

# ANNUAL REPORT 2018



NNFH

Nishi-Nippon Financial Holdings, Inc.

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Notes: 1. In this report, Japanese yen figures are rounded down to the nearest million yen.

2. Conversion into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥106.24 to \$1.

# Message from the President

I am pleased to report on the business performance of Nishi-Nippon Financial Holdings, Inc. (NNFH) for the fiscal year ended 31st March 2018.

In line with the current Medium-Term Business Plan, “Leaping Forward 2020 - Innovating Ideas for Our Clients,” NNFH Group (the Group) is pushing ahead with various initiatives under the concept of “enhancement of the Group’s comprehensive financial strengths” stage when we accelerate our drive to become customers’ preferred regional financial group by focusing on expansion of our business foundations for a greater leap forward.

During the fiscal year ended 31st March, 2018, the Japanese economy remained in a moderate recovery phase, due primarily to a pickup in private consumption and an increase in capital expenditures on the back of improvements in the employment and corporate earnings situations.

The economy in our host region of Kyushu also registered a moderate recovery, underpinned by a turnaround in employment and income situations and a

continuing high level of production and exports as a result of brisk foreign demand, despite the temporary impact on tourism of the heavy rains of July 2017 in Northern Kyushu.

Meanwhile, the management environment in which the Group finds itself continues to see dramatic changes, brought about by the continuation of extremely low interest rates, rapid progress in information and communications technology, and deregulation due to revision of the Banking Act and other regulations.

Against this backdrop, we will further cement relationships within the Group in order to deliver financial services that exceed customers’ expectations. In doing so, we will aim to become the regional financial group with “No. 1” collective strength that grows together with its customers and local communities.

Your continued support for and cooperation in our future endeavors would be greatly appreciated.

July 2018

Hikomichi Tanigawa  
President  
Nishi-Nippon Financial Holdings, Inc.  
(Concurrently President of The Nishi-Nippon City Bank, Ltd.)



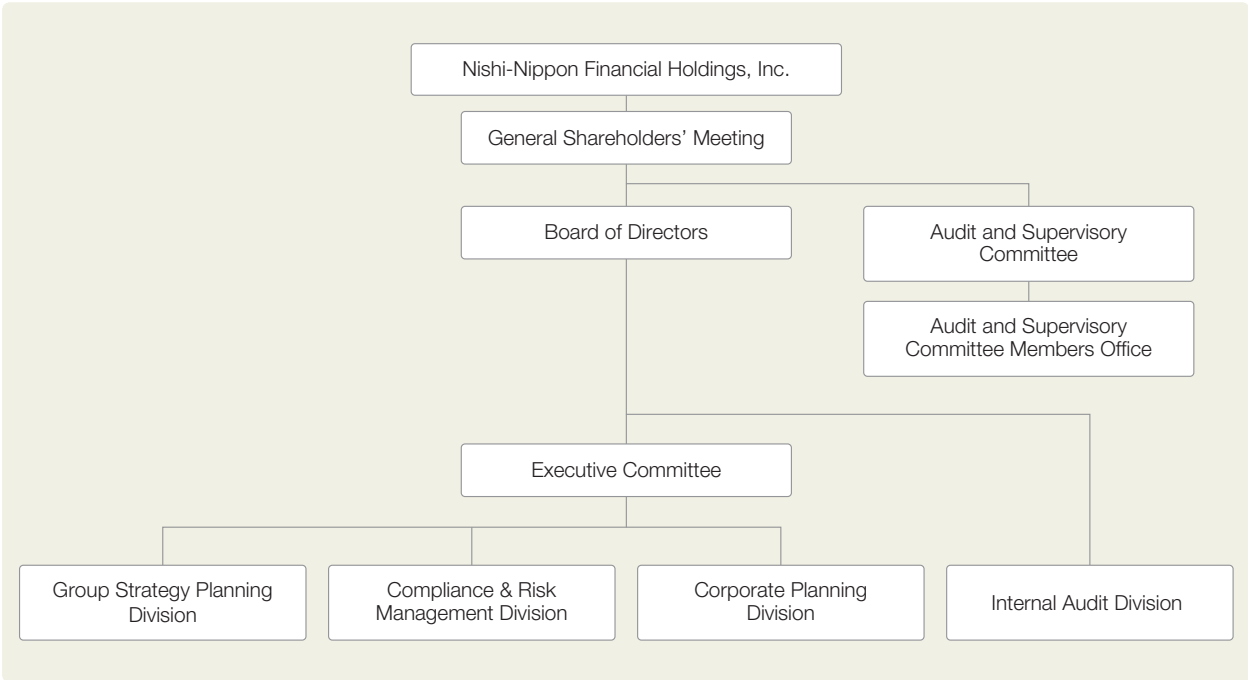
# Profile of the Company (Joint Holding Company)

Name: Nishi-Nippon Financial Holdings, Inc.

Location	1-1, Hakata-ekimae 3-chome, Hakata-ku, Fukuoka, Japan
Business	Management and operation of banks and other companies that Nishi-Nippon FH may have as subsidiaries under the Banking Act and any all businesses incidental or related thereto.
Capital	50 billion yen
Date of establishment	October 3, 2016
Fiscal year end	March 31
Stock exchange	Tokyo Stock Exchange and Fukuoka Stock Exchange
Share-trading unit	100 shares
Credit Ratings	R&I: A (Stable) JCR: A (Stable)

as of 30th June, 2018

## Organization Chart



# Board of Directors of Nishi-Nippon Financial Holdings Inc.



Chairman  
**Isao Kubota**



President  
**Hiromichi Tanigawa**

Chairman .....	Isao Kubota
President .....	Hiromichi Tanigawa
Directors .....	Souichi Kawamoto Kiyota Takata Shigeru Urayama Hiroyuki Irie Shinya Hirota Hideyuki Murakami
Directors (Audit and Supervisory Committee Members) .....	Kiyotaka Tomoike Yuji Tanaka (outside) Hirohiko Okumura (outside) Nobuko Takahashi (outside)

(as of 30th June, 2018)

\* Directors/Audit and Supervisory Committee Members Yuji Tanaka, Hirohiko Okumura, and Nobuko Takahashi are Outside Directors as prescribed in Article 2 (xv) of the Companies Act of Japan.

## Major Shareholders (Common Stock)

Name	Shares held (thousands) (Note 1)	(%) (Note 2)
Japan Trustee Services Bank, Ltd. (Trust Account)	17,365	11.23
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	9,740	6.30
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	6,816	4.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,820	3.11
Nippon Life Insurance Company	3,861	2.49
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	2,923	1.89
Meiji Yasuda Life Insurance Company	2,765	1.78
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	2,557	1.65
The Nishi-Nippon City Bank Employee Shareholding Association	2,245	1.45
Risona Bank, Limited.	2,200	1.42
<b>Total</b>	<b>55,297</b>	<b>35.78</b>

(as of 31st March, 2018)

Notes: 1. The figures are rounded down to the nearest thousand.  
2. Percentage share in issued shares excluding treasury stock.

# Outline of Nishi-Nippon Financial Holdings Group

## Group Management Philosophy

Aiming high and motivated by pride in our services, we are committed to becoming a leading financial group through our ability to respond to change and to grow with our customers

## Group Brand Slogan

# Sincere Relationships, Best Solutions

## Meaning behind Our Logo



Our logo uses the motif of the “Sun,” the energy which creates our future, and the vibrant image of “Wings.” The radiating wings symbolize the infinite future. And the color gradation from light to dark orange expresses the Nishi-Nippon Financial Holdings Group’s commitment to evolving and transforming itself toward the future.

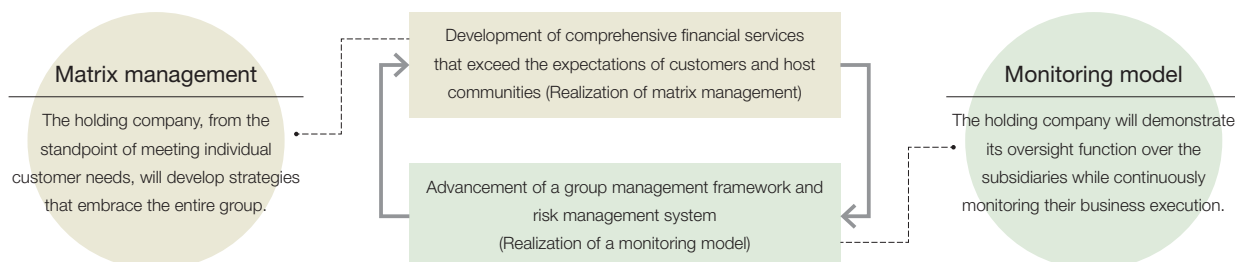
## Strengths as a “Comprehensive Financial Group”

The Group has adopted a “parallel” structure whereby NNFH serves as a “control tower” to direct and guide each Group company whilst also assuming a birds-eye perspective in order to oversee them across the board, thereby building a management framework that allows this comprehensive financial group to best exploit its strengths.



## Group Management Strategy

Under the holding company structure, we will promote two Group Management Strategies: “Development of comprehensive financial services that exceed the expectations of customers and host communities (Realization of matrix management)” and “Advancement of a group management framework and risk management system (Realization of a monitoring model).”



# Outline of Medium-Term Business Plan

## Framework



<b>Basic Strategy 1</b>	Enhancement of customer-oriented, comprehensive financial services - Service innovation -								
Aiming to become customers' preferred comprehensive financial group									
<ul style="list-style-type: none"> <li>We will aim to become a comprehensive financial group that customers choose by providing products/services that tap into the merits/strengths of each Group company and building a sales system/channel capable of catering to customers' diverse needs.</li> </ul>	<table border="1"> <tr> <th colspan="2" style="background-color: #f4a460; color: white;">Priority Measures</th> </tr> <tr> <td style="text-align: center;">①</td> <td>Developing "comprehensive support" through concerted efforts of the Group</td> </tr> <tr> <td style="text-align: center;">②</td> <td>Advancing "business promotion with optimal solutions for each customer"</td> </tr> <tr> <td style="text-align: center;">③</td> <td>Achieving "best mix channel"</td> </tr> </table>	Priority Measures		①	Developing "comprehensive support" through concerted efforts of the Group	②	Advancing "business promotion with optimal solutions for each customer"	③	Achieving "best mix channel"
Priority Measures									
①	Developing "comprehensive support" through concerted efforts of the Group								
②	Advancing "business promotion with optimal solutions for each customer"								
③	Achieving "best mix channel"								

<b>Basic Strategy 2</b>	Establishment of robust earnings structure - Behavioral innovation -						
Realizing sustainable growth							
<ul style="list-style-type: none"> <li>We will build up staying power that ensures sustainable growth into the future by further raising all employees' earnings/costs awareness, expanding the customer base for the entire Group, and becoming our customers' house bank.</li> </ul>	<table border="1"> <tr> <th colspan="2" style="background-color: #f4a460; color: white;">Priority Measures</th> </tr> <tr> <td style="text-align: center;">④</td> <td>Generating synergies through collaboration among Group companies</td> </tr> <tr> <td style="text-align: center;">⑤</td> <td>Forging efforts to improve earnings and reduce costs</td> </tr> </table>	Priority Measures		④	Generating synergies through collaboration among Group companies	⑤	Forging efforts to improve earnings and reduce costs
Priority Measures							
④	Generating synergies through collaboration among Group companies						
⑤	Forging efforts to improve earnings and reduce costs						

<b>Basic Strategy 3</b>	Empowerment of trustworthy human resources and organizations - Human resources innovation -						
Further developing trustworthiness in human resources and consolidating "individual" strengths into "organizational" power							
<ul style="list-style-type: none"> <li>We will aim to consolidate "individual" strengths into "organizational" power by establishing all employees' behavioral patterns as "a member of the Group," while also further developing trustworthiness in human resources, which is the very source of our competitiveness.</li> </ul>	<table border="1"> <tr> <th colspan="2" style="background-color: #f4a460; color: white;">Priority Measures</th> </tr> <tr> <td style="text-align: center;">⑥</td> <td>Developing human resources so that everyone can play an active role</td> </tr> <tr> <td style="text-align: center;">⑦</td> <td>Establishing behavioral patterns as "a member of the Group"</td> </tr> </table>	Priority Measures		⑥	Developing human resources so that everyone can play an active role	⑦	Establishing behavioral patterns as "a member of the Group"
Priority Measures							
⑥	Developing human resources so that everyone can play an active role						
⑦	Establishing behavioral patterns as "a member of the Group"						

<b>Basic Strategy 4</b>	Advancement of group management - Corporate governance innovation -								
Becoming able to respond to any environmental change both appropriately and flexibly									
<ul style="list-style-type: none"> <li>We will build an advanced risk management system for the entire Group and allocate the Group's resources in an optimal manner that takes into account business fields meriting attention and the conditions of each regional market, so that we can flexibly respond to the various environmental changes and risks that may lie ahead.</li> </ul>	<table border="1"> <tr> <th colspan="2" style="background-color: #f4a460; color: white;">Priority Measures</th> </tr> <tr> <td style="text-align: center;">⑧</td> <td>Establishing a functioning governance structure</td> </tr> <tr> <td style="text-align: center;">⑨</td> <td>Advancing the Group's risk management system</td> </tr> <tr> <td style="text-align: center;">⑩</td> <td>Allocating the Group's resources optimally</td> </tr> </table>	Priority Measures		⑧	Establishing a functioning governance structure	⑨	Advancing the Group's risk management system	⑩	Allocating the Group's resources optimally
Priority Measures									
⑧	Establishing a functioning governance structure								
⑨	Advancing the Group's risk management system								
⑩	Allocating the Group's resources optimally								

# Financial Highlights

On a consolidated basis, net business profits for the fiscal year under review showed an increase of ¥19 million year-on-year to ¥34,809 million, due primarily to increases in net interest income, net fees and commissions, and net trading income, despite a decrease in net other operating income stemming from the rise in currency swap costs.

Ordinary income increased by ¥69 million year-on-year to ¥33,937 million, due mainly to reduced cost of credit despite a decrease in net gains related to stocks.

