Interest and Dividends Received	134,598	134,100	1,266,927
Interest Paid	(19,071)	(16,377)	(179,513)
Other, net	(20,786)	(28,875)	(195,659)
Subtotal	(82,284)	385,552	(774,516)
Income Taxes Paid	(18,563)	(24,231)	(174,733)
Net Cash Provided by (Used in) Operating Activities	(100,848)	361,320	(949,249)
Cash Flows from Investing Activities			
Purchase of Securities	(459,681)	(1,133,369)	(4,326,820)
Proceeds from Sales of Securities	489,124	976,889	4,603,958
Proceeds from Redemption of Securities	192,439	227,708	1,811,362
Increase in Money Held in Trust	(11,600)	(5,900)	(109,187)
Decrease in Money Held in Trust	10,191	14,253	95,932
Purchase of Tangible Fixed Assets	(4,632)	(3,133)	(43,605)
Purchase of Intangible Fixed Assets	(5,809)	(3,810)	(54,682)
Proceeds from Sales of Tangible Fixed Assets	165	—	1,557
Payments for Retirement of Tangible Fixed Assets	—	(47)	—
Net Cash Provided by (Used in) Investing Activities	210,197	72,591	1,978,516
Cash Flows from Financing Activities			
Issuance of Subordinated Bonds	—	20,000	—
Redemption of Subordinated Bonds	—	(10,000)	—
Cash Dividends Paid	(11,900)	(11,783)	(112,016)
Purchase of Treasury Shares	(14,058)	(15,027)	(132,327)
Proceeds from Sales of Treasury Shares	1	3	10
Net Cash Provided by (Used in) Financing Activities	(25,957)	(16,806)	(244,333)
Effect of Exchange Rate Change on Cash and Cash Equivalents	16	(43)	155
Net Increase (Decrease) in Cash and Cash Equivalents	83,407	417,061	785,088
Cash and Cash Equivalents at Beginning of Period	1,614,299	1,197,238	15,194,839
Cash and Cash Equivalents at End of Period (Note 26)	¥1,697,707	¥ 1,614,299	\$15,979,927

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Basis of Presentation

The Chiba Bank, Ltd. (the "Bank") and its consolidated subsidiaries maintain their books of accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The classification of accounts is in conformity with the Ordinance for Enforcement of Banking Act of Japan.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications and rearrangements have been made to the financial statements for the previous year to conform to the classification used in the financial statements for the current year. In addition, the accompanying notes include information that is not required under accounting principles generally accepted in Japan, but is presented herein for the convenience of readers.

Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the accompanying consolidated financial statements do not necessarily agree with the sums of individual amounts.

U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥106.24 to \$1.00, the exchange rate prevailing at March 31, 2018.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries, including Chibagin Guarantee Co., Ltd., Chibagin Leasing Co., Ltd., Chibagin Securities Co., Ltd. (Chibagin Securities) and other subsidiaries. The number of consolidated subsidiaries as of March 31, 2018 was nine (nine as of March 31, 2017).

All significant inter-company balances and transactions have been eliminated in consolidation. The consolidated financial statements do not include the accounts of the Chibagin Computer Service Co., Ltd. and four other subsidiaries, since the combined total assets, total income, profit (based on the owned interest), retained earnings (based on the owned interest) and accumulated other comprehensive income (based on the owned interest) of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements of the Bank. Nevertheless, the investments in these unconsolidated subsidiaries are carried using the equity method and are included in securities in the consolidated balance sheet. Also, the consolidated financial statements do not include the accounts of nine limited partnerships (nine as of March 31, 2017). The investments in these unconsolidated subsidiaries and affiliates, including the Chiba-Musashino Alliance Co., Ltd. and the Chiba-Musashino Alliance Series 1 Investment Limited Partnership established in the current fiscal year, are not accounted for by the equity method since profit (based on the owned interest), retained earnings (based on the owned interest) and accumulated other comprehensive

income (based on the owned interest) of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements of the Bank. The difference between the cost and the underlying equity in the net assets measured at their market value at dates of acquisition of consolidated subsidiaries is amortized in the year of acquisition.

Fiscal year-ends of all consolidated subsidiaries are at the end of March.

3. Significant Accounting Policies

(1) Trading Account

The following criteria are applied in accounting for the Bank's trading assets and liabilities, and trading income and expenses:

Transactions that aim to gain a profit by arbitraging short term fluctuations in interest rates, currency values and market prices, other benchmarks in the traded securities' market prices and by arbitraging differentials between markets (hereafter "trading purposes") are accounted for under "Trading Assets" or "Trading Liabilities" on the balance sheet. Profit or loss from such transactions is recorded under "Trading Income" or "Trading Expenses" on the consolidated statement of income.

Trading securities and monetary claims, etc., held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures or options are valued on the assumption that they were settled at the end of the fiscal year.

In the case of trading-related financial derivatives, "Trading Income/Expenses" includes the interest received/paid during the fiscal year and the difference between the amount of profit/loss based on the assumption that transactions were settled at the end of the current fiscal year and that at the end of the previous fiscal year.

(2) Securities

Held-to-maturity bonds are stated at amortized cost determined by the moving average method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost determined by the moving average method. Available-for-sale equity shares and investment trusts listed on Japanese markets are stated at the average market value during the last month of the fiscal year, and other available-for-sale securities whose fair value can be estimated are stated at fair value at the fiscal year-end while their costs are calculated mainly by the moving average method. Other non-marketable securities whose fair value cannot be reliably estimated are stated at cost determined by the moving average method or amortized cost.

Unrealized gains and losses on available-for-sale securities are included in net assets, net of income taxes.

Moreover, the same way as above (1) and fair value method based upon the market value at the fiscal year-end are applied for the valuation of securities that are held as trust assets in individually managed money trusts with the principal objective of securities portfolio management.

(3) Derivatives

Derivatives for purposes other than trading are stated at fair value.

(4) Tangible Fixed Assets

Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method. Principal useful lives are as follows:

Buildings 6 years to 50 years

Others 2 years to 20 years

Tangible fixed assets of the consolidated subsidiaries are depreciated principally by the declining-balance method over the estimated useful lives.

(5) Intangible Fixed Assets

Depreciation of intangible fixed assets is computed using the straight-line method. Depreciation for capitalized software for internal use is computed using the straight-line method based on useful lives determined by the Bank and its consolidated subsidiaries (5 years).

(6) Allowance for Loan Losses

Allowance for Loan Losses made by the Bank is provided in accordance with the internally established standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("Bankrupt Borrowers"), or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("Effectively Bankrupt Borrowers"), an allowance is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt but likely to become bankrupt in the future ("Potentially Bankrupt Borrowers"), an allowance is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

For claims on Potentially Bankrupt Borrowers and on borrowers whose loans are classified as "Loans past due 3 months or more" or "Restructured Loans" over a certain amount, if future cash flows from the collection of principal and interest are reasonably estimated, the allowances for loan losses are calculated by "Discounted Cash Flow Method," by which the allowances for loan losses are calculated as the difference between the booked amounts of the loans and the cash flows discounted by the original contractual interest rates.

For other claims, an allowance is provided based on the historical loan-loss ratio.

The operating divisions assess all claims in accordance with the Bank's policy and guidelines for the self-assessment of asset quality, and the internal Audit and Inspection Division, which is independent from the operating divisions, audits these assessments. The allowance for loan losses is provided based on the results of these assessments.

For collateralized or guaranteed claims on Bankrupt Borrowers and Effectively Bankrupt Borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncol-

lectible and written off against the total outstanding amount of the claims. The amount of write-off as of March 31, 2018 was ¥23,993 million (¥24,004 million as of March 31, 2017). Allowance made by consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratio, and for specific claims in the amount deemed uncollectible based on the respective assessments.

(7) Provision for Directors' Retirement Benefits

Provision for directors' retirement benefits is provided for payment of retirement benefits to directors and corporate auditors of consolidated subsidiaries, in the amount deemed accrued until the fiscal year-end.

(8) Provision for Reimbursement of Deposits

Provision for reimbursement of deposits, which were derecognized from liabilities, is based on the possible losses on the future claims of withdrawal to prepare for depositor's needs of withdrawal.

(9) Provision for Point Loyalty Programs

Provision for point loyalty programs which is provided for accumulation of points granted to customers using the credit card of the Bank or the consolidated subsidiaries is based on the estimated amounts equivalent to expected future usage of the points.

(10) Reserve under Special Laws

Reserve under special laws is a Reserve for Financial Products Transaction Liabilities provided by Chibagin Securities. This reserve is provided for losses from securities transactions pursuant to Paragraph 46-5-1 of the Financial Instruments and Exchange Act and Paragraph 175 of the Cabinet Office Ordinance on Financial Instrument Business Operators, etc.

(11) Retirement Benefits

In retirement benefit obligation calculations, the method of allocating the estimated value of retirement benefits to the current fiscal year is based on the benefit formula method. The net actuarial gain (loss) is amortized using the straight-line method over 10 years from following fiscal year. 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 assuming the voluntary retirement of all employees at the fiscal year-end.

(12) Translation of Foreign Currencies

The Bank's assets and liabilities denominated in foreign currencies and overseas branches' accounts are translated into Japanese yen primarily at the exchange rate at the balance sheet date. Consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the fiscal year-end of each company.

(13) Lease Transactions

(As lessors)

Finance leases other than those that are deemed to transfer the ownership of leased property to the lessees are accounted for as installment sales.

(14) Hedge Accounting

i) Hedge of Interest Rate Risk

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, the Bank applies the deferral hedge accounting stipulated in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges by monitoring offsetting fluctuation of fair value by changes in interest rates, of the hedged items (such as deposits and loans) and hedging instruments (such as interest rate swaps) classified by their maturity.

ii) Hedge of Foreign Currency Fluctuation Risk

As for the hedge accounting method applied to hedging transactions for foreign currency fluctuation risk arising from foreign-currency-denominated financial assets and liabilities, the Bank applies the deferral hedge accounting stipulated in the "Treatment for Accounting and Auditing concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

The Bank designates certain currency swaps and foreign exchange swap transactions as hedges against fluctuation in foreign currency exchange rates arising from foreign-currency monetary claims and debts, and assesses the effectiveness of such hedges by verifying that the Bank holds foreign currency positions of the hedged items corresponding to the positions of the hedging instruments.

In addition to the above accounting, the Bank applies for a part of assets and liabilities the deferral hedge accounting method or exceptional treatments permitted for interest rate swaps.

(15) Cash Flows

In preparing the consolidated statement of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(16) Consumption Taxes

Consumption tax and municipal consumption tax of the Bank and its domestic consolidated subsidiaries are accounted for using the tax-excluded method.

(17) Appropriation of Retained Earnings

Dividends are recorded in the fiscal year in which the proposed appropriation of retained earnings is approved by the Board of Directors and by the general meeting of shareholders. There is a limit for dividend by Article 18 of the Banking Act. An amount equal to 20% of the aggregated amount of dividends shall be set aside as a legal reserve or legal capital surplus, regardless of Article 445-4 of the Companies Act of Japan.

4. Securities Purchased under Resale Agreements

As for securities purchased under resale agreements or securities accepted as collateral for derivative transactions, ¥14,998 million was held in hand on March 31, 2018 (¥15,030 million on March 31, 2017).

5. Trading Assets

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Trading Account Securities	¥ 8,317	¥ 8,439	\$ 78,294
Trading-Related Financial Derivatives	16,057	19,991	151,145
Other Trading Assets	97,693	101,389	919,557
Total	¥122,069	¥129,820	\$1,148,996

6. Securities

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Japanese Government Bonds	¥ 452,069	¥ 660,059	\$ 4,255,168
Japanese Local Government Bonds	394,301	414,854	3,711,418
Japanese Corporate Bonds	364,620	338,174	3,432,043
Japanese Stocks	272,504	254,629	2,564,987
Other Securities	686,048	713,772	6,457,531
Total	¥2,169,542	¥2,381,490	\$20,421,147

Securities included investments in non-consolidated subsidiaries and affiliates of ¥10,112 million on March 31, 2018 (¥8,737 million on March 31, 2017).

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in Japanese Corporate Bonds were ¥69,673 million as of March 31, 2018 (¥58,270 million as of March 31, 2017).

7. Loans and Bills Discounted

(1) Loans and Bills Discounted

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Bills Discounted	¥ 14,739	¥ 14,254	\$ 138,740
Loans on Bills	153,645	141,466	1,446,208
Loans on Deeds	8,906,301	8,499,318	83,831,907
Overdrafts	700,226	613,814	6,590,983
Total	¥9,774,912	¥9,268,854	\$92,007,839

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. Their total face value as of March 31, 2018 was ¥15,066 million (¥14,445 million as of March 31, 2017).

Contracts of overdraft facilities and loan commitment limits are the contracts that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits was ¥2,279,632 million relating to these contracts, including ¥2,091,728 million of which the term of contracts is less than one year or revocable at any time as of March 31, 2018 (respective amounts were ¥2,179,845 million and ¥2,025,470 million as of March 31, 2017).

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

Additionally, the unused amount within the limits of overdraft facilities on General Accounts as of March 31, 2018 was ¥878,875 million (¥902,880 million as of March 31, 2017). General Accounts are the Ordinary Deposit Accounts that its depositors can overdraw up to the amounts calculated by multiplying incidental Time Deposits and so on by certain weight.

(2) Risk-Monitored Loans

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Loans to Bankrupt Borrowers	¥ 1,210	¥ 1,881	\$ 11,396
Delinquent Loans	82,737	81,499	778,781
Loans Past Due 3 Months or More	1,137	1,362	10,706
Restructured Loans	39,359	51,468	370,477
Total	¥124,445	¥136,211	\$1,171,360

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96 (1) (iii) and (iv) of the Corporation Tax Act Enforcement Ordinance (Article 97 of 1965 Cabinet Order).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

Loans past due 3 months or more represent loans on which the payment of principal and/or interest has not been received for 3 months or more from the due date, and which are not included in Loans to bankrupt borrowers or Delinquent loans.

Restructured loans are loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.) and are not classified in any of the above categories.

8. Foreign Exchange Assets

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Due from Foreign Banks (Our Accounts)	¥1,946	¥3,654	\$18,320
Foreign Bills Bought	327	190	3,079
Foreign Bills Receivable	914	719	8,608
Total	¥3,187	¥4,563	\$30,007

9. Other Assets

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Accrued Income	¥ 13,142	¥ 13,099	\$ 123,707
Prepaid Expenses	1,043	861	9,820
Derivatives	14,668	5,734	138,069
Lease Investment Assets	47,714	44,178	449,120
Other	109,374	80,705	1,029,507
Total	¥185,943	¥144,579	\$1,750,223

10. Tangible Fixed Assets

Depreciation was computed using the declining-balance method.

Tangible fixed assets were shown at net of the following accumulated depreciation:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
	¥97,070	¥95,467	\$913,694

Deferred gain on real estate deductible for tax purposes amounted to ¥11,698 million as of March 31, 2018 (¥11,576 million as of March 31, 2017).

11. Assets Pledged

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Securities	¥701,216	¥886,594	\$6,600,305
Loans and Bills Discounted	572,648	299,966	5,390,143

Liabilities related to the above pledged assets were as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Deposits	¥ 47,327	¥ 49,158	\$ 445,479
Payables under Repurchase Agreements	17,085	—	160,824
Payables under Securities Lending Transactions	260,387	318,992	2,450,937
Borrowed Money	330,835	275,841	3,114,037

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions.

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Securities	¥17,345	¥60,621	\$163,269

Initial margins of futures markets of ¥1,883 million, cash collateral paid for financial instruments of ¥67,229 million and guarantee deposits of ¥7,284 million were included in Other Assets as of March 31, 2018 (respective amounts were ¥1,212 million, ¥26,778 million and ¥6,360 million as of March 31, 2017).

12. Deposits

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Current Deposits	¥ 272,048	¥ 248,972	\$ 2,560,702
Ordinary Deposits	7,673,786	7,180,337	72,230,671
Savings Deposits	250,625	247,038	2,359,052
Deposits at Notice	5,350	5,452	50,362
Time Deposits	3,527,993	3,583,043	33,207,773
Other Deposits	273,602	285,747	2,575,325
Subtotal	12,003,407	11,550,592	112,983,886
Negotiable Certificates of Deposit	464,971	434,192	4,376,614
Total	¥12,468,379	¥11,984,784	\$117,360,499

13. Trading Liabilities

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Derivatives of Trading Securities	¥ 1	¥ 6	\$ 14
Trading-related Financial Derivatives	12,631	16,467	118,892
Total	¥12,632	¥16,474	\$118,906

14. Borrowed Money

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Borrowings from the Bank of Japan and Other Financial Institutions	¥334,405	¥279,442	\$3,147,646

15. Foreign Exchange Liabilities

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Foreign Bills Sold	¥428	¥340	\$4,036
Foreign Bills Payable	158	352	1,492
Total	¥587	¥692	\$5,528

16. Bonds Payable

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Subordinated Bonds	¥ 50,000	¥ 50,000	\$ 470,633
Straight Bond	63,714	67,267	599,722
Total	¥113,714	¥117,267	\$1,070,354

17. Other Liabilities

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Domestic Exchange Settlement Account, Credit	¥ 36	¥ 59	\$ 340
Accrued Expenses	11,667	10,181	109,822
Unearned Revenue	32,143	30,443	302,553
Income Taxes Payable	11,897	7,491	111,983
Derivatives	11,277	11,582	106,149
Other	53,437	48,391	502,991
Total	¥120,458	¥108,149	\$1,133,838

18. Retirement Benefit Plans

The Bank and its consolidated subsidiaries have defined benefit plans, i.e., lump-sum payment plans, welfare pension fund plans and tax-qualified pension plans, as well as corporate-type defined contribution plans. The Bank has retirement benefit trusts for lump-sum payment plans since the end of March 2018.

Net retirement benefit liability and retirement benefit cost of the consolidated subsidiaries' lump-sum payment plans are calculated by the simplified method.

I. Defined Benefit Plans

(1) Retirement Benefit Obligation

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Balance at the Beginning of Current Period	¥81,986	¥82,351	\$771,709
Service Cost	2,815	2,836	26,500
Interest Cost	162	163	1,530
Actuarial Gain or Loss	993	458	9,348
Retirement Benefits Paid	(4,147)	(3,823)	(39,040)
Balance at the End of Current Period	¥81,809	¥81,986	\$770,047

(2) Plan Assets at Fair Value

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Balance at the Beginning of Current Period	¥59,147	¥57,868	\$556,734
Expected Return on Plan Assets	1,774	1,736	16,702
Actuarial Gain or Loss	2,418	1,115	22,765
Contributions by the Company	811	814	7,634
Retirement Benefits Trusts	6,300	—	59,300
Retirement Benefits Paid	(2,466)	(2,387)	(23,219)
Balance at the End of Current Period	¥67,984	¥59,147	\$639,916

(3) Net Defined Benefit Liability/Asset

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Funded Retirement Benefit Obligation	¥ 81,236	¥ 60,649	\$ 764,651
Plan Assets at Fair Value	(67,984)	(59,147)	(639,916)
Subtotal	13,251	1,502	124,735
Unfunded Retirement Benefit Obligation	573	21,336	5,395
Net Amount Accrued on the Balance Sheet	¥ 13,825	¥ 22,838	\$ 130,131

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Net Defined Benefit Liability	¥14,898	¥22,838	\$140,231
Net Defined Benefit Asset	(1,072)	—	(10,100)
Net Amount Accrued on the Balance Sheet	¥13,825	¥22,838	\$130,131

(4) Retirement Benefit Cost

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Service Cost	¥ 2,815	¥ 2,836	\$ 26,500
Interest Cost	162	163	1,530
Expected Return on Plan Assets	(1,774)	(1,736)	(16,702)
Amortization of Actuarial Gain or Loss	1,236	1,193	11,643
Retirement Benefit Cost	¥ 2,440	¥ 2,457	\$ 22,971

(5) Remeasurements of Defined Benefit Plans Included in Other Comprehensive Income (before Tax Effect)

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Actuarial Gain or Loss	¥2,662	¥1,851	\$25,060

(6) Remeasurements of Defined Benefit Plans Included in Accumulated Other Comprehensive Income (before Tax Effect)

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Unrecognized Actuarial Gain or Loss	¥(1,050)	¥(3,712)	\$(9,888)

(7) Components of Plan Assets at Fair Value

	2018	2017
Stocks	44%	42%
General Accounts at Life Insurance Companies	24%	28%
Bonds	31%	27%
Other	1%	3%
Total	100%	100%

(8) Assumptions Used in Accounting for the Above Plans

	2018	2017
Discount Rate	0.2%	0.2%
Expected Rate of Long-Term Return on Plan Assets	3.0%	3.0%
Expected Rates of Future Salary Increases	1.1%–3.4%	1.1%–3.2%

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

II. Defined Contribution Plans

The required contribution amount of the Bank and its consolidated subsidiaries for the fiscal year ended March 31, 2018 was ¥299 million (¥85 million as of March 31, 2017).

19. Revaluation Reserve for Land

Pursuant to the Law concerning Revaluation of Premises, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included in Net Assets, net of income taxes.

Date of the revaluation: March 31, 1998

The method of the revaluation (set forth in Article 3 (3) of the Law): Pursuant to Article 2 (4) of the Enforcement Ordinance for the Law concerning Revaluation of Premises, the premises price for the revaluation is determined based on the method established and published by the Director General of National Tax Agency in order to calculate the premises value for a basis of determining the taxable amount subject to premises value tax prescribed by Article 16 of the Premises Value Tax Law, reflecting appropriate adjustments for land shape and timing of the assessment.

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥29,182 million as of March 31, 2018 (¥31,423 million as of March 31, 2017).

20. Capital Stock

The number of the Bank's authorized shares was 2,500,000,000 as of March 31, 2018 and 2017.

	Number of Shares	
	2018	2017
Shares in Issue	865,521,087	875,521,087

The number of treasury shares held by the Bank was 84,573 thousand as of March 31, 2018 (77,761 thousand as of March 31, 2017).