Profit attributable to owners of the parent decreased by ¥746 million year-on-year to ¥21,467 million due to an increase in income taxes.

On a consolidated basis, total assets at the end of the fiscal year period under review were ¥9,961.6 billion (\$93 billion) ; total liabilities were ¥9,426.7 billion (\$88 billion) ; and net assets stood at ¥534.8 billion (\$5 billion).

The year-end balance of deposits was ¥8,345.2 billion (\$78 billion) ; the loan balance at the end of the fiscal year was ¥7,041.5 billion (\$66 billion) ; and the year-end balance of securities was ¥1,563.8 billion (\$14 billion).

## Consolidated

	2018		2017
	Millions of yen	Thousands of US dollars	Millions of yen
Total income	142,824	1,344,355	145,938
Total expenses	110,401	1,039,175	113,516
Profit (loss) before income taxes	32,422	305,179	32,422
Profit (loss) attributable to owners of parent	21,467	202,069	22,214
	Yen	US dollars	Yen
Profit (loss) attributable to owners of parent per share	137.78	1.296	142.24
	Millions of yen	Thousands of US dollars	Millions of yen
Total assets	9,961,663	93,765,659	9,486,448
Deposits	8,345,294	78,551,345	8,019,012
Loans and bills discounted	7,041,558	66,279,728	6,803,828
Securities	1,563,859	14,720,064	1,655,774
Capital stock	50,000	470,632	50,000
Total net assets	534,895	5,034,783	511,678

## The Nishi-Nippon City Bank, Ltd.

	2018		2017
	Millions of yen	Thousands of US dollars	Millions of yen
Total income	140,168	1,319,360	136,484
Total expenses	100,554	946,486	104,016
Income before income taxes	39,614	372,874	32,467
Net income	31,671	298,113	25,177
Total assets	9,682,635	91,139,264	9,227,333
Deposits	8,145,409	76,669,896	7,812,742
Loans and bills discounted	6,836,291	64,347,625	6,574,638
Securities	1,556,641	14,652,126	1,677,231
Capital stock	85,745	807,093	85,745
Total net assets	516,625	4,862,814	479,981

## The Bank of Nagasaki, Ltd.

	2018		2017
	Millions of yen	Thousands of US dollars	Millions of yen
Total income	5,432	51,130	5,416
Total expenses	4,751	44,727	4,840
Income before income taxes	680	6,403	575
Net income	551	5,189	440
Total assets	278,090	2,617,567	273,033
Deposits	237,606	2,236,505	246,127
Loans and bills discounted	242,536	2,282,915	237,047
Capital stock	6,121	57,621	6,121
Total net assets	14,786	139,178	14,259



# Toward a Sounder Financial Position

Pursuit of a sounder financial position is ranked as one of the Group's key priorities. Accordingly, we are strengthening our capital adequacy and reducing non-performing loans (NPLs).

## Capital Ratio at 9.67% (On a Consolidated Basis)\*

The capital ratio as of 31st March, 2018, stood at 9.67% on a consolidated basis, 9.91% for The Nishi-Nippon City Bank, Ltd. and 8.72% for The Bank of Nagasaki, Ltd.

These figures are significantly higher than the minimum level of 4.0% required of banks operating in Japan.

We will be implementing measures to further strengthen our capital adequacy and raise the capital ratio.

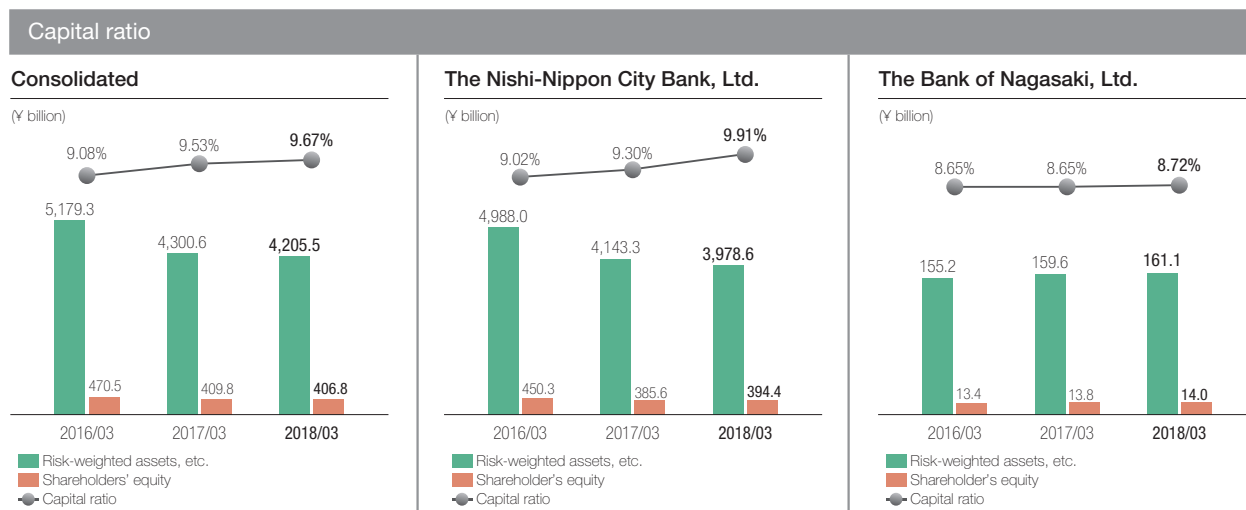
\*Minimum level required of banks operating in Japan : 4%

## NPL Ratio Improved by 0.21 Percentage Points to 1.97% (On a Consolidated Basis)

The Group carries out write-offs and provision of reserves for its NPLs according to strict standards, based on self-assessment of assets.

As of 31st March, 2018, the Group's NPL balance (subject to mandatory disclosure of claims under the Financial Reconstruction Law, consolidated basis) decreased by ¥10.1 billion year-on-year to ¥140.1 billion. As a result, the NPL ratio declined to 1.97%, compared to 2.18% at the end of the previous fiscal year.

On a consolidated basis, the coverage ratio for loans subject to mandatory disclosure of claims under the Financial Reconstruction Law, mainly through collateral and guarantees, is 83.39% and the coverage ratio for bankrupt and quasi-bankrupt assets remains at 100%.



Notes: 1. The following approaches are adopted to calculate risk-weighted assets, etc.

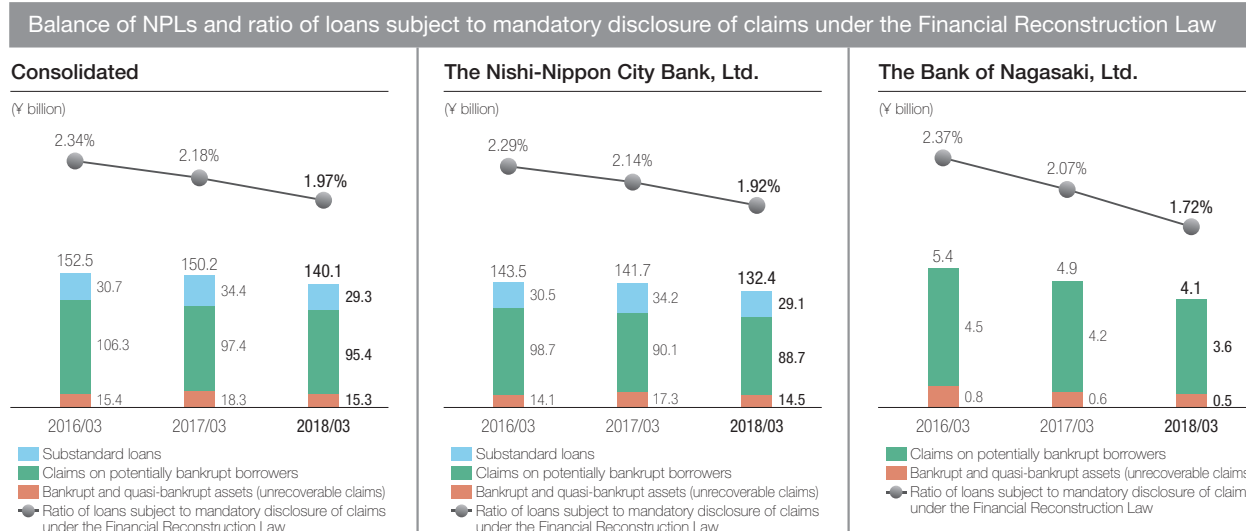
Amount of credit risk-weighted assets:

2018/03·2017/03: Foundation Internal Ratings-Based (FIRB) approach for consolidated figures and The Nishi-Nippon City Bank, Ltd., Standardized Approach (SA) for The Bank of Nagasaki, Ltd.

2016/03: Standardized Approach (SA)

Operational risk equivalent amounts: The Standardized Approach (TSA)

2. The capital ratio (consolidated) for the fiscal year ended 31st March 2016 is for the Group in which The Nishi-Nippon City Bank, Ltd. is a parent company.



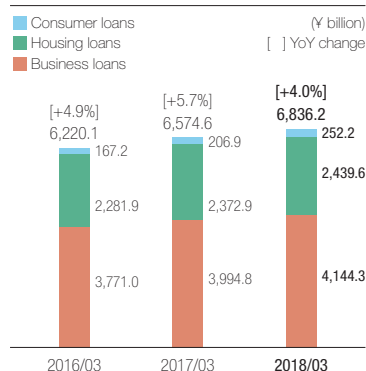
Note: Balance of NPLs and ratio of loans (consolidated) for the fiscal year ended 31st March 2016 is for the Group in which The Nishi-Nippon City Bank, Ltd. is a parent company.

# Financial Results

## Balance of loans

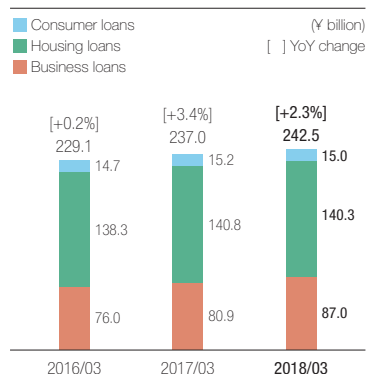
### The Nishi-Nippon City Bank, Ltd.

Total outstanding loans



### The Bank of Nagasaki, Ltd.

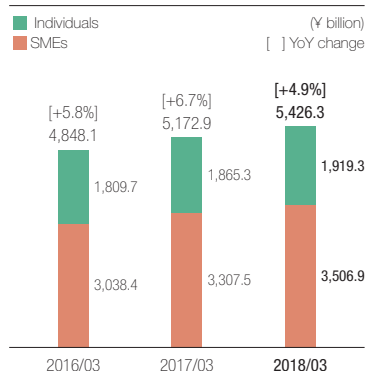
Total outstanding loans



## Balance of loans to small and medium-sized enterprises, etc.

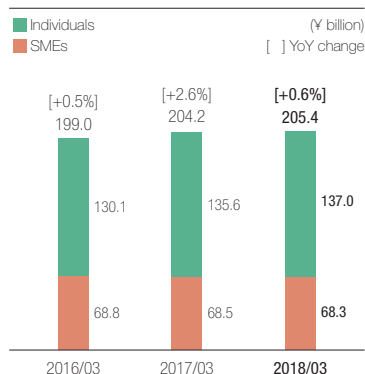
### The Nishi-Nippon City Bank, Ltd.

Total outstanding loans to SMEs, etc.



### The Bank of Nagasaki, Ltd.

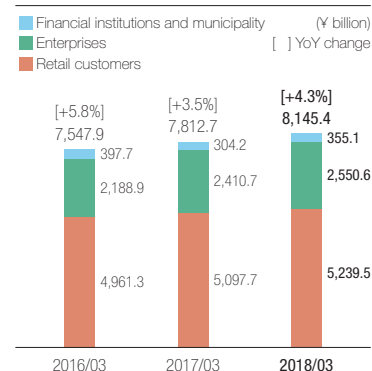
Total outstanding loans to SMEs, etc.



## Balance of deposits/NCD

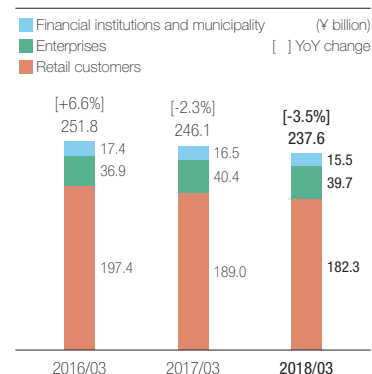
### The Nishi-Nippon City Bank, Ltd.

Total outstanding deposits/NCD



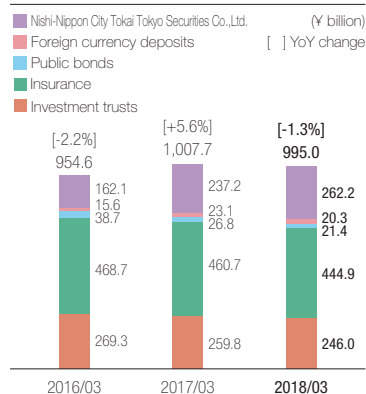
### The Bank of Nagasaki, Ltd.

Total outstanding deposits/NCD



## Management of client assets

### Group total



\* Group total = Nishi-Nippon City Bank + The Bank Of Nagasaki + Nishi-Nippon Tokai Tokyo Securities

# Initiatives for Improvement of Management at SMEs and Regional Revitalization

## ■ Support for Customers Starting Businesses

The Group offers a range of services designed specifically for customers who are planning to start up new businesses or diversify their existing ones. These services include helping to meet their funding and consulting needs at the time of startup through financing, venture fund investment and other means, provision of information on government subsidies and public loans, and arrangement of partnerships with external organizations for the purposes of commercializing and marketing new technologies.

In order to fulfill the obligations expected of a financial institution, namely, to help local industries to develop by offering seamless financial support from startup through establishment, and beyond, the Group has developed its initiatives in this regard through alliances and partnerships forged with external organizations and Group companies. Going forward, the Group will pass on and develop its “good DNA” by uniting as one to engage in a wide range of support programs that will contribute to the development of local industries.