21. Trading Income

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Gains on Trading Account Securities Transactions	¥4,201	¥2,962	\$39,551
Income from Securities and Derivatives related to Trading Transactions	309	141	2,918
Income from Trading-Related Financial Derivatives Transactions	1,159	1,676	10,910
Other Trading Income	15	45	148
Total	¥5,686	¥4,825	\$53,526

22. Other Ordinary Income

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Gains on Foreign Exchange Transactions	¥2,690	¥1,475	\$25,325
Gains on Sales of Bonds	2,662	3,039	25,063
Gains on Redemption of Bonds	—	18	—
Income from Derivatives other than for Trading or Hedging	24	931	232
Other	0	0	1
Total	¥5,378	¥5,464	\$50,622

23. Other Income

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Gains on Sales of Stocks and Other Securities	¥ 1,903	¥ 1,576	\$ 17,914
Gains on Money Held in Trust	604	84	5,692
Revenue on Lease	14,833	14,208	139,619
Recoveries of Written-Off Claims	1,662	2,071	15,652
Reversal of Allowance for Loan Losses	3,476	5,303	32,724
Equity in Earnings of Affiliates	380	270	3,583
Other	10,024	10,226	94,357
Total	¥32,885	¥33,741	\$309,540

27. Other Comprehensive Income

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Valuation Difference on Available-for-Sale Securities:			
Gains (Losses) Arising during the Fiscal Year	¥22,293	¥ 8,899	\$209,838
Reclassification Adjustment to Profit or Loss	(4,317)	(1,489)	(40,640)
Amount before Income Tax Effect	17,975	7,410	169,197
Income Tax Effect	(5,603)	(1,924)	(52,744)
Total	12,371	5,486	116,453
Deferred Gains or Losses on Hedges:			
Gains (Losses) Arising during the Fiscal Year	(5,276)	(4,332)	(49,670)
Reclassification Adjustment to Profit or Loss	5,726	6,171	53,905
Amount before Income Tax Effect	449	1,839	4,235
Income Tax Effect	(137)	(560)	(1,292)
Total	312	1,278	2,943
Remeasurements of Defined Benefit Plans:			
Gains (Losses) Arising during the Fiscal Year	1,425	657	13,417
Reclassification Adjustment to Profit or Loss	1,236	1,193	11,643
Amount before Income Tax Effect	2,662	1,851	25,060
Income Tax Effect	(814)	(567)	(7,667)
Total	1,847	1,283	17,393
Share of Other Comprehensive Income of Entities Accounted for by the Equity Method:			
Gains (Losses) Arising during the Fiscal Year	151	19	1,424
Reclassification Adjustment to Profit or Loss	—	—	—
Amount before Income Tax Effect	151	19	1,424
Income Tax Effect	—	—	—
Total	151	19	1,424
Total Other Comprehensive Income	¥14,683	¥ 8,067	\$138,213

24. Other Ordinary Expenses

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Loss on Sales of Bonds	¥2,583	¥4,219	\$24,317
Loss on Redemption of Bonds	666	—	6,271
Loss on Devaluation of Bonds	—	17	—
Total	¥3,249	¥4,237	\$30,587

25. Other Expenses

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Written-Off of Loans	¥ 5,339	¥ 2,858	\$ 50,260
Losses on Sales of Stocks and Other Securities	69	3	658
Losses on Devaluation of Stocks and Other Securities	224	8	2,109
Losses on Money Held in Trust	—	346	—
Cost of Leased Assets	13,286	12,632	125,064
Provision for Reimbursement of Deposits	894	1,309	8,424
Loss on Disposal of Fixed Assets	449	765	4,233
Impairment Loss on Fixed Assets	107	270	1,014
Loss on Reconstruction of the Head Office	907	—	8,546
Other	4,650	3,981	43,778
Total	¥25,931	¥22,177	\$244,086

26. Cash and Cash Equivalents

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Cash and Due from Banks	¥1,845,198	¥1,806,514	\$17,368,207
Interest-Bearing Deposits included in Due from Banks (excluding Due from BOJ)	(147,490)	(192,214)	(1,388,280)
Cash and Cash Equivalents	¥1,697,707	¥1,614,299	\$15,979,927

28. Lease Transactions

Operating Lease Transactions

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Lessee Side (Lease Payables related to Non-Cancelable Operating Lease Transactions):			
Amount Corresponding to Lease Payables (within 1 Year)	¥207	¥143	\$1,952
Amount Corresponding to Lease Payables (over 1 Year)	624	549	5,882
Total	¥832	¥692	\$7,834

29. Tax Effect

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Deferred Tax Assets:			
Allowance for Loan Losses	¥ 14,205	¥ 15,556	\$ 133,708
Net Defined Benefit Liability	5,957	6,060	56,080
Write-Offs of Securities	1,046	1,081	9,853
Remeasurements of Defined Benefit Plans	320	1,134	3,016
Other	7,902	7,109	74,384
Subtotal	29,432	30,942	277,040
Valuation Allowance	(1,454)	(1,816)	(13,686)
Total Deferred Tax Assets	27,978	29,125	263,354
Deferred Tax Liabilities:			
Valuation Difference on Available-for-Sale Securities	(53,224)	(47,621)	(500,986)
Net Defined Benefit Asset	(115)	(200)	(1,085)
Other	(2,033)	(1,742)	(19,145)
Total Deferred Tax Liabilities	(55,373)	(49,564)	(521,215)
Net Deferred Tax Assets (Liabilities)	¥(27,395)	¥(20,438)	\$(257,862)

For the fiscal years ended March 31, 2017 and 2018, as the difference between the statutory tax rate and the effective income tax rate was less than 5 percent of the statutory tax rate, the reconciliation of the effective income tax rate is not disclosed.

30. Subsequent Events

At the Board of Directors meeting held on May 9, 2018, the Bank resolved to acquire its own shares under Article 156 of the Companies Act, as applied pursuant to Paragraph 3, Article 165, to enhance shareholder returns by improving its capital efficiency.

- | | |
|---|------------------------------------|
| (1) Type of shares to be acquired | Common stock |
| (2) Total number of shares to be acquired | Up to 7,000,000 shares |
| (3) Total cost of acquisition | Up to ¥5,000 million |
| (4) Period of acquisition | From May 10, 2018 to June 11, 2018 |

The Bank acquired its own shares during the period as follows.

- | | |
|-------------------------------------|------------------|
| (1) Type of acquired shares | Common stock |
| (2) Total number of acquired shares | 5,803,000 shares |
| (3) Total cost of acquisition | ¥4,999 million |

31. Segment Information

I. Segment Information of the Current Fiscal Year (from April 1, 2017 to March 31, 2018) and the Previous Fiscal Year (from April 1, 2016 to March 31, 2017)

Since the Bank and its consolidated subsidiaries (the "Group") operate solely within the banking segment, segment information is omitted.

II. Related Information

(1) Information by Service Type

Since the ordinary income of banking business from external customers of the Group exceeds 90% of ordinary income in the consolidated statement of income, segment information is omitted.

(2) Information by Geographic Areas

i) Ordinary Income

Since the ordinary income from domestic external customers of the Group exceeds 90% of ordinary income in the consolidated statement of income, segment information is omitted.

ii) Tangible Fixed Asset

Since the balance of the Group's tangible fixed assets located in Japan exceeds 90% of the balance of those in the consolidated balance sheet, segment information is omitted.

(3) Information by Major Customers

Since there is no single customer with which the Group earns ordinary income exceeding 10% of ordinary income in the consolidated statement of income, segment information by major customer is omitted.

III. Information about Impairment Loss of Fixed Assets by Reporting Segments

Since the Group operates solely within the banking segment, segment information is omitted.

IV. Information about Amortization Expense and Unamortized Balance of Goodwill by Reporting Segments

Not applicable.

V. Information about Gains from Negative Goodwill by Reporting Segment

Not applicable.

32. Financial Instruments

I. Disclosure on Financial Instruments

(1) Policy on Financial Instruments

The Group conducts market businesses such as deposit-taking, lending and securities investments as a regional bank which is mainly based in Chiba Prefecture.

The Group takes deposits, which are its main financing source, and invests those deposits in corporate loans, personal housing loans and securities. In order to manage these assets and liabilities and also to make management plan in response to changes in market environment, we have established ALM management system led by ALM Committee.

(2) Types of and Risks Associated with Financial Instruments

Because of corporate and housing loans being our main financial assets, we are exposed to credit risk which is the risk of losses on receivable such as those arising from nonperformance of borrowers.

We hold securities primarily comprising bonds, stocks and investment trusts for investment and operating purposes. These securities have credit risk of the issuers and market risk arising from changes in interest rates, prices and exchange rates.

The Group's financial liabilities are mainly deposits from our individual customers in Chiba Prefecture which consist of liquid deposits and time deposits. These deposits have liquidity risk arising from unexpected outflows of fund in certain situations.

The Group has interest rate risk caused by a mismatch in terms of interest rates or time period between the assets (e.g., loans) and liabilities (e.g., deposits). We in part hedge the risk using interest rate swaps.

We also have foreign exchange risk arising from a position mismatch between the foreign currency denominated assets and liabilities, which we in part hedge using currency swaps.

We utilize derivatives for purposes of: addressing customer's various needs for investments and financing, managing risks from the assets and liabilities, and trading (i.e., for a gain from sales in a short term). We enter into derivatives transactions to hedge interest rate and exchange rate risks from the assets and liabilities as follows:

	Hedged Item	Hedging Instrument
Interest rate risk hedge	Loans and bills discounted	Interest rate swaps
Foreign exchange risk hedge	Receivables and payables denominated in foreign currencies	Currency swaps Forward foreign exchange

We apply hedge accounting to these transactions. Derivatives bear market risk and credit risk like other transactions in markets.

Some of our subsidiaries have leasing credit and installment receivables which are subject to interest rate risk and credit risk.

(3) Risk Management Relating to Financial Instruments

i) Credit Risk Management

We have established the system of self-assessment of assets to provide appropriate allowance and write-offs. We also perform rigid credit risk management through individual credit management and credit portfolio management based on internal rating system. The Risk Management Division, which is responsible for credit risk management, has been placed as a division independent of the Credit Unit (including the Credit Division) for a check-and-balance effect. Further, the Credit Risk Management Committee discusses plans and actions on credit portfolios based on consideration of credit risk situations.

The details of credit risk management are as follows:

(Individual Credit Management)

Branches and the Credit Division take the lead in credit review in accordance with credit review standards under the basic principles of credit (safety, profitability, liquidity, growth potential and public good). The Business Support Division provides support for customers who need to improve business operations and engages in resolution and collection activities with regard to Bankrupt Borrowers and others. The Bank strives to accumulate high-performing loan assets and minimize future losses through these in-advance review and after-the-fact administration.

(Credit Portfolio Management)

Credit portfolio management is to control risk of incurring a major loss at a time due to concentration of individual loans in specific countries or specific industries. The Risk Management Division monitors the state of credit risk from various perspectives, such as by country, by industry, and by customer credit rating. They also establish policies and take actions such as setting credit limits to control an increase in credit risk.

ii) Market Risk Management

We have established strict market risk management system including risk limit monitoring. The Risk Management Division, which is responsible for market risk management, has been placed as a division independent of the Treasury Division and overseas branches in business operation unit and the Treasury Operation Division in business management unit, for a check-and-balance effect. The ALM Committee chaired by the President discusses plans and actions on overall management of the assets and liabilities based on market risk situations. The following is how we set and monitor the upper guideline limits: (Risk Limit Monitoring)

We set and monitor upper guideline limits to control market risk of financial assets such as securities, loans and deposits. In order to control an increase in market risk, we also set upper limits on investment balances, average duration, 10BPV and unrealized gains (losses) according to risk characteristics of transactions and products, and utilize such limits as additional management indicators. For trading, we set and monitor upper guideline limits on positions and losses.

(Quantitative Information on Market Risk)

(a) Financial Instruments of Banking Account

We use VaR (the assumed maximum loss) for quantitative analysis on market risk of financial instruments such as available-for-sale securities, loans and deposits. For calculating VaR, we have adopted the variance co-variance model (holding period of 1 year; confidence interval of 99.9%; and observation period of 1 year), and the changes of interest and stock price are considered. However, the VaR based on a holding period of 10 days is used for a part of tradings such as market asset trading. Those VaR are used for risk limit monitoring. Our VaR of banking business is ¥116,524 million as of March 31, 2018 (¥121,606 million as of March 31, 2017). In case of 99% confidence level, VaR is ¥92,012 million as of March 31, 2018 (¥96,699 million as of March 31, 2017).