[Startup/second startup\* projects assisted by the banking subsidiaries (fiscal year ended March 2018)]

(Cases)

	The Nishi-Nippon City Bank, Ltd.	The Bank of Nagasaki, Ltd.
Startup	2,810	28
Second startup	78	0

\* Definition of “second startup”

- Commencement of a new business by a successor, etc. to an existing company
- Commencement of a new business by a manager, etc. who has transferred (handed over) an existing business
- Restructuring of a company to make a drastic business turnaround (change of business)

## ■ Establishment of “NCB Startup Support Salons”

The Nishi-Nippon City Bank, Ltd. opened an “NCB Startup Support Salon” in Fukuoka in February 2016 and another in Kita-Kyushu in November 2017 with the aim of offering consultation services on potential issues to customers aspiring to set up their own businesses and providing a “platform” for fledgling entrepreneurs to network with their peers.

At these salons, customers can avail themselves of in-depth consultations with consultants specializing in startup support, covering everything from pre-startup business plan formulation and financing at the time of startup through post-startup management consultation.



## ■ Business operations at “FUKUOKA growth next”

Since April 2017, NNFH and The Nishi-Nippon City Bank have engaged in business operations at “FUKUOKA growth next,” a Fukuoka City startup support center operated through public-private partnership.

In collaboration with the Open Innovation Promotion Office of NNFH, a broad range of events are offered, including pitch contests, demonstrations, informational sessions on recent trends in FinTech, and conferences.

# Initiatives for Improvement of Management at SMEs and Regional Revitalization

## ■ Business Feasibility Assessment

The Group has always believed that, in order to fulfill its social responsibility, facilitation of regional financing is its single most important role. In line with this principle, the Group continues to proactively enhance its support services for small- and medium-sized enterprises.

By fairly and adequately evaluating feasibility of the contents and growth potential of enterprises' businesses, the Group helps these clients to find solutions to any management issues and enhance the value of their businesses.

[Financing based on Business feasibility assessment (fiscal year ended March 2018)]

	The Nishi-Nippon City Bank, Ltd.	The Bank of Nagasaki, Ltd.
Total number of businesses assessed (instances) (Percentage share in all borrowers)	3,726 (9.1%)	277 (10.0%)
Total outstanding loans to businesses assessed (¥ billion) (Percentage share in loan balance)	1,999.4 (39.8%)	20.1 (26.6%)

\* Loans extended in the fiscal years ended March 2017 and 2018

[Improvement of management at main customers (fiscal year ended March 2018)]

	The Nishi-Nippon City Bank, Ltd.	The Bank of Nagasaki, Ltd.
Total number of main customers (instances)	17,713	1,498
Total outstanding loans to main customers (¥ billion)	2,715.9	44.0
Total number of businesses improved (instances)	14,224	867
Total outstanding loans to businesses improved (¥ billion)	2,242.5	32.2

\* Main customer refers to the customer we have the largest share in their borrowings.

\* Number of businesses showing year-on-year improvement of net sales, operating income margin, etc.

## ■ Provision of Funds and Various Other Financing Means

The Group makes capital commitments to a variety of funds for businesses in various stages, including support for startups and new businesses, business growth, business succession, shift to “sixth-order industrialization,” and commercialization of business seeds, as well as improvement of management and support for business turnaround. In addition to lending, which is the Group’s main business activity as a financial institution, it financially supports the growth of regional businesses by tapping into those funds.

[Cases where funds issued by The Nishi-Nippon City Bank were utilized (fiscal year ended March 2018)]

	(Cases)
NCB Kyushu Six-Order Industrialization Support Fund*1	1
NCB Kyushu Revitalization Fund*2	2
QB Fund No. 1*3	9
Total	12

\*1 Established to create new business opportunities in Kyushu through collaboration among those in the primary, secondary, and tertiary industries, with the aim of creating added value. To date, a total of ¥722 million from this fund has been invested in 11 cases (as of 31st March, 2018), which places the Group in the leading position among regional banks.

\*2 By providing growth capital in various forms, this fund is aimed at supporting local businesses contributing to revitalization of the local economy and creation of jobs.

\*3 Managed by QB Capital, LLC, which was established jointly with Kyushu TLO Company, Limited, this fund is aimed at revitalizing the regional economy in Kyushu by creating new industries through use of research outcomes from universities in Kyushu.

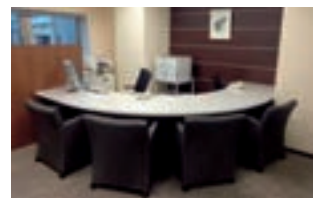
## ■ Broader Access to Consultation on Asset Management and Inheritance

### ● Establishment of Private Banking Division

In April 2017, a Private Banking Division was established at The Nishi-Nippon City Bank in an effort to provide more specialized consultation services on inheritance, business succession, and asset management.

### ● “NCB Inheritance Plaza” and “NCB Premium Lounge”

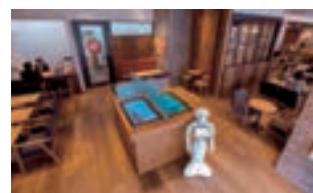
At “NCB Inheritance Plaza” and “NCB Premium Lounge,” The Nishi-Nippon City Bank offers consultation services specifically focused on inheritance. There, specialists with good knowledge and experience of inheritance matters offer total support, from provision of basic information on inheritance through more advanced technical advice.



Customer booth at “NCB Inheritance Plaza”

### ● Opening of NCB α Ropponmatsu Sub-Branch

In collaboration with Seattle’s Best Coffee and Subway, The Nishi-Nippon City Bank has opened NCB α Ropponmatsu Sub-Branch on the former site of Kyushu University’s Ropponmatsu Campus as a new style of office, complete with the latest information communication technologies including a Pepper semi-humanoid robot and tablet tables. There, customers can seek consultation on their inheritance and financing needs.



Layout of NCB α Ropponmatsu Sub-Branch

### ● Proposals on Asset Management in Compliance with Fiduciary Duty

In June 2017, Nishi-Nippon Financial Holdings, Inc., The Nishi-Nippon City Bank, Ltd., The Bank of Nagasaki, Ltd., and Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. formulated and published the “Basic Policy for Duties Concerning Management and Building of Customers’ Assets (Basic Policy for Fiduciary Duty).”

In compliance with the Basic Policy, the Group is committed to building a customer-oriented operational system for management and building of customers’ assets, which enables the Group to offer an optimal line of financial instruments that contribute to stable formation of quality financial assets for customers, use information and communication technologies to give easy-to-understand product explanations, and establish and perpetuate a customer-oriented sales structure.

# Providing Broader/Deeper Support for International Business

- In accordance with shrinking population in Japan, many Japanese companies are seeking opportunities overseas, but there are still quite a few issues that need to be addressed. The Group has been providing finely tuned support for their international business activities to help companies deal with such issues.
- In March 2017, in response to the growing needs to expand into Southeast Asia, where a huge market has developed since the inauguration of the ASEAN Economic Community, Nishi-Nippon City Bank opened a representative office in Singapore.
- In order to foster greater support for Japanese SMEs in Asia in corporate banking account services, trade finance and capital market advisory solutions, the Nishi-Nippon City Bank signed a memorandum of understanding (MOU) with DBS Bank, Southeast Asia's largest bank in May 2017.
- In collaboration with international and domestic partner institutions, we will leverage our overseas operations and further strengthen intra-group collaborations so as to provide broader/deeper support for international business.



Singapore representative office opening ceremony



Memorandum of understanding signing ceremony

Multifaceted windows for international business support	
Nishi-Nippon City Bank	<ul style="list-style-type: none"> <li>• <b>International Business Support Office, International Business Div.</b> Support for international business provided by personnel with professional skills and know-how</li> <li>• <b>“World Business Square (WBS)”</b> Total support for international business, including forex trading such as foreign remittance and letter of credit transactions</li> <li>• <b>“NCB Forex Super Direct,” “NCB Direct Forward Exchange Contracts”</b> A broad range of forex transactions, including foreign remittance and application/inquiry on import letters of credit via the Internet</li> </ul>
NCB Research & Consulting	<ul style="list-style-type: none"> <li>• <b>International Consultation Office</b> Finely tuned support for overseas expansion offered by personnel with extensive international experience through collaboration with international partner financial institutions, lawyers, insurance companies, etc.</li> <li>• <b>“Door to Asia” (website)</b> Detailed information provision</li> <li>• <b>Asia Business Seminars</b> Sponsorship of seminars on international business</li> </ul>
Kyushu Card	<ul style="list-style-type: none"> <li>• <b>A variety of credit cards</b> Support for all major cards, including VISA, MasterCard, JCB, AMEX, UnionPay, and Shinhan</li> </ul>



## Major initiatives by Nishi-Nippon City Bank

Month/Year	Details
September 2016	Concluded Basic Agreement for Overseas Business Support Services with The Bank of Yokohama*
March 2017	Opened a representative office in Singapore
May 2017	Signed Memorandum of Understanding regarding Business Tie-ups with DBS Bank, Southeast Asia's largest bank

# ESG (Environment, Social and Governance) Initiatives

With the aim of enhancing corporate value and realizing a sustainable society, the Group is actively engaged in ESG initiatives in ways that only a regional financial institution can accomplish.

## Environment

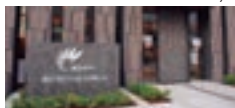
### Establishment of Environment Office [May 2009]

- The Environment Office supports incubation of regional environmental businesses through participation in environmental business promotion projects sponsored by local governments, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment.

### Rebuilding as Eco-Friendly Offices

- We are rebuilding existing offices as “eco-friendly offices” equipped with solar power generators, rainwater recycling systems, eco-friendly glass, LED lighting, and energy-conserving air conditioners. In fiscal 2017, a total seven offices were renovated.

NNFH Kita-Kyushu Building  
(opened in November 2017)



### Financing and Business Matching for Environment-Related Businesses

- We extend financial support to woody biomass power generation businesses for their recyclable energy-related projects.
- We began handling private placement bonds for businesses with eco-friendly management, as certified by national and local governments (first case underwritten in February 2008).
- We are helping to expand the environment market by way of business matching with environment-related businesses (solar power generation, energy conservation, and energy service companies [ESCOs]).

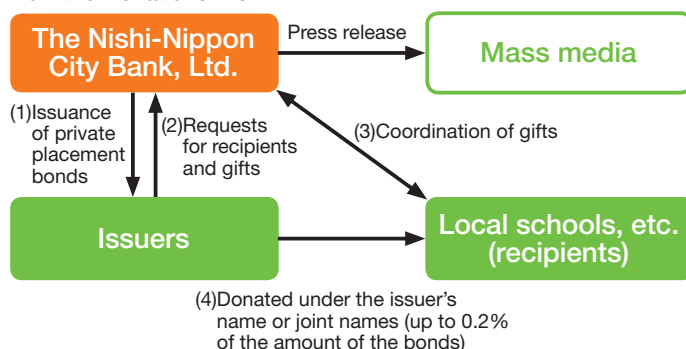
## Social

In collaboration with local governments, universities, and other external organizations, the Group is proactive in restoring the local economy and holistic regional revitalization under the banner of “comprehensive community support” thereby stimulating the regional economy, achieving co-prosperity with the regional community, and building a regional society.

### “Tsunagu Kokoro (Connecting Hearts)” Private Placement Bonds in Support of Local Community

In February 2017, The Nishi-Nippon City Bank began handling “Tsunagu Kokoro” private placement bonds in support of the local community, under which donations are offered for the purchase of books and sports gear for local schools in support of learning and the personal growth of the children who will play an important role in the future of the Kyushu region. A total ¥4.47 billion in bonds have been underwritten for 43 companies as of 30th June, 2018.

#### How the Donations Work





### Collaboration with Local Governments and Other External Organizations

Since signing the “Comprehensive Agreement on Recreation of the Local Economy” with 13 local governments from June 2015 onward, the Group has embarked on a series of initiatives designed to assist regional revitalization.

### Commending Managers for Outstanding Contributions to Development of the Regional Economy <Excellent Executive Prize (awarded by The Prize of Excellent Executive)>

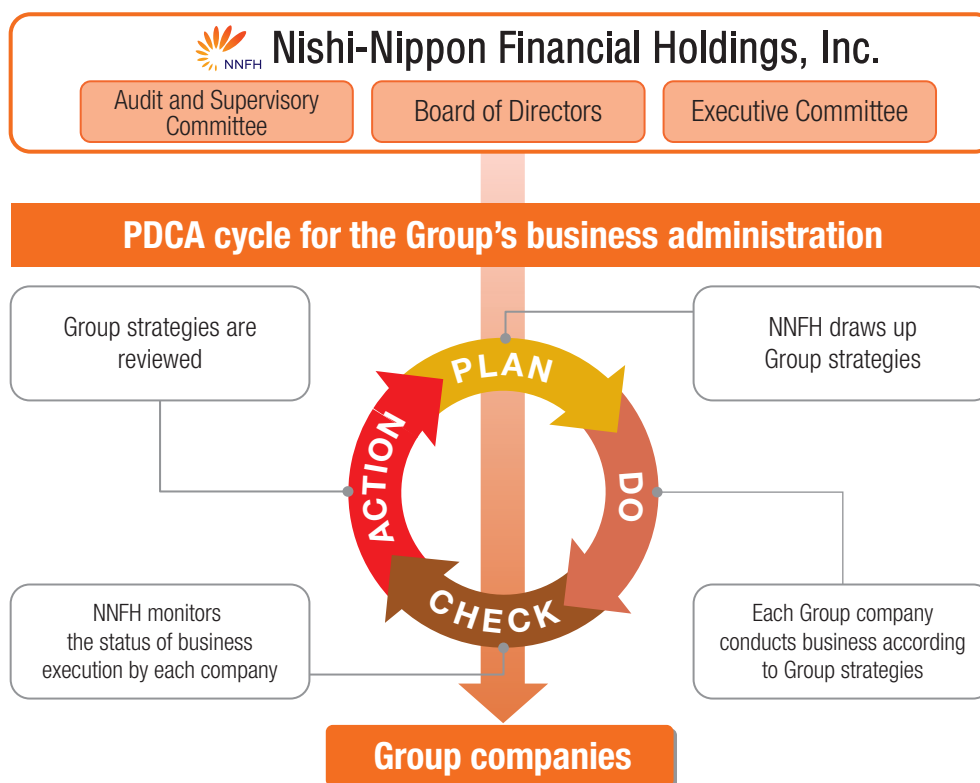
Every year, awarding of the Prize of Excellent Executive recognizes managers of small- and medium-sized enterprises in the Kyushu and Yamaguchi regions who have recorded outstanding achievements in terms of management and technology and thereby contributed to development of their regional economies.