(b) Financial Instruments of Trading Account

We use VaR for quantitative analysis on market risk of financial instruments such as securities for trading and derivatives. For calculating VaR, we have adopted the variance co-variance model (holding period of 10 days; confidence interval of 99.9%; and observation period of 1 year). Those VaR are used for risk limit monitoring. Our VaR of trading business is ¥18 million as of March 31, 2018 (¥38 million as of March 31, 2017). In case of 99% confidence level, VaR is ¥13 million as of March 31, 2018 (¥28 million as of March 31, 2017).

(c) Validity of VaR

We check the validity of the market risk measurement made by VaR approach by the back-test which compares VaR calculated using the model with actual profit and loss. Since VaR estimates possible losses statistically under the certain probability from the past market changes, risk might not be complemented under anomalous market situations.

iii) Liquidity Risk Management

We have established strict liquidity risk management system including limit monitoring. The Risk Management Division, which is responsible for liquidity risk management, has been placed as a division independent of Treasury Division in financing management unit for a check-and-balance effect. The ALM Committee chaired by the President discusses plans and actions on overall management of the assets and liabilities based on liquidity risk situations. Upon an event with a significant impact on the cash flows, we would immediately have a conference chaired by the President and discuss plans to address the event. The following is how we set and monitor limits for liquidity management:

(Limit Management)

We set and monitor the minimum level of liquid assets such as government bonds that can be converted to cash in a short time. We also set upper limits on financing from inter-bank and other markets in order to facilitate stable cash flows with our fund-raising capacity.

iv) Integrated Risk Management

We have established rigid integrated risk management system including risk capital allocation framework. The Risk Management Division is responsible for integrated risk management and is the unit that monitors various risks including credit and market risks. In order to ensure that we have capital sufficient for the risks we bear, the Risk Management Division also conducts stress test, the results of which the Board of Directors monitors on a regular basis and discuss actions to take as necessary. The following is the details of risk capital allocation framework:

(Risk Capital Allocation Framework)

Risk capital allocation framework is to distribute risk capital (tolerable risk) within the capital representing our financial strength, to divisions such as domestic business divisions and treasury divisions in advance. Each division then controls risks within the allocated risk capital. Through this framework, each division conducts its operations focusing on risk-return spectrum (e.g., improves profitability and/or utilize the capital in a more efficient manner) while the entire Bank's strength is maintained.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments includes, in addition to values determined based on market prices, those calculated on a reasonable basis if no market price is available. Since certain assumptions are used for the calculations, the result may vary if different assumptions are used.

II. Disclosure on Fair Value of Financial Instruments

The following table summarizes the amount stated in the consolidated balance sheet and the fair value of financial instruments as of March 31, 2018 with their difference. Note that the following table does not include unlisted equity securities and other securities for which fair value is extremely difficult to determine (Note ii). Furthermore, some items are not shown since the consolidated balance sheet amounts are insignificant.

	Millions of Yen (Note 1)					
	March 31, 2018			March 31, 2017		
	Consolidated Balance Sheet Amount	Fair Value	Difference*1	Consolidated Balance Sheet Amount	Fair Value	Difference*1
(1) Securities:						
Held-to-Maturity Bonds	¥ 7,608	¥ 7,643	¥ 34	¥ 8,064	¥ 8,254	¥ 189
Available-for-Sale Securities	2,133,398	2,133,398	—	2,350,166	2,350,166	—
(2) Loans and Bills Discounted	9,774,912			9,268,854		
Allowance for Loan Losses*2	(25,382)			(30,520)		
	9,749,530	9,849,630	100,100	9,238,333	9,344,521	106,188
Total Assets	¥11,890,537	¥11,990,673	¥100,135	¥11,596,565	¥11,702,943	¥106,377
(1) Deposits	¥12,003,407	¥12,003,612	¥ (204)	¥11,550,592	¥11,551,030	¥ (437)
(2) Negotiable Certificates of Deposit	464,971	464,971	—	434,192	434,192	—
Total Liabilities	¥12,468,379	¥12,468,583	¥ (204)	¥11,984,784	¥11,985,222	¥ (437)
Derivative Transactions*3:						
Not Qualifying for Hedge Accounting	¥ 3,664	¥ 3,664	¥ —	¥ 3,823	¥ 3,823	¥ —
Qualifying for Hedge Accounting	1,250	1,250	—	1,308	1,308	—
Total Derivative Transactions	¥ 4,915	¥ 4,915	¥ —	¥ 5,132	¥ 5,132	¥ —

*1 Unrealized gains (losses) are presented.

*2 General and specific allowance for Loans and bills discounted is deducted here.

*3 Presents derivative transactions included in Trading assets/liabilities as well as those in Other assets/liabilities. Also presents assets or liabilities arising from derivative transactions on a net basis. Net liability positions are presented with brackets [].

(Note i) Methods used for determining the estimated fair value of financial instruments

Assets

(1) Securities

The fair value of stocks is determined based on price quoted by the exchanges. The fair value of bonds is determined based on the Trading Reference Statistical Data published by Japanese Securities Dealers Association or prices provided by financial institutions. The fair value of investment trusts is determined based on the net asset value provided by financial institutions.

The fair value of domestic stocks and domestic investment trusts is based on the average market price during the month preceding the consolidated fiscal year-end. The fair value of privately placed bonds guaranteed by the Bank is determined based on a market interest rate adjusted with projected default rate.

(2) Loans and Bills Discounted

Because a floating-rate loan reflects market interest rate within a short term, its fair value approximates the carrying amount unless the credit-worthiness of the borrower has changed significantly since the loan origination. As such the carrying amount is deemed as the fair value. With respect to fixed rate loans, the fair value is calculated as total of principal and interest discounted at market interest rate adjusted with projected default rate for each category of loans based on type, internal rating and maturity length.

As for short-term loans with maturity of one year or less, the carrying amount is deemed as the fair value since the fair value approximates such carrying amount.

For loans to Bankrupt, Effectively Bankrupt and Potentially Bankrupt Borrowers, Allowance for loan losses is estimated based on present value of expected future cash flows or expected amount to be collected from collaterals and guarantees. Accordingly, the fair value approximates the consolidated balance sheet amount less the allowance, which is then deemed and used as the fair value in the above table.

For loans without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed as the fair value since the fair value is considered to approximate such carrying amount in terms of expected duration and interest rate.

Liabilities

(1) Deposits and (2) Negotiable Certificates of Deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date is considered to be the fair value. The fair value of time deposits and negotiable certificates of deposit are calculated as future cash flows discounted by time period. The discount rate used in the calculation is the interest rate that would be applied to newly accepted deposits. For short-term deposits, the carrying amount is deemed as the fair value since the fair value approximates such carrying amount because of the short contract term of one year or less.

Derivative Transactions

See "36. Derivative Transactions."

(Note ii) The following table summarizes financial instruments whose fair value is extremely difficult to be estimated. These securities are not included in the amount presented under "Assets, (1) Available-for-Sale Securities" in the above table.

	Millions of Yen (Note 1)	
	March 31, 2018	March 31, 2017
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
(1) Unlisted Stocks* ^{1, 2}	¥ 5,354	¥ 5,359
(2) Investments in Limited Partnerships, etc.* ³	13,068	9,161
Total	¥18,422	¥14,521

*1 Unlisted stocks do not carry quoted market prices. Since it is extremely difficult to estimate the fair value of these securities, the fair value is not disclosed.

*2 An impairment loss of ¥2 million (¥8 million for the previous fiscal year) was recorded on these unlisted stocks in the current fiscal year.

*3 Fair value of investments in limited partnerships, etc., is not disclosed since such partnerships invest in assets, such as unlisted stocks, of which fair value is extremely difficult to be estimated.

(Note iii) Redemption schedule of monetary claims and securities with maturities:

	Millions of Yen (Note 1)					
	March 31, 2018					
	Within 1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Over 10 Years
Securities	¥ 287,660	¥ 477,570	¥ 399,164	¥ 275,384	¥ 211,824	¥ 92,326
Held-to-Maturity Bonds	—	—	—	6,374	1,062	—
Available-for-Sale Securities with Maturities	287,660	477,570	399,164	269,009	210,761	92,326
Government Bonds	144,500	129,500	98,000	55,000	16,500	—
Local Government Bonds	31,347	84,057	39,876	122,429	109,587	637
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	30,808	104,452	138,666	57,582	3,500	26,426
Loans*	1,290,029	1,576,276	1,149,104	853,878	985,785	3,136,778
Total	¥1,577,689	¥2,053,846	¥1,548,268	¥1,129,262	¥1,197,609	¥3,229,105

* These amounts do not include loans to Bankrupt, Effectively Bankrupt or Potentially Bankrupt Borrowers and other loans of which redemption amount cannot be projected and those which do not have specific maturities, amounting to ¥783,060 million in total.

	Millions of Yen (Note 1)					
	March 31, 2017					
	Within 1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Over 10 Years
Securities	¥ 334,484	¥ 600,613	¥ 482,188	¥138,387	¥ 329,774	¥ 93,902
Held-to-Maturity Bonds	—	—	—	5,609	2,243	—
Available-for-Sale Securities with Maturities	334,484	600,613	482,188	132,777	327,531	93,902
Government Bonds	172,500	247,500	112,000	22,500	83,500	7,700
Local Government Bonds	63,906	72,647	69,612	44,264	157,402	679
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	28,607	80,075	143,586	59,582	6,450	16,227
Loans*	1,187,867	1,568,392	1,147,274	813,808	925,233	2,930,110
Total	¥1,522,352	¥2,169,006	¥1,629,462	¥952,195	¥1,255,008	¥3,024,012

* These amounts do not include loans to Bankrupt, Effectively Bankrupt or Potentially Bankrupt Borrowers and other loans of which redemption amount cannot be projected and those which do not have specific maturities, amounting to ¥696,166 million in total.

(Note iv) Repayment schedule of interest-bearing liabilities:

	Millions of Yen (Note 1)					
	March 31, 2018					
	Within 1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Over 10 Years
Deposits*	¥11,279,230	¥669,323	¥39,137	¥7,184	¥8,531	¥—
Negotiable Certificates of Deposit	464,971	—	—	—	—	—
Total	¥11,744,201	¥669,323	¥39,137	¥7,184	¥8,531	¥—

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

	Millions of Yen (Note 1)					
	March 31, 2017					
	Within 1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Over 10 Years
Deposits*	¥10,815,306	¥667,794	¥50,349	¥6,496	¥10,645	¥—
Negotiable Certificates of Deposit	434,192	—	—	—	—	—
Total	¥11,249,498	¥667,794	¥50,349	¥6,496	¥10,645	¥—

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

33. Market Value of Securities**(1) Trading Securities**

	Millions of Yen (Note 1)	
	March 31, 2018	March 31, 2017
	Unrealized Gains (Losses) included in the Consolidated Statement of Income	Unrealized Gains (Losses) included in the Consolidated Statement of Income
Trading Securities	¥7	¥53

(2) Marketable Securities Held to Maturity

	Millions of Yen (Note 1)					
	March 31, 2018			March 31, 2017		
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
(a) Securities for which the Fair Value Exceeds the Consolidated Balance Sheet Amount	Bonds:					
	Japanese Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
	Japanese Local Government Bonds	—	—	—	—	—
	Japanese Short-Term Corporate Bonds	—	—	—	—	—
	Japanese Corporate Bonds	—	—	—	—	—
	Other	8,418	8,454	35	9,403	9,595
	Foreign Bonds	7,608	7,643	34	8,064	8,254
	Subtotal	8,418	8,454	35	9,403	9,595
(b) Securities for which the Fair Value Does Not Exceed the Consolidated Balance Sheet Amount	Bonds:					
	Japanese Government Bonds	—	—	—	—	—
	Japanese Local Government Bonds	—	—	—	—	—
	Japanese Short-Term Corporate Bonds	—	—	—	—	—
	Japanese Corporate Bonds	—	—	—	—	—
	Other	978	974	(3)	1,210	1,205
	Foreign Bonds	—	—	—	—	—
	Subtotal	978	974	(3)	1,210	1,205
	Total	¥9,397	¥9,429	¥32	¥10,614	¥10,801