On 26th April, 2018, the 45th commendation ceremony for “Excellent Executive Prize” was held. Since its inception in 1973, a total 165 managers have been commended. This prestigious prize has been the major source of encouragement for managers of local businesses, with some going on to make their enterprises publicly listed companies.



Recipients of Excellent Executive Prize

## Governance



### PDCA Cycle for Group Business Administration

With NNFH (holding company) focusing on business administration and Group companies concentrating on business execution, further advancement of the Group’s business administration is aimed at.

### Company with Audit and Supervisory Committee

Reinforcing governance and building a prompt and efficient decision-making system  
Ensuring effectiveness of auditing and oversight functions by ensuring that outside directors comprise a majority of board members.



# Risk Management Systems

With accelerating liberalization and globalization of finance and advances in information and communication technology, the risks attendant on financial services are becoming ever more diverse and complex. Against that backdrop, the Group is making concerted efforts to advance risk management, which is one of its key priority issues for management, by establishing a Basic Policy on Risk Management to be observed by the entire Group, with the goals of building a sound management foundation and ensuring stable revenue flow.

## Integrated Risk Management:

Integrated risk management refers to a series of practices designed to keep abreast of the general picture of risks that are unique to the Group's structure but which each Group company could not be expected to deal with individually, including those facing the entire Group and those spreading within it, and to assess and manage such risks by comparing them against the Group's management resilience (equity capital).

## Credit Risk Management:

Recognizing credit risk as the most important type of risk for the Group, NNFH established a Credit Risk Management Policy under its Risk Management Regulations, thereby reinforcing the credit risk management system.

The Group objectively and quantitatively monitors the risks of individual borrowers and feeds any findings back to its credit portfolio management, thereby managing the entire Group in an integrated manner.

## Market Risk Management:

NNFH established a Market Risk Management Policy under its Risk Management Regulations to reinforce its market risk management system.

The Group sets limits on market risks so as to enable adequate management of such risks and undertakes them within the range of those limits in order to achieve stable flow of revenue.

## Liquidity Risk Management:

NNFH established a Liquidity Risk Management Policy under its Risk Management Regulations in an effort to reinforce the liquidity risk management system.

In order to prevent tight finances, the Group maintains the soundness of its assets so that it can ensure market liquidity and stabilize cash flows.

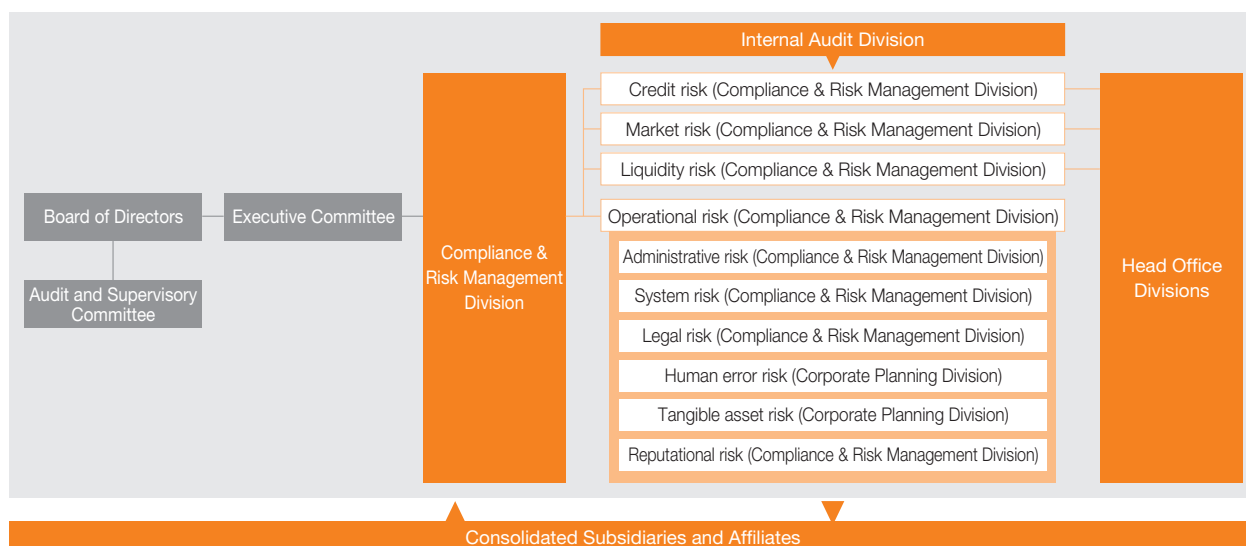
## Operational Risk Management:

NNFH established an Operational Risk Management Policy under its Risk Management Regulations, thereby strengthening its operational risk management system.

Given that operational risks are so extensive, varied, and diverse that they concern every single operation and section and thus must be avoided as far as possible in business management, the Group has developed an organizational setup and system that properly manage such risks, in order to prevent them from becoming actualized and to minimize their impacts should any such risks occur.

## Crisis Management:

As a basic policy for developing a system to ensure that the minimum operations necessary for maintaining the financial system's functions can continue without interruption in the event of a large-scale disaster, IT system failure, or other contingency, NNFH established the Business Continuity Regulations. NNFH's subsidiaries then formulated Business Continuity Plans (BCPs) in accordance with this basic policy, and they work to enhance effectiveness of the business continuity management system by carrying out various types of drills.



NNFH established a Compliance & Risk Management Division to manage all matters concerning credit risk management under one umbrella. This Division periodically monitors the status of risk management within the Group and issues directives for improvement as necessary, thereby ensuring that the risk management system is effective.

## Commitment to Anti-Money Laundering (AML) Compliance

In order to reinforce its commitment to prevention of money laundering and financing of terrorism, which is being demanded on an international level, special organizations for this task were established within the Compliance & Risk Management Department of NNFH and the Compliance Risk Supervisory Division of The Nishi-Nippon City Bank, Ltd. on 1st August, 2018.



# Financial Section

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# Consolidated Balance Sheet

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries  
31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Assets:</b>			
Cash and due from banks (Notes 6 and 27)	¥1,076,592	¥807,097	\$10,133,590
Call loans and bills bought	—	128	—
Commercial paper and other debt purchased	35,993	33,606	338,792
Trading account assets (Notes 3 and 28)	1,142	869	10,758
Money held in trust (Note 29)	2,850	850	26,826
Securities (Notes 4, 6, 27 and 28)	1,563,859	1,655,774	14,720,064
Loans and bills discounted (Notes 5, 7 and 27)	7,041,558	6,803,828	66,279,728
Foreign exchange assets (Note 8)	8,359	7,539	78,683
Other assets (Notes 6 and 9)	96,070	55,567	904,273
Tangible fixed assets (Notes 10 and 17)	124,793	121,035	1,174,641
Intangible fixed assets	4,198	5,704	39,521
Asset for retirement benefits (Note 31)	25,652	12,328	241,460
Deferred tax assets (Note 32)	631	952	5,945
Customers' liabilities for acceptances and guarantees	23,537	26,123	221,550
Reserve for possible loan losses (Note 27)	(42,958)	(44,339)	(404,356)
Reserve for devaluation of securities	(618)	(618)	(5,822)
<b>Total assets</b>	<b>¥9,961,663</b>	<b>¥9,486,448</b>	<b>\$93,765,659</b>
<b>Liabilities and net assets:</b>			
<b>Liabilities:</b>			
Deposits (Notes 6, 11, and 27)	¥8,345,294	¥8,019,012	\$78,551,345
Call money and bills sold (Notes 6 and 27)	64,387	59,924	606,054
Payables under repurchase agreements (Notes 6 and 27)	100,753	69,174	948,355
Guarantee deposits received under securities lending transactions (Note 6)	27,630	18,714	260,077
Borrowed money (Notes 6, 13 and 27)	748,876	630,662	7,048,916
Foreign exchange liabilities (Note 8)	113	89	1,070
Bonds (Notes 12 and 27)	20,000	30,000	188,253
Other liabilities (Note 14)	55,006	91,616	517,758
Liability for retirement benefits (Note 31)	751	811	7,069
Reserve for retirement benefits for directors and corporate auditors	232	248	2,188
Reserve for reimbursement of deposits	2,539	2,420	23,899
Reserve for other contingent losses	1,409	1,497	13,267
Reserve under the special laws	9	7	92
Deferred tax liabilities (Note 32)	21,224	9,210	199,780
Deferred tax liabilities on revaluation of premises (Note 17)	15,000	15,256	141,195
Acceptances and guarantees	23,537	26,123	221,550
<b>Total liabilities</b>	<b>9,426,768</b>	<b>8,974,769</b>	<b>88,730,875</b>
<b>Net assets:</b>			
Capital stock (Note 15)	50,000	50,000	470,632
Capital surplus	134,791	141,868	1,268,747
Earned surplus	236,924	219,793	2,230,089
Treasury stock (Note 16)	(10,668)	(15,829)	(100,417)
<b>Total shareholders' equity</b>	<b>411,048</b>	<b>395,831</b>	<b>3,869,051</b>
Net unrealized gains on securities available for sale, net of taxes (Note 28)	79,474	62,122	748,067
Net deferred gains (losses) on hedging instruments, net of taxes	(33)	(384)	(316)
Revaluation of premises, net of taxes (Note 17)	30,058	30,400	282,925
Retirement benefits liability adjustments, net of taxes (Note 31)	6,927	(192)	65,205
<b>Total accumulated other comprehensive income</b>	<b>116,426</b>	<b>91,946</b>	<b>1,095,881</b>
Non-controlling interests	7,420	23,899	69,850
<b>Total net assets (Note 37)</b>	<b>534,895</b>	<b>511,678</b>	<b>5,034,783</b>
<b>Total liabilities and net assets</b>	<b>¥9,961,663</b>	<b>¥9,486,448</b>	<b>\$93,765,659</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries  
Year ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Income:</b>			
Interest and dividend income:			
Interest on loans and discounts	¥84,759	¥85,498	\$797,810
Interest and dividends on securities	14,086	14,274	132,590
Other interest income (Note 18)	1,573	1,498	14,811
Fees and commissions	32,584	31,745	306,705
Trading income	2,489	1,222	23,430
Other operating income (Note 19)	1,241	2,667	11,681
Other income (Note 20)	6,090	9,032	57,325
<b>Total income</b>	<b>142,824</b>	<b>145,938</b>	<b>1,344,355</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	2,381	3,718	22,413
Interest on call money and bills sold	180	382	1,698
Interest on payables under repurchase agreements	932	659	8,776
Interest on guarantee deposits received under securities lending transactions	206	27	1,941
Interest on borrowings	455	405	4,288
Other interest expenses (Note 21)	931	1,135	8,763
Fees and commissions	11,509	10,987	108,336
Other operating expenses (Note 22)	2,148	2,023	20,223
General and administrative expenses (Note 23)	85,238	85,608	802,322
Other expenses (Note 24)	6,417	8,569	60,409
<b>Total expenses</b>	<b>110,401</b>	<b>113,516</b>	<b>1,039,175</b>
Profit (loss) before income taxes	32,422	32,422	305,179
Income taxes (Note 32)			
Current	9,609	9,979	90,453
Deferred	546	(881)	5,139
<b>Total income taxes</b>	<b>10,155</b>	<b>9,098</b>	<b>95,592</b>
<b>Profit (loss)</b>	<b>22,266</b>	<b>23,323</b>	<b>209,586</b>
Profit (loss) attributable to:			
Non-controlling interests	798	1,108	7,517
Owners of parent (Note 37)	¥21,467	¥22,214	\$202,069

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Comprehensive Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries  
Year ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit (loss)	¥22,266	¥23,323	\$209,586
Other comprehensive income:			
Net unrealized gains on securities available for sale	17,424	(1,033)	164,008
Net deferred gains (losses) on hedging instruments	350	626	3,299
Retirement benefits liability adjustments	7,119	5,830	67,015
<b>Total other comprehensive income (Note 25)</b>	<b>¥24,894</b>	<b>¥5,424</b>	<b>\$234,323</b>
<b>Comprehensive income</b>	<b>¥47,161</b>	<b>¥28,747</b>	<b>\$443,910</b>
Comprehensive income attributable to owners of parent	¥46,290	¥27,590	\$435,715
Comprehensive income attributable to non-controlling interests	¥870	¥1,156	\$8,195

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries  
Year ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Shareholders' equity:</b>			
Capital stock (Note 15)			
Balance at beginning of the year	¥50,000	¥85,745	\$470,632
Changes during the year			
Changes due to share transfer	—	(35,745)	—
Total changes during the year	—	(35,745)	—
Balance at end of the year	¥50,000	¥50,000	\$470,632
Capital surplus			
Balance at beginning of the year	¥141,868	¥90,531	\$1,335,358
Changes during the year			
Changes due to share transfer	—	51,567	—
Sale of treasury stock	0	(2)	1
Retirement of treasury stock	(7,076)	(228)	(66,612)
Total changes during the year	(7,076)	51,336	(66,610)
Balance at end of the year	¥134,791	¥141,868	\$1,268,747
Earned surplus			
Balance at beginning of the year	¥219,793	¥207,138	\$2,068,836
Changes during the year			
Cash dividends paid (Note 38)	(4,679)	(4,697)	(44,043)
Profit (loss) attributable to owners of parent	21,467	22,214	202,069
Retirement of treasury stock	—	(4,968)	—
Reversal of revaluation of premises	342	106	3,226
Total changes during the year	17,131	12,654	161,252
Balance at end of the year	¥236,924	¥219,793	\$2,230,089
Treasury stock (Note 16)			
Balance at beginning of the year	(¥15,829)	(¥4,189)	(\$148,999)
Changes during the year			
Changes due to share transfer	—	(15,821)	—
Acquisition of treasury stock	(1,916)	(1,022)	(18,035)
Sale of treasury stock	0	6	5
Retirement of treasury stock	7,076	5,196	66,612
Total changes during the year	5,161	(11,640)	48,582
Balance at end of the year	(¥10,668)	(¥15,829)	(\$100,417)
Total shareholders' equity			
Balance at beginning of the year	¥395,831	¥379,226	\$3,725,827
Changes during the year			
Cash dividends paid (Note 38)	(4,679)	(4,697)	(44,043)
Profit (loss) attributable to owners of parent	21,467	22,214	202,069
Acquisition of treasury stock	(1,916)	(1,022)	(18,035)
Sale of treasury stock	0	4	6
Reversal of revaluation of premises	342	106	3,226
Total changes during the year	15,216	16,605	143,224
Balance at end of the year	¥411,048	¥395,831	\$3,869,051

## Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries  
Year ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥62,122	¥63,203	\$584,736
Changes during the year			
Net changes in items other than shareholders' equity	17,352	(1,081)	163,330
Total changes during the year	17,352	(1,081)	163,330
Balance at end of the year	¥79,474	¥62,122	\$748,067
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥384)	(¥1,011)	(\$3,616)
Changes during the year			
Net changes in items other than shareholders' equity	350	626	3,299
Total changes during the year	350	626	3,299
Balance at end of the year	(¥33)	(¥384)	(\$316)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥30,400	¥30,507	\$286,151
Changes during the year			
Net changes in items other than shareholders' equity	(342)	(106)	(3,226)
Total changes during the year	(342)	(106)	(3,226)
Balance at end of the year	¥30,058	¥30,400	\$282,925
Retirement benefits liability adjustments			
Balance at beginning of the year	(¥192)	(¥6,023)	(\$1,810)
Changes during the year			
Net changes in items other than shareholders' equity	7,119	5,830	67,015
Total changes during the year	7,119	5,830	67,015
Balance at end of the year	¥6,927	(¥192)	\$65,205
Total accumulated other comprehensive income			
Balance at beginning of the year	¥91,946	¥86,676	\$865,461
Changes during the year			
Net changes in items other than shareholders' equity	24,479	5,270	230,419
Total changes during the year	24,479	5,270	230,419
Balance at end of the year	¥116,426	¥91,946	\$1,095,881
<b>Non-controlling interests:</b>			
Balance at beginning of the year	¥23,899	¥21,927	\$224,961
Changes during the year			
Net changes in items other than shareholders' equity	(16,479)	1,971	(155,111)
Total changes during the year	(16,479)	1,971	(155,111)
Balance at end of the year	¥7,420	¥23,899	\$69,850
<b>Total net assets:</b>			
Balance at beginning of the year	¥511,678	¥487,831	\$4,816,251
Changes during the year			
Cash dividends paid (Note 38)	(4,679)	(4,697)	(44,043)
Profit (loss) attributable to owners of parent	21,467	22,214	202,069
Acquisition of treasury stock	(1,916)	(1,022)	(18,035)
Sale of treasury stock	0	4	6
Reversal of revaluation of premises	342	106	3,226
Net changes in items other than shareholders' equity	8,000	7,242	75,308
Total changes during the year	23,216	23,847	218,532
Balance at end of the year	¥534,895	¥511,678	\$5,034,783

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Year ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>I. Cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥32,422	¥32,422	\$305,179
Depreciation	6,861	6,615	64,580
Losses on impairment of fixed assets	1,135	974	10,690
Amortization of goodwill	283	189	2,669
Equity in gains of nonconsolidated subsidiaries and affiliate	(233)	(111)	(2,201)
(Decrease) increase in reserve for possible loan losses	(1,381)	2,623	(12,999)
Increase in reserve for devaluation of securities	0	0	2
Increase in asset for retirement benefits	(13,324)	(6,972)	(125,416)
Decrease in liability for retirement benefits	(60)	(3,534)	(565)
(Decrease) increase in reserve for retirement benefits for directors and corporate auditors	(15)	30	(149)
Increase in reserve for reimbursement of deposits	118	246	1,115
Decrease in reserve for other contingent losses	(88)	(0)	(829)
Income from lending activities	(100,419)	(101,271)	(945,212)
Funding costs	5,087	6,327	47,882
Gains on securities	(2,343)	(4,608)	(22,062)
Gains on money held in trust	(4)	(3)	(46)
Net foreign exchange gains	(691)	(1,293)	(6,513)
Losses on sale of tangible fixed assets	376	468	3,545
Net (increase) decrease in trading account assets	(273)	414	(2,574)
Net increase in loans and bills discounted	(237,730)	(351,874)	(2,237,672)
Net increase in deposits	268,620	232,344	2,528,434
Net increase in certificates of deposit	57,661	23,330	542,745
Net increase in borrowed money, exclusive of subordinated borrowings	118,214	124,392	1,112,711
Net (increase) decrease in due from banks, exclusive of central bank	(88)	1,107	(832)
Net increase in call loans	(2,258)	(1,236)	(21,258)
Net increase in call money	36,041	21,601	339,245
Net increase (decrease) in guarantee deposits received under securities lending transactions	8,916	(1,178)	83,927
Net (increase) decrease in foreign exchange assets	(819)	744	(7,712)
Net increase in foreign exchange liabilities	24	15	227
Interest and dividends received	101,776	104,052	957,982
Interest paid	(5,565)	(6,766)	(52,386)
Others	(59,777)	2,796	(562,665)
Subtotal	212,463	81,843	1,999,840
Income taxes paid	(7,634)	(14,869)	(71,858)
Net cash provided by operating activities	¥204,828	¥66,974	\$1,927,981
<b>II. Cash flows from investing activities:</b>			
Payments for purchase of securities	(¥241,402)	(¥206,745)	(\$2,272,234)
Proceeds from sale of securities	55,252	83,218	520,074
Proceeds from redemption of securities	296,928	282,300	2,794,887
Payments for increase in money held in trust	(2,000)	(450)	(18,825)
Proceeds from decrease in money held in trust	—	1,603	—
Payments for purchase of tangible fixed assets	(10,071)	(11,879)	(94,799)
Proceeds from sale of tangible fixed assets	966	88	9,095
Payments for purchase of intangible fixed assets	(958)	(1,417)	(9,017)
Payments for acquisition of subsidiaries' shares resulting in changes in scope of consolidation	(181)	—	(1,703)
Net cash provided by investing activities	¥98,535	¥146,717	\$927,477
<b>III. Cash flows from financing activities:</b>			
Redemption of subordinated bonds	(10,000)	(18,800)	(94,126)
Dividends paid	(4,678)	(4,697)	(44,039)
Dividends paid to non-controlling shareholders	(349)	(684)	(3,291)
Payments for distribution to non-controlling shareholders	(17,000)	—	(160,015)
Payments for acquisition of treasury stock	(1,916)	(1,022)	(18,035)
Proceeds from sale of treasury stock	0	4	6
Net cash used in financing activities	(¥33,943)	(¥25,199)	(\$319,500)
<b>IV. Effects of changes in exchange rates on cash and cash equivalents</b>	(¥12)	(¥5)	(\$122)
<b>V. Net increase in cash and cash equivalents</b>	¥269,407	¥188,486	\$2,535,835
<b>VI. Cash and cash equivalents at beginning of the year</b>	¥803,760	¥615,274	\$7,565,520
<b>VII. Cash and cash equivalents at end of the year (Note 36)</b>	¥1,073,168	¥803,760	\$10,101,356

See accompanying Notes to Consolidated Financial Statements.



# Notes to Consolidated Financial Statements

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. (the "Company"), and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Company.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥106.24= U.S.\$ 1.00, the exchange rate on 31st March, 2018, has been used in translation.

In the consolidated financial statements, "—" is used to denote "nil" and "0" is used to denote rounding down to zero.

## 2. Summary of Significant Accounting Policies

### (1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries.

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2018 and 2017 is as follows:

	2018	2017
i) Number of consolidated subsidiaries:	7	8
ii) Number of non-consolidated subsidiaries:	2	1

- i) Nishi-Nippon City Preferred Capital (Cayman) Limited was excluded from consolidation in 2018 due to completion of its liquidation. However, its statement of income to the date of completion of the liquidation was included in the consolidated statement of income for the year ended 31st March, 2018.
- ii) NCB Kyushu Rokujika Ouen Investment, Limited Partnership was excluded from consolidation due to its insignificance in 2017 and 2018.  
Japan Payment Service CO., LTD. was excluded from consolidation due to its insignificance in 2018.

### (2) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2018 and 2017 is as follows:

	2018	2017
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	2	1
iv) Number of affiliates not accounted for by the equity method:	0	0

### (3) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries are the same as the closing date for the consolidated financial statements.

### (4) Trading Account Assets and Liabilities

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Company's consolidated subsidiaries engaged in the banking business value securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as futures and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

## Notes to Consolidated Financial Statements

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

### (5) Securities

Securities held to maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. In principle, securities available for sale are carried at fair value with cost of sales determined by the moving average method. However, securities available for sale, for which it is extremely difficult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

### (6) Derivatives

Derivatives held or written are stated at fair value.

### (7) Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets of the Company and its consolidated subsidiaries engaged in the banking business are depreciated by the declining-balance method; however, buildings (excluding facilities attached to buildings) acquired on or after 1st April, 1998 are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of other consolidated subsidiaries are depreciated mainly using the declining-balance method.

### (8) Intangible Fixed Assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Company and its consolidated subsidiaries (5 years).

### (9) Leased Assets

The tangible and intangible fixed assets capitalized under the finance lease transactions entered into on and after 1st April, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

### (10) Accounting Treatment for Deferred Assets

Deferred assets are charged to expenses when incurred.

### (11) Reserve for Possible Loan Losses

Major consolidated subsidiaries record the reserve for possible loan losses as follows:

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, the reserve for possible loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at 31st March, 2018 and 2017 were ¥5,193 million (\$48,884 thousand) and ¥5,130 million, respectively.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

### (12) Reserve for Devaluation of Securities

In order to provide for a loss on investments, the Company and its consolidated subsidiaries estimate the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

### (13) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors is provided at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

### (14) Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the consolidated subsidiaries engaged in the banking business.

### (15) Reserve for Other Contingent Losses

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Company and its consolidated subsidiaries.

### (16) Reserve under the Special Laws

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Company's consolidated subsidiary engaged in the securities business at an amount estimated pursuant to Article 46, Item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments services.

### (17) Accounting for Retirement Benefits

For the consolidated subsidiaries engaged in the banking business, the retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

For other consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

### (18) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

### (19) Accounting for Leases

Finance lease transactions which were initially engaged by the domestic consolidated subsidiaries prior to 1st April, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

## Notes to Consolidated Financial Statements

### (20) Hedge Accounting

#### i) Hedge accounting for interest rate risks

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for interest rate risks of certain financial assets and liabilities by using the individual hedging, which directly matches hedged items and hedging instruments.

With regard to hedging transactions to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, in accordance with operational rules concerning hedge accounting, hedged items are distinguished by identical type of bonds and interest rate swaps are used as hedging instruments. Since significant terms related to those hedged items and hedging instruments are nearly identical, such hedging transactions are deemed highly effective in terms of evaluation of hedge effectiveness.

No evaluation is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment, as it is ascertained that the criteria for the special treatment are continually met.

#### ii) Hedge accounting for foreign exchange rate risk

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25 of 29th July, 2002).

The consolidated subsidiaries treat foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the subsidiaries test hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

#### iii) Internal contract

For internal contracts, the consolidated subsidiaries engaged in the banking business manage the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry Audit Committee Report No. 25. Therefore, the subsidiaries either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

### (21) Amortization of Goodwill

Goodwill is amortized using the straight-line method over five years.

### (22) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

Cash and Cash Equivalents in the consolidated statement of cash flows are composed of cash and due from central bank.

### (23) Accounting Treatment for Consumption Taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes for the Company and its domestic consolidated subsidiaries.

### (24) Application of the Consolidated Tax Payment System

The Company and some of its consolidated subsidiaries have adopted the consolidated tax payment system, where the Company is designated as a parent company.

(Accounting Standards Issued but Not Yet Effective)

"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of 16th February, 2018)

#### Overview

The accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements was modified.

#### Scheduled date of adoption

The Company plans to adopt the above-mentioned implementation guidance from the beginning of the fiscal year ending 31st March, 2019.

#### Impact of the adoption of the implementation guidance

The Company is currently evaluating the effect of the adoption of this implementation guidance on its consolidated financial statements.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of 30th March, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 of 30th March, 2018)

#### Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

#### Scheduled date of adoption

The Company plans to adopt the above-mentioned accounting standard and implementation guidance from the beginning of the fiscal year ending 31st March, 2022.

#### Impact of the adoption of the accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

### 3. Trading Account Assets

Trading account assets at 31st March, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trading securities	¥1,142	¥869	\$10,758
Other trading assets	—	—	—
Total	¥1,142	¥869	\$10,758

### 4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japanese government bonds	¥472,435	¥596,276	\$4,446,865
Japanese municipal bonds	88,204	114,840	830,235
Corporate bonds (including government-guaranteed bonds)*	447,921	484,892	4,216,130
Stock**	162,398	129,149	1,528,597
Other securities***	392,900	330,615	3,698,234
Total	¥1,563,859	¥1,655,774	\$14,720,064

\* Corporate bonds included bonds offered through private placement. The guarantee obligation of Nishi-Nippon City Bank for such private placement bonds at 31st March, 2018 and 2017 were ¥8,619 million (\$81,132 thousand) and ¥4,266 million, respectively.

\*\* Stock included stock of affiliates of ¥739 million (\$6,957 thousand) and ¥548 million at 31st March, 2018 and 2017, respectively.

\*\*\* Other securities included investments in non-consolidated subsidiaries of ¥211 million (\$1,991 thousand) and ¥241 million at 31st March, 2018 and 2017, respectively.