(3) Marketable Securities Available for Sale

	Millions of Yen (Note 1)					
	March 31, 2018			March 31, 2017		
	Consolidated Balance Sheet Amount	Acquisition Cost	Difference	Consolidated Balance Sheet Amount	Acquisition Cost	Difference
(a) Securities for which the Fair Value Exceeds the Amortized Acquisition Cost	Stocks					
	¥ 252,844	¥ 93,974	¥158,870	¥ 239,168	¥ 104,515	¥134,653
	Bonds:					
	1,052,129	1,042,222	9,906	1,221,186	1,207,282	13,903
	Japanese Government Bonds	451,037	445,895	5,141	638,895	630,636
	Japanese Local Government Bonds	300,823	297,687	3,135	310,512	306,849
	Japanese Short-Term Corporate Bonds	—	—	—	—	—
	Japanese Corporate Bonds	300,268	298,639	1,628	271,777	269,795
	Other	320,183	302,081	18,101	380,153	361,128
	Foreign Bonds	153,311	151,994	1,317	244,960	242,695
	Subtotal	1,625,157	1,438,278	186,878	1,840,508	1,672,925
(b) Securities for which the Fair Value Does Not Exceed the Amortized Acquisition Cost	Stocks					
	6,965	7,824	(859)	3,675	4,485	(809)
	Bonds:					
	158,860	159,423	(562)	191,902	192,976	(1,073)
	Japanese Government Bonds	1,031	1,032	(0)	21,163	21,268
	Japanese Local Government Bonds	93,477	93,806	(328)	104,341	104,974
	Japanese Short-Term Corporate Bonds	—	—	—	—	—
	Japanese Corporate Bonds	64,351	64,584	(232)	66,397	66,733
	Other	345,072	355,606	(10,533)	316,892	325,607
	Foreign Bonds	229,644	234,020	(4,375)	223,427	228,046
	Subtotal	510,898	522,854	(11,955)	512,470	523,069
	Total	¥2,136,056	¥1,961,133	¥174,923	¥2,352,978	¥2,195,994

(4) Securities Held to Maturity Sold during the Fiscal Year

None.

(5) Securities Available for Sale Sold during the Fiscal Year

	Millions of Yen (Note 1)					
	March 31, 2018			March 31, 2017		
	Proceeds from Sales	Gain	Loss	Proceeds from Sales	Gain	Loss
Stocks	¥ 8,810	¥1,886	¥ 59	¥ 4,060	¥1,562	¥ 1
Bonds:	286,909	1,046	55	772,076	756	1,627
Japanese Government Bonds	262,337	1,038	41	770,472	754	1,606
Japanese Local Government Bonds	22,760	4	14	1,336	—	21
Japanese Short-Term Corporate Bonds	—	—	—	—	—	—
Japanese Corporate Bonds	1,810	2	—	267	2	—
Other	156,669	1,632	2,537	166,320	2,297	2,593
Foreign Bonds	136,780	473	1,694	158,578	921	2,206
Total	¥452,389	¥4,565	¥2,653	¥942,457	¥4,615	¥4,223

(6) Securities for which the Holding Purpose Has Been Altered

None.

(7) Impairment Losses on Securities

Marketable securities available for sale are subject to write-downs when the market value or reasonably estimated value of these securities (collectively, "fair value") has declined considerably and it is not probable that the value will recover to the acquisition cost. In such case, any differences between fair value and acquisition cost are recognized as losses for the period. For the current fiscal year, impairment losses was Stocks; ¥224 million (¥26 million (Corporate bonds; ¥17 million, Stocks; ¥8 million) for the previous fiscal year).

"Considerable decline in fair value" is determined based on the classification of issuers in accordance with the internal standards for self-assessment of assets as follows:

Bankrupt, effectively bankrupt and potentially bankrupt

Fair value is lower than acquisition cost.

Requiring caution

Fair value has declined by 30% or more from acquisition cost.

Normal

Fair value has declined by 50% or more from acquisition cost, or fair value has declined by more than 30% but less than 50% from acquisition cost and stayed below a certain level.

Bankrupt issuer means one who has entered into bankruptcy, special liquidation proceedings, corporate rehabilitation, civil rehabilitation or similar legal proceedings or whose notes have been dishonored and suspended from processing through clearing houses.

Effectively bankrupt issuer means one who is not legally or formally bankrupt but regarded as substantially in a similar condition.

Potentially bankrupt issuer means one who is not legally bankrupt but deemed to have high possibility of becoming bankrupt.

Requiring caution issuer means one who is financially weak and under close monitoring conducted by the Bank.

Normal issuer means one who does not belong to the other categories.

34. Money Held in Trust**(1) Money Held in Trust for Trading Purposes**

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Consolidated Balance Sheet Amount	¥20,032	¥19,061	\$188,557
Unrealized Gains (Losses) Included in the Consolidated Statement of Income	60	559	567

(2) Money Held in Trust for Other Purposes

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Acquisition Cost	¥10,879	¥9,079	\$102,400
Consolidated Balance Sheet Amount	10,879	9,079	102,400
Valuation Differences	—	—	—
Gains	—	—	—
Losses	—	—	—

35. Valuation Difference on Available-for-Sale Securities

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Valuation Difference	¥174,668	¥156,692	\$1,644,091
Securities Available for Sale	174,668	156,692	1,644,091
Other Money Held in Trust	—	—	—
Deferred Tax Liabilities (Assets)	53,224	47,621	500,986
Valuation Difference, Net of Taxes	121,443	109,071	1,143,105
Net Unrealized Gains on Securities Available for Sale Owned by Subsidiaries, which is Attributable to the Parent	507	355	4,773
Valuation Difference on Available-for-Sale Securities	¥121,950	¥109,427	\$1,147,878

36. Derivative Transactions**(1) Derivative Transactions to which Hedge Accounting Is Not Applied**

With respect to the derivative transactions, contract amount or notional principal, fair value, unrealized gains (losses) and fair value calculation by transaction type as of the consolidated balance sheet date are as follows. Contract amount or notional principal does not necessarily represent market risk of the derivative transaction.

(a) Interest Rate Derivatives

	Millions of Yen (Note 1)			
	March 31, 2018			
	Notional Principal or Contract Amount			Unrealized Gains (Losses)
	Total	Over 1 Year	Fair Value	
Listed				
Futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-Counter				
FRA:				
Sold	—	—	—	—
Bought	—	—	—	—
Swaps:				
Receive Fixed / Pay Float	1,283,538	1,094,297	12,021	12,021
Receive Float / Pay Fixed	1,282,993	1,061,683	(8,644)	(8,644)
Receive Float / Pay Float	55,680	30,680	22	22
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Other:				
Sold	3,616	1,765	(1)	(1)
Bought	700	—	0	0
Total	¥ —	¥ —	¥ 3,398	¥ 3,398

- The above transactions are valued at fair value and the unrealized gains (losses) are included in the consolidated statement of income.
- The fair value of listed transactions is based on the final price issued by Tokyo Financial Exchange or other exchange. The fair value of OTC transactions is based on the discounted cash flow method or option pricing models.

	Millions of Yen (Note 1)			
	March 31, 2017			
	Notional Principal or Contract Amount			Unrealized Gains (Losses)
	Total	Over 1 Year	Fair Value	
Listed				
Futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-Counter				
FRA:				
Sold	—	—	—	—
Bought	—	—	—	—
Swaps:				
Receive Fixed / Pay Float	¥1,073,916	974,336	14,247	14,247
Receive Float / Pay Fixed	1,073,445	942,025	(10,682)	(10,682)
Receive Float / Pay Float	80,580	48,780	(2)	(2)
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Other:				
Sold	5,584	3,624	(1)	(1)
Bought	700	700	0	0
Total	¥ —	¥ —	¥ 3,560	¥ 3,560

- The above transactions are valued at fair value and the unrealized gains (losses) are included in the consolidated statement of income.
- The fair value of listed transactions is based on the final price issued by Tokyo Financial Exchange or other exchange. The fair value of OTC transactions is based on the discounted cash flow method or option pricing models.

(b) Currency Derivatives

	Millions of Yen (Note 1)			
	March 31, 2018			
	Notional Principal or Contract Amount			Unrealized Gains
	Total	Over 1 Year	Fair Value	(Losses)
Listed				
Futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-Counter				
Currency Swaps	535,870	392,591	136	136
Forward Foreign Exchange:				
Sold	14,192	—	130	130
Bought	8,751	—	(0)	(0)
Currency Options:				
Sold	70,492	—	(7,217)	1,344
Bought	70,492	—	7,217	143
Other:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥ 267	¥1,755

1. The above transactions are valued at fair value and the unrealized gains (losses) are included in the consolidated statement of income.
2. The fair value is based on the discounted cash flow method or option pricing models.

	Millions of Yen (Note 1)			
	March 31, 2017			
	Notional Principal or Contract Amount			Unrealized Gains
	Total	Over 1 Year	Fair Value	(Losses)
Listed				
Futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-Counter				
Currency Swaps	425,332	407,121	110	110
Forward Foreign Exchange:				
Sold	13,220	—	(27)	(27)
Bought	30,137	—	185	185
Currency Options:				
Sold	2,259	—	(36)	8
Bought	2,259	—	36	2
Other:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥268	¥279

1. The above transactions are valued at fair value and the unrealized gains (losses) are included in the consolidated statement of income.
2. The fair value is based on the discounted cash flow method or option pricing models.

(c) Equity Derivatives

None.

(d) Bond Derivatives

	Millions of Yen (Note 1)			
	March 31, 2018			
	Notional Principal or Contract Amount			Unrealized Gains
	Total	Over 1 Year	Fair Value	(Losses)
Listed				
Futures:				
Sold	¥3,164	¥—	¥(1)	¥(1)
Bought	—	—	—	—
Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-Counter				
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Other:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥(1)	¥(1)

1. The above transactions are valued at fair value and the unrealized gains (losses) are included in the consolidated statement of income.
2. The fair value of listed transactions is based on the final price issued by Osaka Exchange or other exchange. The fair value of OTC transactions is based on the discounted cash flow method or option pricing models.

	Millions of Yen (Note 1)			
	March 31, 2017			
	Notional Principal or Contract Amount			Unrealized Gains
	Total	Over 1 Year	Fair Value	(Losses)
Listed				
Futures:				
Sold	¥3,149	¥—	¥(6)	¥(6)
Bought	—	—	—	—
Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-Counter				
Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Other:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥(6)	¥(6)

1. The above transactions are valued at fair value and the unrealized gains (losses) are included in the consolidated statement of income.
2. The fair value of listed transactions is based on the final price issued by Osaka Exchange or other exchange. The fair value of OTC transactions is based on the discounted cash flow method or option pricing models.

(e) Commodity Derivatives

None.

(f) Credit Derivatives

None.

(2) Derivative Transactions to which Hedge Accounting Is Applied

With respect to the derivative transactions, contract amount or notional principal, fair value, unrealized gains (losses) and fair value calculation by hedge accounting method as of the consolidated balance sheet date are as follows. Contract amount or notional principal does not necessarily represent market risk of the derivative transaction.