## Notes to Consolidated Financial Statements

### 5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bills discounted*	¥30,287	¥25,862	\$285,081
Loans on notes	236,589	223,452	2,226,935
Loans on deed	6,066,631	5,894,192	57,103,083
Overdraft	708,050	660,321	6,664,627
Total	¥7,041,558	¥6,803,828	\$66,279,728

\* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The consolidated subsidiaries engaged in the banking business have right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥31,142 million (\$293,130 thousand) and ¥26,094 million at 31st March, 2018 and 2017, respectively.

Non-performing loans included in the loans at 31st March, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loans to legally bankrupt entities**	¥2,214	¥1,778	\$20,840
Delinquent loans***	108,218	113,541	1,018,625
Loans past due for three months or more****	1,624	936	15,290
Loans with altered lending conditions*****	27,558	33,360	259,395
Total	¥139,615	¥149,617	\$1,314,151

\*\* Loans to legally bankrupt entities are loans on which interest is placed on a non-accrual status ("non-accrual loans"), excluding loans written off, as principal or interest has not been paid for a substantial period or for other reasons and there are no prospects for recovery or repayment of principal or interest, and to which certain circumstances apply as stated in the Implementation Ordinances for the Corporation Tax Law.

\*\*\* Delinquent loans are non-accrual loans other than (i) loans to legally bankrupt entities and (ii) loans for which interest payments have been rescheduled in order to assist the restructuring of these borrowers.

\*\*\*\* Loans past due for three months or more are loans for which principal or interest has not been paid for a period of three months or more from the next business day of the last due date, and that are not included in loans to legally bankrupt entities or delinquent loans.

\*\*\*\*\* Loans with altered lending conditions are loans restructured to provide relief to borrowers, such as reducing interest rates, rescheduling interest and principal payment, or waiving the claims, in order to assist the restructuring of these borrowers. Such loans exclude loans to legally bankrupt entities, delinquent loans, and loans past due for three months or more.

### 6. Assets Pledged as Collateral

Assets pledged as collateral by the Company and its consolidated subsidiaries at 31st March, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Assets pledged as collateral			
Cash and due from banks	¥37	¥40	\$348
Securities	967,933	802,332	9,110,816
Total	¥967,970	¥802,372	\$9,111,164
Liabilities secured by the above assets			
Deposits	¥11,672	¥18,514	\$109,870
Call money and bills sold	38,200	—	359,563
Payables under repurchase agreements	100,753	69,174	948,355
Guarantee deposits received under securities lending transactions	27,630	18,714	260,077
Borrowed money	740,116	621,618	6,966,454

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and due from banks	¥—	¥2	\$—
Securities	2,644	65,892	24,896

Additionally, the following was included in other assets at 31st March, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash collateral paid for financial instruments	¥47,303	¥9,716	\$445,249
Deposits included in other assets	2,176	2,406	20,482

## 7. Contracts for Commitment Lines of Credit

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Aggregate amount under commitment contracts not yet drawn down	¥2,016,916	¥2,046,944	\$18,984,526
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	1,978,716	1,993,150	18,624,970

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Company and its consolidated subsidiaries. Many of these contracts have stipulations that allow the consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

## 8. Foreign Exchange

Foreign exchange assets and liabilities at 31st March, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Assets:</b>			
Foreign exchange bills bought	¥855	¥232	\$8,048
Foreign exchange bills receivable	187	289	1,769
Due from foreign banks (their accounts)	—	—	—
Due from foreign banks (our accounts)	7,316	7,017	68,865
Total	¥8,359	¥7,539	\$78,683
<b>Liabilities:</b>			
Foreign exchange bills sold	¥38	¥13	\$366
Foreign exchange bills payable	74	75	703
Total	¥113	¥89	\$1,070

## Notes to Consolidated Financial Statements

### 9. Other Assets

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Domestic exchange settlement account*	¥19	¥12	\$182
Accrued income	6,783	6,538	63,849
Prepaid expenses	90	70	848
Financial derivative products	7,330	6,609	68,998
Cash collateral paid for financial instruments	47,303	9,716	445,249
Other	34,543	32,621	325,145
Total	¥96,070	¥55,567	\$904,273

\* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

### 10. Tangible Fixed Assets

Tangible fixed assets at 31st March, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land	¥75,821	¥75,828	\$713,676
Buildings	36,939	29,897	347,696
Construction in progress	267	3,058	2,513
Leased assets	265	191	2,496
Other tangible fixed assets	11,501	12,059	108,257
Total	¥124,793	¥121,035	\$1,174,641

\* The amounts of accumulated depreciation for tangible fixed assets at 31st March, 2018 and 2017 were ¥72,651 million (\$683,842 thousand) and ¥71,380, respectively.

The accelerated depreciation entry amounts for tangible fixed assets at 31st March, 2018 and 2017 are as follows:

Millions of yen		Thousands of U.S. dollars
2018	2017	2018
¥7,305	¥7,440	\$68,763

### 11. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current deposits	¥380,573	¥358,781	\$3,582,206
Ordinary deposits	4,458,586	4,113,424	41,967,114
Deposits at notice	14,713	15,145	138,494
Time deposits	2,902,618	2,990,162	27,321,330
Negotiable certificates of deposit	478,620	420,959	4,505,089
Other deposits	110,182	120,538	1,037,110
Total	¥8,345,294	¥8,019,012	\$78,551,345



## 12. Bonds

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds:			
2.70% Japanese yen subordinated bonds due 2017	¥—	¥10,000	\$—
0.67% Japanese yen callable subordinated bonds due 2023	10,000	10,000	94,126
0.87% Japanese yen callable subordinated bonds due 2025	10,000	10,000	94,126
Total	¥20,000	¥30,000	\$188,253

## 13. Borrowed Money

The weighted average interest rates on borrowed money are 0.07% both at 31st March, 2018 and 2017.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending 31st March		
2019	¥35,186	\$331,197
2020	12,964	122,030
2021	167,290	1,574,648
2022	533,158	5,018,438
2023	92	868

## 14. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Domestic exchange settlement account	¥43	¥36	\$407
Accrued income taxes	5,571	2,879	52,447
Accrued expenses	8,301	8,620	78,138
Unearned income	2,440	2,777	22,975
Financial derivative products	4,958	6,739	46,670
Lease obligations	282	226	2,660
Cash collateral received for financial instruments	1,345	546	12,660
Asset retirement obligations	785	849	7,389
Others	31,278	68,940	294,409
Total	¥55,006	¥91,616	\$517,758

## Notes to Consolidated Financial Statements

### 15. Capital Stock

Capital stock during the year ended 31st March, 2018 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2017	179,596,955	¥50,000	\$470,632
Increase	—	—	—
Decrease*	10,000,000	—	—
31st March, 2018	169,596,955	¥50,000	\$470,632

\* The decrease of 10,000,000 shares is due to retirement of treasury shares.

Capital stock during the year ended 31st March, 2017 consisted of the following:

	Common stock	Capital stock
	Issued shares	Millions of yen
1st April, 2016	796,732,552	¥85,745
Increase	—	—
Decrease*	617,135,597	(35,745)
31st March, 2017	179,596,955	¥50,000

\* The decrease of 617,135,597 shares is due to retirement of treasury shares of 16,813,800 and a decrease resulting from the share transfer of 600,321,797.

### 16. Treasury Stock

Treasury stock during the year ended 31st March, 2018 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
1st April, 2017	23,641,226	(¥15,829)	(\$148,999)
Increase*	1,454,907	(1,916)	(18,035)
Decrease*	10,000,595	7,077	66,617
31st March, 2018	15,095,538	(¥10,668)	(\$100,417)

\* The increase of 1,454,907 shares is due to acquisition of treasury shares of 1,441,700 and purchase of fractional shares of 13,207.

The decrease of 10,000,595 shares is due to retirement of treasury shares of 10,000,000 and sale of fractional shares of 595.

Treasury stock during the year ended 31st March, 2017 consisted of the following:

	Common stock	Treasury stock
	Number of shares	Millions of yen
1st April, 2016	11,734,569	(¥4,189)
Increase*	28,742,222	(16,844)
Decrease*	16,835,565	5,203
31st March, 2017	23,641,226	(¥15,829)

\* The increase of 28,742,222 shares is due to an increase resulting from the share transfer of 23,529,205, acquisition of treasury shares of 5,131,000 and purchase of fractional shares of 82,017.

The decrease of 16,835,565 shares is due to retirement of treasury shares of 16,813,800 and sale of fractional shares of 21,765.

## 17. Revaluation of Premises Account

Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on 31st March, 1998), the consolidated subsidiaries engaged in the banking business have revalued land used for business purposes.

The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

The excess of the aggregate market value of land for business use revalued in accordance with Article 10 of the Law Concerning Land Revaluation over the book value after revaluation at 31st March, 2018 and 2017 are as follows:

Millions of yen		Thousands of U.S. dollars
2018	2017	2018
¥6,862	¥14,774	\$64,596

## 18. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Interest on call loans and bills bought	¥8	¥8	\$76
Interest on deposits with banks	181	191	1,708
Others	1,383	1,298	13,027
Total	¥1,573	¥1,498	\$14,811

## 19. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gains on foreign exchange transactions	¥691	¥1,293	\$6,513
Gains on sale of bonds	129	693	1,218
Others	419	679	3,949
Total	¥1,241	¥2,667	\$11,681

## 20. Other Income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gains on sale of stock and other securities	¥2,656	¥5,720	\$25,003
Gains on money held in trust	4	3	46
Equity in earnings of affiliates	233	111	2,201
Gains on disposition of fixed assets	211	75	1,987
Reversal of reserve for possible loan losses	102	—	961
Recoveries of written-off claims	161	240	1,520
Rental income on land and buildings	390	382	3,678
Others	2,329	2,498	21,926
Total	¥6,090	¥9,032	\$57,325

## Notes to Consolidated Financial Statements

### 21. Other Interest Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds	¥166	¥531	\$1,568
Others	764	603	7,195
Total	¥931	¥1,135	\$8,763

### 22. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Losses on sale of bonds	¥298	¥1,249	\$2,806
Losses on redemption of bonds	125	148	1,181
Losses on devaluation of bonds	12	29	116
Expenses for derivatives other than trading derivatives	1,712	596	16,119
Total	¥2,148	¥2,023	\$20,223

### 23. General and Administrative Expenses

General and administrative expenses for the years ended 31st March, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Salaries and allowances	¥32,439	¥32,685	\$305,345
Employee retirement benefits	1,895	3,079	17,842
Retirement benefits for directors and corporate auditors	38	45	361
Depreciation	6,861	6,615	64,580
Rental expenses	3,288	3,548	30,955
Taxes	5,411	5,321	50,933
Others	35,304	34,313	332,304
Total	¥85,238	¥85,608	\$802,322

### 24. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Provision for possible loan losses	¥—	¥2,553	\$—
Losses on write-offs of claims	2,727	1,510	25,676
Losses on sale of stock and other securities	0	300	0
Losses on devaluation of stock and other securities	5	78	55
Losses on money held in trust	—	0	—
Losses on disposition of tangible fixed assets	587	543	5,533
Impairment losses	1,135	974	10,690
Losses on sale of loans	136	208	1,286
Others	1,823	2,399	17,168
Total	¥6,417	¥8,569	\$60,409

## 25. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized gains on securities available for sale:			
Amount arising during the year	¥28,834	¥4,078	\$271,404
Reclassification adjustments	(3,154)	(7,396)	(29,692)
Amount before tax effect	25,679	(3,318)	241,711
Tax effect	(8,255)	2,284	(77,703)
Net unrealized gains on securities available for sale	¥17,424	(¥1,033)	\$164,008
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	(¥436)	¥40	(\$4,108)
Reclassification adjustments	940	861	8,856
Amount before tax effect	504	902	4,748
Tax effect	(153)	(275)	(1,448)
Net deferred gains (losses) on hedging instruments	¥350	¥626	\$3,299
Retirement benefits liability adjustments			
Amount arising during the year	¥8,633	¥6,062	\$81,267
Reclassification adjustments	1,609	2,324	15,151
Amount before tax effect	10,243	8,387	96,419
Tax effect	(3,123)	(2,556)	(29,404)
Retirement benefits liability adjustments	¥7,119	¥5,830	\$67,015
Total other comprehensive income	¥24,894	¥5,424	\$234,323

## 26. Lease Transactions

### (1) Finance leases

Information on finance lease transactions which are accounted for as operating leases at 31st March, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥1,867	¥1,867	\$17,580
Total	¥1,867	¥1,867	\$17,580
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥1,527	¥1,450	\$14,380
Total	¥1,527	¥1,450	\$14,380
Amounts equivalent to carrying value			
Tangible fixed assets	¥339	¥417	\$3,199
Total	¥339	¥417	\$3,199

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

## Notes to Consolidated Financial Statements

Future lease payments of finance leases which are accounted for as operating leases at 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Future finance lease payments			
Due within one year	¥77	¥77	\$726
Due after one year	262	339	2,473
Total	¥339	¥417	\$3,199

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total lease payments during the year	¥77	¥77	\$726
The amount equivalent to depreciation expenses *	77	77	726

\* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

### (2) Operating leases

Future lease payments required under operating leases that are non-cancelable at 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Future operating lease payments			
Due within one year	¥355	¥383	\$3,342
Due after one year	347	671	3,274
Total	¥702	¥1,054	\$6,616

## 27. Financial Instruments

### (1) Matters related to status of financial instruments

#### i) Policies for financial instruments

Nishi-Nippon Financial Holdings, Inc. Group (the "Group") is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Company comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Company operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Company's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

#### ii) Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are

suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Company assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

iii) Risk management system for financial instruments

(a) Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, in order to properly carry out write-offs and set provisions, the Group conducts self-assessments of its assets and uses an independent audit department to constantly monitor the status of the self-assessment procedures and adequacy of write-offs and provisions.

(b) Market risk management

The Group clearly separates the department responsible for conducting market transactions (front office) from the department responsible for business administration (back office). Furthermore, the division which is independent from the market divisions has been put in charge of risk management (middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV (Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at 31st March, 2018 and 2017 were ¥32,745 million (\$308,221 thousand) and ¥31,581 million, respectively.

Financial instruments of the consolidated subsidiaries engaged in the banking business which are subject to the measurement include loans, deposits, securities and derivatives. The Group measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months.

The Group performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

(c) Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Group, a system of mutual controls among divisions has been put into place. As a part of this system, the divisions responsible for the Group's day-to-day cash management raise and manage marketable funds, while the divisions responsible for managing the liquidity risk monitor the Group's cash position. In this way, the Group maintains a fluid and stable cash position.

## Notes to Consolidated Financial Statements

### (d) Risk management for derivative transactions

The Group's derivative transactions are entered into using operational rules prepared in accordance with the Group's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

### iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.

## (2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheets at 31st March, 2018 and 2017 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely difficult to be estimated are excluded from the table below (refer to Note 2).

### <At 31st March, 2018>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
i) Cash and due from banks	¥1,076,592	¥1,076,592	¥—
ii) Securities:			
Held-to-maturity securities	57,364	58,533	1,168
Available-for-sale securities	1,490,487	1,490,487	—
iii) Loans and bills discounted	7,041,558		
Reserve for possible loan losses*	(41,256)		
	7,000,301	7,106,552	106,250
<b>Total assets</b>	<b>¥9,624,746</b>	<b>¥9,732,166</b>	<b>¥107,419</b>
<b>Liabilities:</b>			
i) Deposits	¥8,345,294	¥8,345,745	¥450
ii) Call money and bills sold	64,387	64,387	—
iii) Payables under repurchase agreements	100,753	100,753	—
iv) Guarantee deposits received under securities lending transactions	27,630	27,630	—
v) Borrowed money	748,876	742,424	(6,451)
vi) Bonds	20,000	20,113	113
<b>Total liabilities</b>	<b>¥9,306,943</b>	<b>¥9,301,055</b>	<b>(¥5,887)</b>
<b>Derivatives**</b>			
Hedge accounting not applied	¥189	¥189	¥—
Hedge accounting applied	771	771	—
<b>Total derivatives</b>	<b>¥960</b>	<b>¥960</b>	<b>¥—</b>



## Notes to Consolidated Financial Statements

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
i) Cash and due from banks	\$10,133,590	\$10,133,590	\$—
ii) Securities:			
Held-to-maturity securities	539,948	550,951	11,003
Available-for-sale securities	14,029,440	14,029,440	—
iii) Loans and bills discounted	66,279,728		
Reserve for possible loan losses*	(388,333)		
	<b>65,891,394</b>	<b>66,891,497</b>	<b>1,000,102</b>
<b>Total assets</b>	<b>\$90,594,374</b>	<b>\$91,605,479</b>	<b>\$1,011,105</b>
<b>Liabilities:</b>			
i) Deposits	\$78,551,345	\$78,555,585	\$4,240
ii) Call money and bills sold	606,054	606,054	—
iii) Payables under repurchase agreements	948,355	948,355	—
iv) Guarantee deposits received under securities lending transactions	260,077	260,077	—
v) Borrowed money	7,048,916	6,988,186	(60,729)
vi) Bonds	188,253	189,322	1,069
	<b>\$87,603,002</b>	<b>\$87,547,583</b>	<b>(\$55,419)</b>
<b>Derivatives**</b>			
Hedge accounting not applied	\$1,783	\$1,783	\$—
Hedge accounting applied	7,259	7,259	—
<b>Total derivatives</b>	<b>\$9,043</b>	<b>\$9,043</b>	<b>\$—</b>

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

\*\* Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value.

<At 31st March, 2017>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
i) Cash and due from banks	¥807,097	¥807,097	¥—
ii) Securities:			
Held-to-maturity securities	69,130	70,827	1,697
Available-for-sale securities	1,569,923	1,569,923	—
iii) Loans and bills discounted	6,803,828		
Reserve for possible loan losses*	(41,860)		
	<b>6,761,967</b>	<b>6,878,601</b>	<b>116,634</b>
<b>Total assets</b>	<b>¥9,208,117</b>	<b>¥9,326,449</b>	<b>¥118,331</b>
<b>Liabilities:</b>			
i) Deposits	¥8,019,012	¥8,019,719	¥707
ii) Call money and bills sold	59,924	59,924	—
iii) Payables under repurchase agreements	69,174	69,174	—
iv) Guarantee deposits received under securities lending transactions	18,714	18,714	—
v) Borrowed money	630,662	625,411	(5,251)
vi) Bonds	30,000	30,156	156
	<b>¥8,827,488</b>	<b>¥8,823,100</b>	<b>(¥4,387)</b>
<b>Derivatives**</b>			
Hedge accounting not applied	¥273	¥273	¥—
Hedge accounting applied	(809)	(809)	—
<b>Total derivatives</b>	<b>(¥536)</b>	<b>(¥536)</b>	<b>¥—</b>

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

\*\* Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

## Notes to Consolidated Financial Statements

### (Note 1) Methods for estimating the market value of financial instruments

#### Assets:

##### i) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. The fair value of due from banks that has stated maturity is based on the present value of the totals by maturity bucket discounted by the interest rate that would be applied if similar deposits were placed. As the fair value of due from banks with a short-term original contractual maturity (one year or less) approximates its carrying value, its carrying value is treated as the fair value.

##### ii) Securities

The fair value of stocks is based on their market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, the price quoted by the correspondent financial institutions or the value reasonably calculated by the Group. The fair value of investment trusts is based on the announced reference price or the price quoted by the correspondent financial institutions. The fair value of foreign securities is based on the price quoted by the correspondent financial institutions or the financial information vendors.

The fair value of private placement bonds with the Company's own guarantee is based on the present value of future cash flows discounted by the market interest rate adjusted for credit risk.

Notes concerning securities by each carrying purpose are presented in "28. Securities" of "Notes to Consolidated Financial Statements."

##### iii) Loans and bills discount

Because loans and bills discounted with floating interest rates reflect market interest rates in a short period of time, the fair value of such loans approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the present value of the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by the market interest rate adjusted for credit risk. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

#### Liabilities:

##### i) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken.

Because the fair value of those with a short-term original contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

##### ii) Call money and bills sold, iii) Payables under repurchase agreements, and iv) Guarantee deposits received under securities lending transactions

Since call money and bills sold, payables under repurchase agreements and guarantee deposits received under securities lending transactions have short-term original contractual maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

##### v) Borrowed money

Because borrowed money with floating interest rates reflects market interest rates in a short period of time and the credit standing of the Company and its consolidated subsidiaries has not changed significantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with fixed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the market interest rate adjusted for credit risk. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

##### vi) Bonds

The fair value of bonds is based on the Reference Price (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company.

## Notes to Consolidated Financial Statements

Derivative transactions:

Derivative transactions are presented in "30. Derivatives" of "Notes to Consolidated Financial Statements."

(Note 2) Financial instruments whose fair value is extremely difficult to be estimated are as stated below.

They are not included in "Assets: ii) Available-for-sale securities" presented in "Estimated fair value of financial instruments."

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Non-listed stocks	¥14,470	¥14,420	\$136,208
Investments in partnerships	1,537	2,300	14,467
Total	¥16,007	¥16,720	\$150,675

- Notes: 1. Because non-listed stocks have no market price and because it is extremely difficult to estimate their fair value, they are not subject to the fair value disclosure.  
 2. In the years ended 31st March, 2018 and 2017, impairment losses of ¥5 million (\$55 thousand) and ¥78 million were recorded for non-listed stocks, respectively.  
 3. Investments in partnerships whose fair value is extremely difficult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedules for monetary claims and securities with stated maturity at 31st March, 2018 and 2017

<At 31st March, 2018>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥971,364	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	9,309	32,597	10,000	6,000	—	—
Government bonds	—	25,000	10,000	6,000	—	—
Municipal bonds	1,000	5,290	—	—	—	—
Corporate bonds	8,309	2,307	—	—	—	—
Securities available for sale with maturity	216,617	501,035	216,515	157,482	195,155	29,332
Government bonds	97,000	261,200	38,000	26,000	5,000	—
Municipal bonds	15,080	13,034	10,365	18,990	23,651	—
Corporate bonds	76,775	132,325	116,042	58,192	46,786	—
Others	27,762	94,476	52,108	54,299	119,717	29,332
Loans and bills discounted	1,414,042	1,135,524	984,423	660,639	793,015	1,848,052
Total	¥2,611,334	¥1,669,157	¥1,210,938	¥824,121	¥988,171	¥1,877,384

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$9,143,118	\$—	\$—	\$—	\$—	\$—
Securities:						
Held-to-maturity securities	87,622	306,824	94,126	56,475	—	—
Government bonds	—	235,316	94,126	56,475	—	—
Municipal bonds	9,412	49,792	—	—	—	—
Corporate bonds	78,209	21,714	—	—	—	—
Securities available for sale with maturity	2,038,948	4,716,076	2,037,988	1,482,324	1,836,933	276,096
Government bonds	913,027	2,458,584	357,680	244,728	47,063	—
Municipal bonds	141,942	122,684	97,562	178,746	222,618	—
Corporate bonds	722,656	1,245,531	1,092,268	547,750	440,388	—
Others	261,322	889,275	490,477	511,098	1,126,862	276,096
Loans and bills discounted	13,309,887	10,688,298	9,266,030	6,218,370	7,464,381	17,395,071
Total	\$24,579,576	\$15,711,199	\$11,398,145	\$7,757,169	\$9,301,314	\$17,671,168

Note: Excluded from Loans and bills discounted are ¥109,997 million (\$1,035,366 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥95,862 million (\$902,323 thousand) relating to those that do not have contractual maturity.

## Notes to Consolidated Financial Statements

<At 31st March, 2017>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥710,798	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	11,927	26,906	15,000	16,000	—	—
Government bonds	—	10,000	15,000	16,000	—	—
Municipal bonds	6,089	6,290	—	—	—	—
Corporate bonds	5,838	10,616	—	—	—	—
Securities available for sale with maturity	291,257	494,506	284,883	194,566	138,439	16,571
Government bonds	126,500	282,700	88,500	33,000	18,000	—
Municipal bonds	25,267	21,730	11,444	8,605	34,341	—
Corporate bonds	89,267	123,261	120,028	96,745	30,125	—
Others	50,223	66,815	64,911	56,216	55,972	16,571
Loans and bills discounted	1,362,805	1,096,062	959,112	666,652	776,223	1,735,955
Total	¥2,376,788	¥1,617,475	¥1,258,995	¥877,219	¥914,662	¥1,752,526

Note: Excluded from Loans and bills discounted are ¥114,623 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥92,391 million relating to those that do not have contractual maturity.

(Note 4) Repayment schedules for bonds, borrowed money and other interest-bearing debts at 31st March, 2018 and 2017

<At 31st March, 2018>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥8,024,310	¥265,564	¥41,643	¥6,288	¥7,487	¥0
Call money and bills sold	64,387	—	—	—	—	—
Payables under repurchase agreements	100,753	—	—	—	—	—
Guarantee deposits received under securities lending transactions	27,630	—	—	—	—	—
Borrowed money	35,186	180,255	533,251	157	26	—
Bonds	—	—	—	10,000	10,000	—
Total	¥8,252,268	¥445,819	¥574,894	¥16,445	¥17,514	¥0

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	\$75,530,032	\$2,499,666	\$391,975	\$59,190	\$70,480	\$0
Call money and bills sold	606,054	—	—	—	—	—
Payables under repurchase agreements	948,355	—	—	—	—	—
Guarantee deposits received under securities lending transactions	260,077	—	—	—	—	—
Borrowed money	331,197	1,696,678	5,019,306	1,481	251	—
Bonds	—	—	—	94,126	94,126	—
Total	\$77,675,718	\$4,196,345	\$5,411,281	\$154,798	\$164,858	\$0

Note: Demand deposits are included under "Due in 1 year or less."

&lt;At 31st March, 2017&gt;

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥7,656,225	¥307,274	¥44,694	¥4,270	¥6,545	¥0
Call money and bills sold	59,924	—	—	—	—	—
Payables under repurchase agreements	69,174	—	—	—	—	—
Guarantee deposits received under securities lending transactions	18,714	—	—	—	—	—
Borrowed money	36,381	146,716	447,395	130	38	—
Bonds	10,000	—	—	10,000	10,000	—
Total	¥7,850,420	¥453,991	¥492,090	¥14,401	¥16,583	¥0

Note: Demand deposits are included under "Due in 1 year or less."