(a) Interest Rate Derivatives

		Millions of Yen (Note 1)		
		March 31, 2018		
		Notional Principal or Contract Amount		
Hedged Item		Total	Over 1 Year	Fair Value
Principle Method:				
Interest Swap:	Interest-bearing financial assets and liabilities including loans, available-for-sale debt securities, deposits and negotiable certificates of deposit			
	Receive Fixed / Pay Float	¥ —	¥ —	¥ —
	Receive Float / Pay Fixed	243,429	205,749	1,887
	Receive Float / Pay Float	—	—	—
	Other	—	—	—
Exceptional Accrual Method:				
Interest Swap:	Loans			
	Receive Fixed / Pay Float	—	—	—
	Receive Float / Pay Fixed	34,726	25,722	*3
	Receive Float / Pay Float	—	—	—
Total		¥ —	¥ —	¥1,887

- Deferred hedge is primarily applied to the above transactions under the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).
- The fair value of the above transactions is based on the discounted cash flow method or option pricing models.
- Since derivative transactions qualifying for the exceptional accrual method are treated as a unit of loans, those fair values are included in fair values of such loans in "32. Financial Instruments."

		Millions of Yen (Note 1)		
		March 31, 2017		
		Notional Principal or Contract Amount		
Hedged Item		Total	Over 1 Year	Fair Value
Principle Method:				
Interest Swap:	Interest-bearing financial assets and liabilities including loans, available-for-sale debt securities, deposits and negotiable certificates of deposit			
	Receive Fixed / Pay Float	¥ —	¥ —	¥ —
	Receive Float / Pay Fixed	228,737	162,067	1,208
	Receive Float / Pay Float	—	—	—
	Other	—	—	—
Exceptional Accrual Method:				
Interest Swap:	Loans			
	Receive Fixed / Pay Float	—	—	—
	Receive Float / Pay Fixed	33,611	32,489	*3
	Receive Float / Pay Float	—	—	—
Total		¥ —	¥ —	¥1,208

- Deferred hedge is primarily applied to the above transactions under the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).
- The fair value of the above transactions is based on the discounted cash flow method or option pricing models.
- Since derivative transactions qualifying for the exceptional accrual method are treated as a unit of loans, those fair values are included in fair values of such loans in "32. Financial Instruments."

(b) Currency Derivatives

Method of hedge accounting: Principle method

Millions of Yen (Note 1)				
March 31, 2018				
Hedged Item	Notional Principal or Contract Amount		Fair Value	
	Total	Over 1 Year		
Currency Swap	Foreign currency denominated loans, securities, deposits and foreign exchanges	¥160,534	¥105,820	¥(637)
Total		¥ —	¥ —	¥(637)

1. Deferred hedge is primarily applied to the above transactions under the "Treatment for Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. The fair value is based on the discounted cash flow method or option pricing models.

Millions of Yen (Note 1)				
March 31, 2017				
Hedged Item	Notional Principal or Contract Amount		Fair Value	
	Total	Over 1 Year		
Currency Swap	Foreign currency denominated loans, securities, deposits and foreign exchanges	¥260,663	¥76,427	¥100
Total		¥ —	¥ —	¥100

1. Deferred hedge is primarily applied to the above transactions under the "Treatment for Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. The fair value is based on the discounted cash flow method or option pricing models.

(c) Equity Derivatives

None.

(d) Bond Derivatives

None.

37. Per Share Data

	Yen (Note 1)		U.S. Dollars (Note 1)
	2018	2017	2018
Net Assets per Share of Common Stock	¥1,207.15	¥1,128.31	\$11.36
Profit per Share of Common Stock	67.98	65.32	0.64
Diluted Net Income per Share of Common Stock	67.91	65.25	0.64

I. Basis on Calculating Net Assets per Share

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Consolidated Net Assets	¥943,236	¥900,550	\$8,878,353
Less: Subscription Rights to Shares	511	423	4,813
Consolidated Net Assets Attributable to Common Stockholders	¥942,724	¥900,127	\$8,873,540

	Number of Shares	
	2018	2017
Number of Shares of Common Stock Used for Calculating Net Assets per Share	780,947,638	797,759,929

II. Basis on Calculating Net Income per Share

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Profit Attributable to Owners of Parent	¥53,796	¥52,730	\$506,363
Profit Attributable to Owners of Parent Not Attributable to Common Stockholders	—	—	—
Profit Attributable to Owners of Parent Attributable to Common Stockholders	¥53,796	¥52,730	\$506,363

	Number of Shares	
	2018	2017
Average Number of Shares of Common Stock (excluding Treasury Shares)	791,243,837	807,250,735

The increased number of shares of common stock for stock options is 915 thousand (857 thousand for the previous fiscal year), which is used for calculating diluted profit per share.

38. Related Party Transactions**I. Related Party Transactions****(1) Transactions between the Bank and Related Parties**

Directors of the Bank or major shareholders (individuals only), etc.

For the Fiscal Year Ended March 31, 2017

None.

For the Fiscal Year Ended March 31, 2018

Party Classification	Name of Company or Individual	Address	Capital	Type of Business	Percentage of Voting Rights Held by the Bank	Relations with Related Party	Type of Transaction	Amounts of the Transactions	Account Classification	Balance at the Fiscal Year-End
Company, a majority of whose voting rights are owned by the close members of directors' respective families	Daimaru Foods Co., Ltd.	Choshi-shi, Chiba Pref.	¥35 million	Food Manufacturing	0.00%	—	Lending	Average balance of ¥56 million	Loan	¥56 million

The terms of transactions and policies of determining the terms are similar to general cases.

(2) Transactions between Subsidiaries of the Bank and Related Parties

None.

II. Notes to the Parent Company or Major Affiliated Companies

None.

39. Cash Dividends Paid**I. Cash Dividends Paid for the Fiscal Year Ended March 31, 2017**

Resolution	Category of Shares	Total Amounts of Cash Dividends Paid Millions of Yen (Note 1)	Cash Dividends per Share Yen (Note 1)	Record Date	Effective Date
Annual General Shareholders Meeting, at June 28, 2016	Common Stock	¥5,751	¥7.00	March 31, 2016	June 29, 2016
Board of Directors, at November 9, 2016	Common Stock	6,031	7.50	September 30, 2016	December 5, 2016

II. Cash Dividends Paid for the Fiscal Year Ended March 31, 2018

Resolution	Category of Shares	Total Amounts of Cash Dividends Paid Millions of Yen (Note 1)	Cash Dividends per Share Yen (Note 1)	Record Date	Effective Date
Annual General Shareholders Meeting, at June 28, 2017	Common Stock	¥5,983	¥7.50	March 31, 2017	June 29, 2017
Board of Directors, at November 8, 2017	Common Stock	5,917	7.50	September 30, 2017	December 5, 2017

III. Cash Dividends with the Record Date in the Fiscal Year Ended March 31, 2018 and the Effective Date in the Fiscal Year ending March 31, 2019

Approval	Category of Shares	Total Amounts of Cash Dividends Paid Millions of Yen (Note 1)	Source of Dividends	Cash Dividends per Share Yen (Note 1)	Record Date	Effective Date
Annual General Shareholders Meeting, at June 27, 2018	Common Stock	¥5,857	Retained Earnings	¥7.50	March 31, 2018	June 28, 2018

40. Stock Options**I. Line Item where Stock Option Expense Is Presented and the Amount**

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
General and Administrative Expenses	¥164	¥159	\$1,546

II. Stock Option Activity

(1) Outline of Stock Options

		The first subscription rights	The second subscription rights	The third subscription rights	The fourth subscription rights
Number of Grantees	Directors	9	9	9	9
	Executive officers	9	9	9	11
Number of Stock Options	Common stock	311,100	343,600	344,700	229,400
Date of Grant		July 20, 2010	July 20, 2011	July 20, 2012	July 19, 2013
Requirement for Determination of Rights		Not fixed	Not fixed	Not fixed	Not fixed
Target Period		Not fixed	Not fixed	Not fixed	Not fixed
Exercise Period		From July 21, 2010 to July 20, 2040	From July 21, 2011 to July 20, 2041	From July 21, 2012 to July 20, 2042	From July 20, 2013 to July 19, 2043

		The fifth subscription rights	The sixth subscription rights	The seventh subscription rights	The eighth subscription rights
Number of Grantees	Directors	10	10	10	9
	Executive officers	10	10	10	11
Number of Stock Options	Common stock	243,000	180,700	365,400	230,500
Date of Grant		July 18, 2014	July 17, 2015	July 20, 2016	July 20, 2017
Requirement for Determination of Rights		Not fixed	Not fixed	Not fixed	Not fixed
Target Period		Not fixed	Not fixed	Not fixed	Not fixed
Exercise Period		From July 19, 2014 to July 18, 2044	From July 18, 2015 to July 17, 2045	From July 21, 2016 to July 20, 2046	From July 21, 2017 to July 20, 2047

(2) Size and Situation of Stock Options

(a) Number of Stock Options

	Number of Shares			
	The first subscription rights	The second subscription rights	The third subscription rights	The fourth subscription rights
Non-Vested:				
As of March 31, 2017	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
Vested:				
As of March 31, 2017	54,000	58,000	81,300	66,800
Vested	—	—	—	—
Exercised	—	—	14,400	8,800
Forfeited	—	—	—	—
Outstanding	54,000	58,000	66,900	58,000

	Number of Shares			
	The fifth subscription rights	The sixth subscription rights	The seventh subscription rights	The eighth subscription rights
Non-Vested:				
As of March 31, 2017	—	—	—	—
Granted	—	—	—	230,500
Forfeited	—	—	—	—
Vested	—	—	—	230,500
Outstanding	—	—	—	—
Vested:				
As of March 31, 2017	102,700	115,700	365,400	—
Vested	—	—	—	230,500
Exercised	21,100	22,600	67,700	—
Forfeited	—	—	—	—
Outstanding	81,600	93,100	297,700	230,500

(b) Price Information

	Yen (Note 1)			
	The first subscription rights	The second subscription rights	The third subscription rights	The fourth subscription rights
Exercise Price	1	1	1	1
Average Price at Exercise	—	—	817	817
Fair Value at Grant Date	467	446	403	686

	Yen (Note 1)			
	The fifth subscription rights	The sixth subscription rights	The seventh subscription rights	The eighth subscription rights
Exercise Price	1	1	1	1
Average Price at Exercise	817	817	817	—
Fair Value at Grant Date	673	913	433	721

III. Estimations Used to Measure Fair Value of Stock Options

(1) Valuation Method

Black-Scholes option pricing model

(2) Main Figures and the Way of Estimation

	The eighth subscription rights
Volatility of Stock Price*1	31.127%
Estimated Remaining Outstanding Period*2	5 years
Estimated Dividend*3	¥15 per share
Risk-Free Interest Rate*4	-0.058%

*1 Volatility of Stock Price is calculated based on the actual stock prices of Estimated Remaining Outstanding Period.

*2 Estimated Remaining Outstanding Period is estimated based on the average administration period of the directors from the past decade.

*3 Estimated Dividend is based on the actual results of the fiscal year ended March 31, 2017.

*4 Risk-Free Interest Rate is based on bonds' yields of the Estimated Remaining Outstanding Period.

IV. Estimated Number of Stock Options to be Vested

The actual number of forfeited stock options alone is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.



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Independent Auditor's Report

The Board of Directors
The Chiba Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Chiba 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 Chiba 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 1.

Ernst & Young ShinNihon LLC

June 22, 2018

Non-Consolidated Balance Sheet (Unaudited)

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

	Millions of Yen*1		Thousands of U.S. Dollars*2
	2018	2017	2018
Assets			
Cash and Due from Banks	¥ 1,841,522	¥ 1,802,733	\$ 17,333,603
Call Loans	75,801	154,078	713,489
Receivables under Resale Agreements	14,999	14,999	141,189
Monetary Claims Bought	11,328	11,741	106,632
Trading Assets	121,585	129,232	1,144,439
Money Held in Trust	22,111	21,140	208,127
Securities	2,156,704	2,373,637	20,300,307
Loans and Bills Discounted	9,816,065	9,305,388	92,395,191
Foreign Exchanges	3,187	4,563	30,007
Other Assets	114,360	79,287	1,076,438
Tangible Fixed Assets	94,415	96,120	888,700
Intangible Fixed Assets	11,675	10,752	109,897
Prepaid Pension Cost	442	718	4,166
Customers' Liabilities for Acceptances and Guarantees	38,477	44,988	362,172
Allowance for Loan Losses	(18,978)	(23,123)	(178,637)
Total Assets	¥14,303,698	¥14,026,259	\$134,635,721
Liabilities			
Deposits	¥12,530,506	¥12,044,770	\$117,945,275
Call Money	—	250,000	—
Payables under Repurchase Agreements	17,085	—	160,824
Payables under Securities Lending Transactions	260,387	318,992	2,450,937
Trading Liabilities	12,632	16,474	118,906
Borrowed Money	333,334	277,646	3,137,559
Foreign Exchanges	587	692	5,528
Bonds Payable	113,714	117,267	1,070,354
Borrowed Money from Trust Account	963	62	9,072
Other Liabilities	62,395	53,245	587,304
Provision for Retirement Benefits	12,486	19,140	117,533
Provision for Reimbursement of Deposits	3,074	2,920	28,941
Provision for Point Loyalty Programs	239	268	2,253
Deferred Tax Liabilities	28,884	24,577	271,884
Deferred Tax Liabilities for Land Revaluation	10,852	10,930	102,155
Acceptances and Guarantees	38,477	44,988	362,172
Total Liabilities	13,425,622	13,181,978	126,370,698
Net Assets			
Capital Stock	145,069	145,069	1,365,485
Capital Surplus	122,134	122,134	1,149,606
Retained Earnings	545,044	514,303	5,130,317
Legal Retained Earnings	50,930	50,930	479,388
Other Retained Earnings	494,114	463,373	4,650,929
Treasury Shares	(59,256)	(52,219)	(557,758)
Total Shareholders' Equity	752,991	729,287	7,087,650
Valuation Difference on Available-for-Sale Securities	111,947	102,326	1,053,720
Deferred Gains or Losses on Hedges	1,822	1,510	17,158
Revaluation Reserve for Land	10,802	10,733	101,682
Total Valuation and Translation Adjustments	124,572	114,570	1,172,560
Subscription Rights to Shares	511	423	4,813
Total Net Assets	878,076	844,280	8,265,023
Total Liabilities and Net Assets	¥14,303,698	¥14,026,259	\$134,635,721

*1 Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the non-consolidated financial statements do not necessarily agree with the sums of individual amounts.

*2 U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥106.24 to \$1.00, the exchange rate prevailing at March 31, 2018.

Non-Consolidated Statement of Income (Unaudited)

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

	Millions of Yen*1		Thousands of U.S. Dollars*2
	2018	2017	2018
Income			
Interest Income:			
Interest on Loans and Discounts	¥108,223	¥107,387	\$1,018,671
Interest and Dividends on Securities	28,795	27,744	271,039
Other Interest Income	3,383	2,588	31,844
Trust Fees	16	2	154
Fees and Commissions	43,476	39,444	409,232
Trading Income	2,001	2,590	18,837
Other Ordinary Income	5,375	5,447	50,594
Other Income	13,962	16,059	131,421
Total Income	205,233	201,264	1,931,791
Expenses			
Interest Expenses:			
Interest on Deposits	8,379	6,045	78,870
Interest on Borrowings and Rediscounts	1,763	732	16,597
Other Interest Expenses	8,745	9,780	82,316
Fees and Commissions Payments	19,735	20,343	185,764
Other Ordinary Expenses	3,249	4,237	30,587
General and Administrative Expenses	85,082	84,483	800,853
Other Expenses	9,023	6,636	84,936
Total Expenses	135,979	132,259	1,279,924
Profit before Income Taxes	69,254	69,004	651,867
Income Taxes—Current	19,783	17,218	186,212
Income Taxes—Deferred	(184)	3,167	(1,739)
Profit	¥ 49,655	¥ 48,619	\$ 467,394

*1 Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the non-consolidated financial statements do not necessarily agree with the sums of individual amounts.

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Supplementary Information (Unaudited)

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

Consolidated Capital Ratio (BIS Guidelines)

	Millions of Yen*1		Thousands of U.S. Dollars*2
	2018	2017	2018
Common Equity Tier 1 Capital: Instruments and Reserves	¥937,379	¥870,748	\$8,823,222
Capital Stock and Capital Surplus	267,203	267,203	2,515,091
Retained Earnings	600,931	566,050	5,656,361
Treasury Shares	59,256	52,219	557,758
Cash Dividends to be Paid	5,857	5,983	55,131
Subscription Rights to Shares	511	423	4,813
Accumulated Other Comprehensive Income and Other Disclosed Reserves	133,846	95,274	1,259,846
Instruments and Reserves (Transitional Arrangements)	—	—	—
Common Equity Tier 1 Capital: Regulatory Adjustments	43,780	42,248	412,087
Total Intangible Assets (Excluding Those Relating to Mortgage Servicing Rights)	8,238	6,081	77,542
Deferred Gains or Losses on Derivatives under Hedge Accounting	(381)	(516)	(3,588)
Shortfall of Eligible Provisions to Expected Losses	35,066	29,671	330,073
Securitization Gain on Sale	44	39	415
Net Defined Benefit Asset	765	—	7,205
Investments in Own Shares (Excluding Those Reported in the Net Assets Section)	46	28	440
Investments in the Capital of Banking, Financial and Insurance Entities that Are Outside the Scope of Regulatory Consolidation, Net of Eligible Short Positions, where the Bank Does Not Own more than 10% of the Issued Share Capital (Amount above 10% Threshold)	—	3,657	—
Regulatory Adjustments due to Insufficient Additional Tier 1 and Tier 2	—	3,287	—
Total Common Equity Tier 1 Capital	893,598	828,499	8,411,135
Additional Tier 1 Capital: Instruments	—	431	—
Instruments (Transitional Arrangements)	—	431	—
Additional Tier 1 Capital: Regulatory Adjustments	—	3,718	—
Regulatory Adjustments (Transitional Arrangements)	—	3,718	—
Total Additional Tier 1 Capital	—	—	—
Total Tier 1 Capital	893,598	828,499	8,411,135
Tier 2 Capital: Instruments and Provisions	50,120	66,447	471,766
Directly Issued Qualifying Tier 2 Instruments plus Related Capital Surplus of which: Classified as Liabilities under Applicable Accounting Standards	50,000	50,000	470,633
General Allowance for Loan Losses and Eligible Provisions	120	348	1,134
Instruments and Provisions (Transitional Arrangements)	—	16,098	—
Tier 2 Capital: Regulatory Adjustments	—	4,893	—
Investments in the Capital of Banking, Financial and Insurance Entities that Are Outside the Scope of Regulatory Consolidation, Net of Eligible Short Positions, where the Bank Does Not Own more than 10% of the Issued Common Share Capital of the Entity (Amount above 10% Threshold)	—	1,181	—
Regulatory Adjustments (Transitional Arrangements)	—	3,711	—
Total Tier 2 Capital	50,120	61,553	471,766
Total Capital	¥943,719	¥890,053	\$8,882,901

	Millions of Yen*1		Thousands of U.S. Dollars*2
	2018	2017	2018
Risk-Weighted Assets			
Total Risk-Weighted Assets*3	¥7,159,997	¥6,547,655	\$67,394,551
Total Required Capital*4	572,799	523,812	5,391,564
Capital Ratios			
Common Equity Tier 1 Capital Ratio	12.48%	12.65%	12.48%
Tier 1 Capital Ratio	12.48%	12.65%	12.48%
Total Capital Ratio	13.18%	13.59%	13.18%

*1 Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the supplementary information do not necessarily agree with the sums of individual amounts.

*2 U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥106.24 to \$1.00, the exchange rate prevailing at March 31, 2018.

*3 The following approaches were adopted to calculate Total Risk-Weighted Assets.

Credit Risk: Foundation Internal Ratings-Based Approach

Operational Risk: Standardized Approach

*4 Total Required Capital is calculated by multiplying Total Risk-Weighted Assets by 8%.

Consolidated Leverage Ratio

	Millions of Yen*1		Thousands of U.S. Dollars*2
	2018	2017	2018
On-Balance Sheet Exposures			
On-Balance Sheet Exposures before Adjustments	¥14,278,955	¥13,986,460	\$134,402,823
Total Assets Reported in the Consolidated Balance Sheet	14,381,815	14,095,743	135,371,001
The Amount of Assets that Are Deducted from the Total Assets Reported in the Consolidated Balance Sheet (except Adjustment Items)	(102,859)	(109,283)	(968,178)
The Amount of Adjustments to Tier 1 Capital	(44,117)	(43,147)	(415,259)
Total On-Balance Sheet Exposures	14,234,838	13,943,312	133,987,563
Derivative Exposures			
Replacement Cost Associated with Derivatives Transactions	30,739	26,156	289,342
Add-On Amounts Associated with Derivatives Transactions	34,841	24,608	327,954
The Amount of Cash Collateral Provided in Derivatives Transactions	8,563	12,385	80,603
Total Derivative Exposures	74,144	63,150	697,898
Securities Financing Transaction (SFT) Exposures			
The Amount of SFT Assets	14,999	14,999	141,189
The Exposures for Counter-Party Credit Risk for SFTs	1,393	1,404	13,121
Total SFT Exposures	16,393	16,404	154,310
Off-Balance Sheet Exposures			
Notional Amount of Off-Balance Sheet Exposures	3,352,753	3,303,214	31,558,293
The Amount of Adjustments for Conversion in Relation to Off-Balance Sheets	(2,866,253)	(2,809,516)	(26,979,042)
Total Off-Balance Sheet Exposures	486,499	493,697	4,579,251
Consolidated Leverage Ratio			
Tier 1 Capital	893,598	828,499	8,411,135
Total Exposures	14,811,876	14,516,564	139,419,023
Leverage Ratio	6.03%	5.70%	6.03%

*1 Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the supplementary information do not necessarily agree with the sums of individual amounts.

*2 U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥106.24 to \$1.00, the exchange rate prevailing at March 31, 2018.

Loans and Bills Discounted, Borrower Classification by Industry (Consolidated)

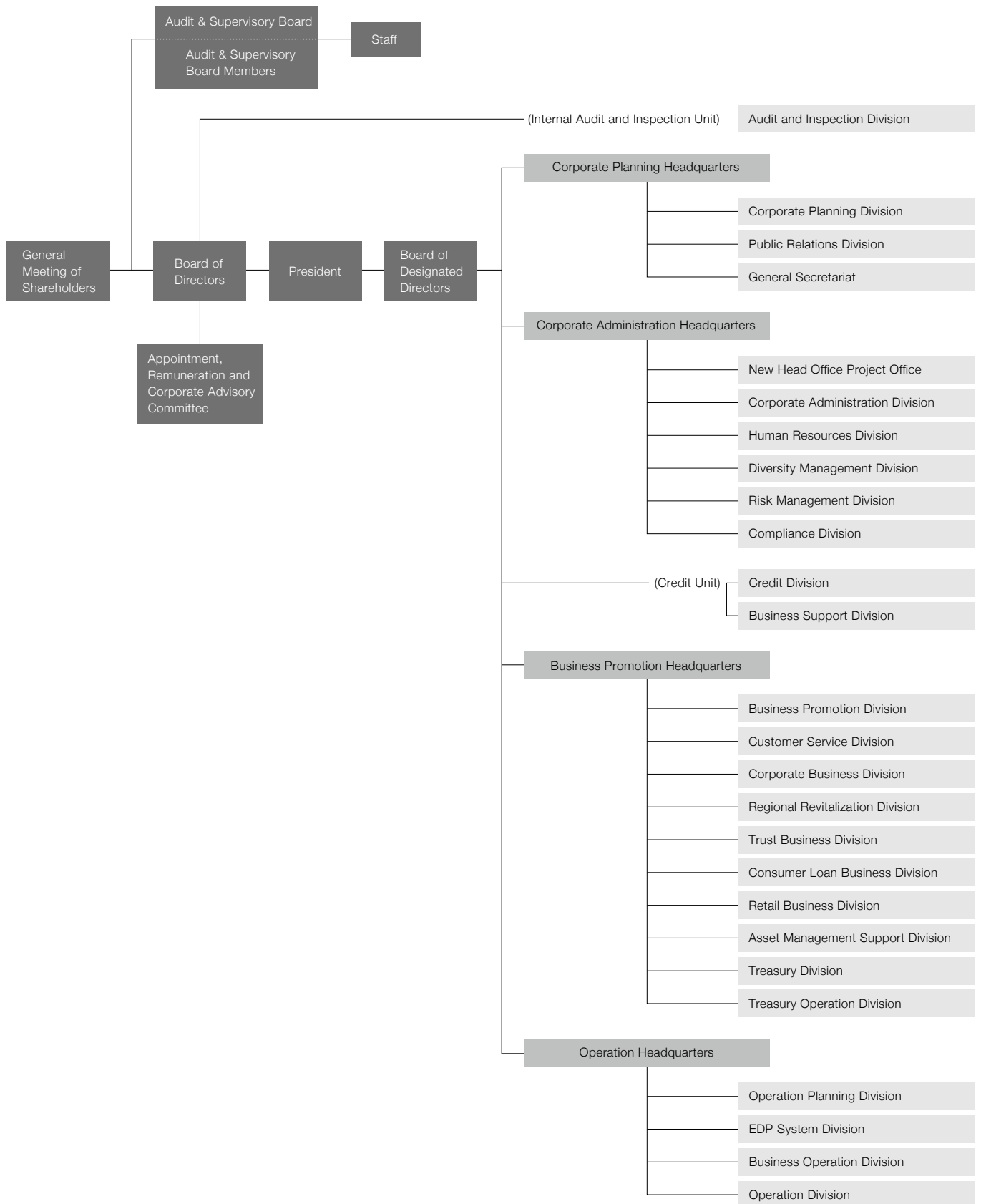
	Millions of Yen*	
	March 31, 2018	
	Outstanding Balance	Composition
Domestic Operations		
Manufacturing	¥ 698,625	7.30%
Agriculture and Forestry	11,493	0.12%
Fishery	1,185	0.01%
Mining, Quarrying and Gravel	18,720	0.20%
Construction	314,284	3.29%
Electricity, Gas, Heat Supply and Water	67,090	0.70%
Information and Communications	71,966	0.75%
Transport and Postal Service	244,173	2.55%
Wholesale and Retail Trade	749,431	7.84%
Finance and Insurance	377,026	3.94%
Real Estate and Leasing	2,666,533	27.88%
Services	561,396	5.87%
Government and Local Public Sector	204,587	2.14%
Others (Mainly Consumer Loans)	3,578,470	37.41%
Total	¥9,564,985	100.00%
Overseas Operations and JOM Account	¥ 209,926	—

	Millions of Yen*	
	March 31, 2017	
	Outstanding Balance	Composition
Domestic Operations		
Manufacturing	¥ 693,185	7.63%
Agriculture and Forestry	9,926	0.11%
Fishery	1,298	0.01%
Mining, Quarrying and Gravel	21,624	0.24%
Construction	293,115	3.23%
Electricity, Gas, Heat Supply and Water	60,703	0.67%
Information and Communications	39,791	0.44%
Transport and Postal Service	236,991	2.61%
Wholesale and Retail Trade	726,519	8.00%
Finance and Insurance	389,095	4.28%
Real Estate and Leasing	2,484,089	27.36%
Services	516,238	5.69%
Government and Local Public Sector	188,754	2.08%
Others (Mainly Consumer Loans)	3,418,024	37.65%
Total	¥9,079,360	100.00%
Overseas Operations and JOM Account	¥ 189,493	—

* Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in Japanese yen in the non-consolidated financial statements do not necessarily agree with the sums of individual amounts.

Organization

The Chiba Bank, Ltd.
As of June 27, 2018



Subsidiaries

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

Sobu Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Rental and maintenance of the
Chiba Bank's office buildings and welfare facilities;
purchase and sale of supplies and consumer goods*
Established: September 7, 1959
Capital: ¥20 million
Equity Ownership: Chiba Bank 100%

Chibagin Career Service Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Accounting, general
administration and temporary staff services*
Established: December 22, 1989
Capital: ¥20 million
Equity Ownership: Chiba Bank 100%

Chiba Servicer Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Management and
collection of claims*
Established: October 1, 2001
Capital: ¥500 million
Equity Ownership: Chiba Bank 100%

Chibagin Heartful Co., Ltd.

4-1-10, Masago, Mihama-ku,
Chiba-shi, Chiba 261-0011
*Principal Business: Outsourcing of
operational business*
Established: December 1, 2006
Capital: ¥10 million
Equity Ownership: Chiba Bank 100%

Chibagin Securities Co., Ltd.

2-5-1, Chuo, Chuo-ku,
Chiba-shi, Chiba 260-0013
Principal Business: Securities business
Established: March 27, 1944
Capital: ¥4,374 million
Equity Ownership: Chiba Bank 100%

Chibagin Guarantee Co., Ltd.

3-17-5, Inage-higashi, Inage-ku,
Chiba-shi, Chiba 263-0031
*Principal Business: Housing loan guarantees and
fee collection services*
Established: May 1, 1978
Capital: ¥54 million
Equity Ownership: Chiba Bank 45.6%
its subsidiaries 54.4%

Chibagin JCB Card Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Credit card and
credit guarantee business*
Established: November 1, 1982
Capital: ¥50 million
Equity Ownership: Chiba Bank 49%
its subsidiaries 51%

Chibagin DC Card Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Credit card and
credit guarantee business*
Established: February 16, 1989
Capital: ¥50 million
Equity Ownership: Chiba Bank 40%
its subsidiaries 60%

Chibagin Leasing Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
Principal Business: Leasing
Established: December 15, 1986
Capital: ¥100 million
Equity Ownership: Chiba Bank 49%
its subsidiaries 51%

Chibagin Computer Service Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Computer systems development
and commissioned computation tasks*
Established: April 1, 1980
Capital: ¥150 million
Equity Ownership: Chiba Bank 48.7%
its subsidiaries 51.3%

Chibagin Capital Co., Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
Principal Business: Consulting services, IPOs, etc.
Established: May 29, 1984
Capital: ¥100 million
Equity Ownership: Chiba Bank 30%
its subsidiaries 70%

Chibagin Asset Management Co., Ltd.

2-13-7, Kotobashi,
Sumida-ku, Tokyo 130-0022
*Principal Business: Consulting for portfolio
investments of clients' financial assets*
Established: March 31, 1986
Capital: ¥200 million
Equity Ownership: Chiba Bank 40%
its subsidiaries 30%

Chibagin Research Institute, Ltd.

1-10-2, Nakase, Mihama-ku,
Chiba-shi, Chiba 261-0023
*Principal Business: Information services,
surveys, and consulting*
Established: February 28, 1990
Capital: ¥150 million
Equity Ownership: Chiba Bank 31.8%
its subsidiaries 68.2%

T&I Innovation Center Co., Ltd.

1-5-5, Nihonbashi Muromachi,
Chuo-ku, Tokyo 103-0022
*Principal Business: Investigations and research
of advanced financial technologies, planning and
development of financial services*
Established: July 1, 2016
Capital: ¥100 million
Equity Ownership: Chiba Bank 40%

International Directory

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

Head Office

1-2, Chiba-minato, Chuo-ku,
Chiba-shi, Chiba 260-8720, Japan
Telephone: 81-43-245-1111
<http://www.chibabank.co.jp/english/>

Treasury Operation Division

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Chuo-ku, Tokyo 103-0022, Japan
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Fax: 81-3-3242-1735
SWIFT Address: CHBA JPJT

Treasury Division

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Fax: 81-3-3242-1736

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1133 Avenue of the Americas, 15th Floor,
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SWIFT Address: CHBAGB2L

Shanghai Representative Office

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Shanghai, P.R.C. 200336
Telephone: 86-21-62780482
Fax: 86-21-62780422

Singapore Representative Office

50 Raffles Place, #10-06 Singapore Land Tower,
Singapore 048623
Telephone: 65-6438-4525
Fax: 65-6438-6890

Bangkok Representative Office

No.98 Sathorn Square Office
Tower, 20th Floor, Room 2008,
North Sathorn Road, Silom, Bangrak,
Bangkok 10500, Thailand
Telephone: 66-2-163-2723
Fax: 66-2-163-2725

Corporate Data

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

Principal Shareholders

The ten largest shareholders of the Chiba Bank and their respective shareholdings as of March 31, 2018 were as follows:

	Number of Shares (in thousands)*1	Percentage of Total Shares Issued*2 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,687	5.39
Japan Trustee Services Bank, Ltd. (Trust Account)	36,004	4.15
Nippon Life Insurance Company	26,870	3.10
The Dai-ichi Life Insurance Company, Limited	26,230	3.03
Sompo Japan Nipponkoa Insurance Inc.	21,537	2.48
Meiji Yasuda Life Insurance Company	18,291	2.11
SUMITOMO LIFE INSURANCE COMPANY	17,842	2.06
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	17,707	2.04
STATE STREET BANK AND TRUST COMPANY 505223	14,939	1.72
Japan Trustee Services Bank, Ltd. (Trust Account 5)	13,432	1.55

Excluded from the figures above are 84,573 thousand (9.77%) treasury shares. (Excludes one thousand shares which, although registered in the name of the Chiba Bank on the shareholder list, are not actually owned by the Chiba Bank.)

*1 Rounded down to the nearest thousand

*2 Rounded down to two decimal places

Corporate Information

Established	March 1943		
	181 branches (158 branches, 20 sub-branches and 3 virtual branches)		
	48,635 off-branch ATM locations		
Network	Domestic	(including 12,894 E-net ATM locations at convenience stores, 12,783 LAWSON ATM locations at convenience stores and 22,668 ATM locations jointly with Seven Bank, Ltd.)	
		3 money exchange counters	
	Overseas	3 branches (New York/Hong Kong/London) 3 representative offices (Shanghai/Singapore/Bangkok)	
Number of Employees*1	4,343		
Total Assets	¥14,303.6 billion		
Loans and Bills Discounted	¥9,816.0 billion		
Deposits (including NCD)	¥12,530.5 billion		
Capital Stock	¥145.0 billion		
Total Capital Ratio (BIS guidelines)	13.18% (Consolidated) 12.55% (Non-consolidated)		
Authorized Number of Shares	2,500,000 thousand		
Number of Issued Shares	865,521 thousand		
Number of Shareholders*2	22,406		
TSE Code	8331		
Transfer Agent	JAPAN SECURITIES AGENTS, LTD. 1-2-4, Nihonbashi Kayabacho, Chuo-ku, Tokyo 103-8202		
		Long-Term	Short-Term
Credit Ratings	Standard & Poor's	A	A-1
	Moody's	A1	P-1
	Rating and Investment Information	AA-	—

Figures as shown are presented on a non-consolidated basis.

*1 Number of employees includes transferred employees but excludes temporary staff and one-year contract employees.

*2 Shareholders with fewer than 1,000 shares are excluded

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