## 28. Securities

### (1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Holding losses recognized in income	(¥7)	(¥3)	(\$68)

### (2) Held-to-maturity securities

#### i) Securities whose fair value exceeds their carrying value

&lt;At 31st March, 2018&gt;

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥40,410	¥41,421	¥1,010
Municipal bonds	6,319	6,403	84
Corporate bonds	10,634	10,708	73
	57,364	58,533	1,168
Others	—	—	—
Total	¥57,364	¥58,533	¥1,168

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	\$380,368	\$389,881	\$9,513
Municipal bonds	59,482	60,278	795
Corporate bonds	100,097	100,791	694
	539,948	550,951	11,003
Others	—	—	—
Total	\$539,948	\$550,951	\$11,003

## Notes to Consolidated Financial Statements

<At 31st March, 2017>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥40,161	¥41,421	¥1,259
Municipal bonds	12,458	12,663	205
Corporate bonds	16,510	16,742	231
	69,130	70,827	1,697
Others	—	—	—
Total	¥69,130	¥70,827	¥1,697

ii) Securities whose carrying value exceeds their fair value

<At 31st March, 2018>

None

<At 31st March, 2017>

None

(3) Available-for-sale securities (including negotiable due from banks included in “Cash and due from banks”)

i) Securities whose carrying value exceeds their acquisition cost

<At 31st March, 2018>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥142,540	¥47,215	¥95,324
Bonds:			
Government bonds	432,024	428,908	3,116
Municipal bonds	38,533	38,393	140
Corporate bonds	366,527	363,307	3,220
	837,086	830,609	6,476
Others	122,842	105,514	17,327
Total	¥1,102,468	¥983,340	¥119,128

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$1,341,679	\$444,427	\$897,252
Bonds:			
Government bonds	4,066,497	4,037,164	29,333
Municipal bonds	362,703	361,385	1,318
Corporate bonds	3,449,998	3,419,688	30,310
	7,879,199	7,818,237	60,962
Others	1,156,275	993,173	163,101
Total	\$10,377,155	\$9,255,838	\$1,121,316

&lt;At 31st March, 2017&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥110,079	¥48,309	¥61,769
Bonds:			
Government bonds	556,115	551,340	4,774
Municipal bonds	61,612	61,377	234
Corporate bonds	410,867	406,913	3,953
	1,028,595	1,019,632	8,962
Others	231,185	212,272	18,912
Total	¥1,369,859	¥1,280,215	¥89,644

ii) Securities whose acquisition cost exceeds their carrying value

&lt;At 31st March, 2018&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥5,387	¥6,138	(¥751)
Bonds:			
Government bonds	—	—	—
Municipal bonds	43,351	43,563	(211)
Corporate bonds	70,759	70,867	(107)
	114,110	114,430	(319)
Others	268,520	274,295	(5,775)
Total	¥388,018	¥394,865	(¥6,846)

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$50,709	\$57,779	(\$7,070)
Bonds:			
Government bonds	—	—	—
Municipal bonds	408,049	410,044	(1,995)
Corporate bonds	666,034	667,049	(1,015)
	1,074,084	1,077,094	(3,010)
Others	2,527,491	2,581,852	(54,360)
Total	\$3,652,284	\$3,716,726	(\$64,441)

&lt;At 31st March, 2017&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥4,650	¥5,819	(¥1,169)
Bonds:			
Government bonds	—	—	—
Municipal bonds	40,769	41,086	(317)
Corporate bonds	57,514	57,693	(178)
	98,284	98,779	(495)
Others	97,129	98,505	(1,376)
Total	¥200,063	¥203,105	(¥3,041)

## Notes to Consolidated Financial Statements

### (4) Available-for-sale securities sold for the years ended 31st March, 2018 and 2017 are as follows:

<At 31st March, 2018>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥1,991	¥2,662	(¥0)
Bonds:			
Government bonds	—	—	—
Municipal bonds	—	—	—
Corporate bonds	120	1	—
	120	1	—
Others	14,670	107	(298)
Total	¥16,782	¥2,771	(¥298)

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$18,748	\$25,062	(\$0)
Bonds:			
Government bonds	—	—	—
Municipal bonds	—	—	—
Corporate bonds	1,129	13	—
	1,129	13	—
Others	138,090	1,014	(2,806)
Total	\$157,967	\$26,089	(\$2,806)

<At 31st March, 2017>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥2,737	¥1,029	(¥150)
Bonds:			
Government bonds	—	—	—
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	—	—	—
Others	28,421	5,283	(1,249)
Total	¥31,159	¥6,312	(¥1,399)

### (5) Devaluation of securities

Securities other than trading securities (excluding securities whose fair value is extremely difficult to be estimated) are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value. The amounts of devaluation were ¥12 million (\$116 thousand) and ¥29 million for bonds for the years ended 31st March, 2018 and 2017, respectively.

The criteria for determining whether the fair value of a security has "significantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acquisition cost, or
2. The fair value exceeds 50% but is 70% or less of the acquisition cost and the security meets certain conditions such as the quoted market price for a certain period in the past and financial conditions of the issuer.



**(6) Unrealized gains/losses on securities available for sale**

The components of the unrealized gains/losses on securities available for sale at 31st March, 2018 and 2017 are as follows:

**<At 31st March, 2018>**

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	¥112,282	\$1,056,874
Deferred tax liability	(32,437)	(305,327)
Revaluation difference (before non-controlling interest adjustment), net of taxes	79,844	751,547
Amount corresponding to non-controlling interests	(369)	(3,480)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—	—
Unrealized gains on securities available for sale, net of taxes	¥79,474	\$553,725

**<At 31st March, 2017>**

	Millions of yen
Revaluation difference	¥86,602
Deferred tax liability	(24,182)
Revaluation difference (before non-controlling interest adjustment), net of taxes	62,420
Amount corresponding to non-controlling interests	(297)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—
Unrealized gains on securities available for sale, net of taxes	¥62,122

**29. Money Held in Trust**

Money held in trust at 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥2,850	¥850	\$26,826
Carrying value	2,850	850	26,826
Unrealized gains/losses	—	—	—

**30. Derivatives****(1) Derivative transactions to which hedge accounting is not applied**

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2018 and 2017, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

## i) Interest related transactions

**<At 31st March, 2018>**

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥37,793	¥37,529	¥814	¥814
Receive-floating and pay-fixed	37,793	37,529	(589)	(589)
Total	—	—	¥225	¥225

## Notes to Consolidated Financial Statements

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$355,734	\$353,249	\$7,671	\$7,671
Receive-floating and pay-fixed	355,734	353,249	(5,552)	(5,552)
Total	—	—	\$2,118	\$2,118

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2017>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥44,627	¥38,627	¥923	¥923
Receive-floating and pay-fixed	44,627	38,627	(667)	(667)
Total	—	—	¥255	¥255

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

### ii. Currency related transactions

<At 31st March, 2018>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥141,010	¥24,802	(¥209)	(¥209)
Forward foreign:				
Sell	12,219	182	258	258
Buy	7,671	127	(84)	(84)
Currency option:				
Sell	77,457	46,951	(2,824)	(225)
Buy	77,457	46,951	2,824	884
Total	—	—	(¥35)	¥623

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$1,327,284	\$233,454	(\$1,971)	(\$1,971)
Forward foreign:				
Sell	115,015	1,720	2,431	2,431
Buy	72,208	1,200	(795)	(795)
Currency option:				
Sell	729,077	441,938	(26,590)	(2,118)
Buy	729,077	441,938	26,590	8,325
Total	—	—	(\$335)	\$5,872

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

## Notes to Consolidated Financial Statements

<At 31st March, 2017>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥93,938	¥49,453	(¥18)	(¥18)
Forward foreign:				
Sell	6,416	201	(122)	(122)
Buy	4,399	172	158	158
Currency option:				
Sell	98,592	55,040	(3,043)	(132)
Buy	98,592	55,040	3,043	929
Total	—	—	¥17	¥814

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

2. Calculation of fair value is based on the discounted cash flows and others.

### (2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2018 and 2017, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

#### i) Interest related transactions

<At 31st March, 2018>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥15,404	¥15,404	(¥54)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	170,769	167,364	(Note 2)
	Interest rate options		—	—	
Total			—	—	(¥54)

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	\$145,000	\$145,000	(\$509)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	1,607,394	1,575,338	(Note 2)
	Interest rate options		—	—	
Total			—	—	(\$509)

Notes: 1. Calculation of fair value is based on the discounted cash flows and others.

2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 27)".

## Notes to Consolidated Financial Statements

<At 31st March, 2017>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥16,267	¥16,267	(¥528)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	203,020	173,035	(Note 2)
	Interest rate options		5,000	—	
Total			—	—	(¥528)

Notes: 1. Calculation of fair value is based on the discounted cash flows and others.

2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 27)". The balance of unamortized premium for interest rate options is ¥2 million.

### ii) Currency related transactions

<At 31st March, 2018>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥38,481	¥—	¥825
Total			—	—	¥825

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$362,210	\$—	\$7,768
Total			—	—	\$7,768

Notes: 1. The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25 of 29th July, 2002).

2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2017>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥44,245	¥—	(¥284)
Total			—	—	(¥284)

Notes: 1. The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25 of 29th July, 2002).

2. Calculation of fair value is based on the discounted cash flows and others.

## 31. Employee Retirement Benefits

### (1) Description of the retirement benefit plans

The Company's domestic consolidated subsidiaries adopt funded or unfunded defined benefit plans and/or the defined contribution plan to provide for employee retirement benefits.

Under the defined benefit corporate pension plans (all funded), lump-sum or annuity payments are made at the amounts based on salaries and the length of service periods of the covered employees. Nishi-Nippon City Bank, a consolidated subsidiary, has established a retirement benefit trust for its defined benefit corporate pension plan.

Under the lump-sum payment plans (principally unfunded, however, some plans have a funded status as a result of the establishment of a retirement benefit trust), retirement benefits are paid in the form of a lump sum at the amounts based on salaries and the length of service periods of the covered employees.

## Notes to Consolidated Financial Statements

The consolidated subsidiaries may also pay additional retirement benefits that are not subject to actuarial calculation.

As of 31st March, 2018, the lump-sum payment plans have been adopted by 6 consolidated subsidiaries. The corporate pension fund plans have been adopted by 2 consolidated subsidiaries. The defined contribution plan has been adopted by 1 consolidated subsidiary.

For the lump-sum payment plans that certain consolidated subsidiaries have adopted, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all the eligible employees voluntarily terminated their employment at fiscal year end.

### (2) Defined benefit plans

- i) Reconciliation between the balances of retirement benefit obligation at the beginning and end of the year for the years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligation at beginning of the year	¥70,357	¥70,499	\$662,251
Service cost	2,129	2,203	20,039
Interest cost	616	617	5,806
Actuarial gain and loss	(104)	1,034	(983)
Retirement benefits paid	(3,856)	(3,995)	(36,297)
Others	—	—	—
Retirement benefit obligation at end of the year	¥69,142	¥70,357	\$650,816

- ii) Reconciliation between the balances of plan assets at the beginning and end of the year for the years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets at beginning of the year	¥81,875	¥71,509	\$770,661
Expected return on plan assets	2,694	2,352	25,365
Actuarial gain and loss	8,529	7,097	80,284
Contributions by employer	2,914	2,911	27,437
Contributions by employees	152	154	1,436
Retirement benefits paid	(2,122)	(2,150)	(19,977)
Others	—	—	—
Plan assets at end of the year	¥94,044	¥81,875	\$885,208

- iii) Reconciliation between the balances of retirement benefit obligation and plan assets at the end of the year and the amounts of the liability and asset for retirement benefits recognized in the consolidated balance sheets at 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligation (funded)	¥68,686	¥69,955	\$646,518
Fair value of plan assets	(94,044)	(81,875)	(885,208)
	(25,358)	(11,919)	(238,689)
Retirement benefit obligation (unfunded)	456	402	4,297
Net liability (asset) for retirement benefits in the balance sheet	(¥24,901)	(¥11,517)	(\$234,391)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Liability for retirement benefits	¥751	¥811	\$7,069
Asset for retirement benefits	(25,652)	(12,328)	(241,460)
Net liability (asset) for retirement benefits in the balance sheet	(¥24,901)	(¥11,517)	(\$234,391)

## Notes to Consolidated Financial Statements

### iv) Components of retirement benefit expenses for the years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥1,976	¥2,047	\$18,599
Interest cost	616	617	5,806
Expected return on plan assets	(2,694)	(2,352)	(25,365)
Amortization of unrecognized actuarial gain and loss	1,609	2,324	15,151
Others	387	441	3,650
Retirement benefit expenses	¥1,895	¥3,078	\$17,842

Notes: 1. Contributions by employees to corporate pension funds, etc. have been deducted from the service cost.

2. Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are reported in total under "Service cost."

### v) Items recorded in retirement benefits liability adjustments included in other comprehensive income (gross of income tax effects) for the years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gain and loss	¥10,243	¥8,387	\$96,419

### vi) Items recorded in retirement benefits liability adjustments included in accumulated other comprehensive income (gross of income tax effects) at 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial gain and loss	¥9,959	(¥284)	\$93,742

### vii) Matters concerning plan assets

#### 1) Percentages of each main category of the total plan assets at 31st March, 2018 and 2017 are as follows:

	2018	2017
Bonds	25%	28%
Stocks	63%	59%
Cash and deposits	1%	1%
Others	11%	12%
Total	100%	100%

\* Retirement benefit trusts established for the corporate pension plans accounted for 30% and 27% of the total plan assets at 31st March, 2018 and 2017, respectively. Retirement benefit trusts established for the lump-sum payment plans accounted for 25% and 23% of the total plan assets at 31st March, 2018 and 2017, respectively.

2) The expected long-term rate of return on plan assets has been estimated by taking into account the current and expected allocation of the plan assets and the current and anticipated long-term rate of return on diverse assets that constitute the plan assets.

### viii) Assumptions for actuarial calculation

#### Major assumptions for actuarial calculation as of 31st March, 2018 and 2017

	2018	2017
1) Discount rates:	0.893% (principally)	0.893% (principally)
2) Expected long-term rate of return on plan assets:	3.3% (principally)	3.3% (principally)
3) Expected rate of pay increase:	3.36% (principally)	3.71% (principally)

### (3) Defined contribution plans

Contributions of ¥0 million (\$1 thousand) and ¥0 million have been made to the defined contribution plan by the consolidated subsidiary for the years ended 31st March, 2018 and 2017, respectively.

### 32. Income Taxes

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Reserve for possible loan losses	¥13,768	¥13,944	\$129,601
Liability for retirement benefits	57	3,987	539
Accumulated depreciation	2,024	1,831	19,051
Loss carryforwards for tax purposes	115	289	1,091
Others	8,425	8,371	79,302
Sub-total	24,391	28,423	229,587
Valuation allowance	(7,657)	(7,610)	(72,080)
Total deferred tax assets	16,733	20,813	157,506
Deferred tax liabilities:			
Reserve fund for deferred income of fixed assets	(1)	(1)	(12)
Unrealized losses on securities attributable to partition of corporation, net	(35)	(35)	(334)
Gains on establishment of a retirement benefit trust	(3,647)	(3,647)	(34,333)
Asset retirement obligations	(38)	(42)	(360)
Capital gain adjustments	(1,081)	(1,081)	(10,184)
Share of retained earnings of affiliates accounted for by the equity method	(83)	(79)	(784)
Unrealized gains on securities available for sale, net	(32,437)	(24,182)	(305,327)
Total deferred tax liabilities	(37,326)	(29,071)	(351,337)
Net deferred tax assets (liabilities)	(¥20,592)	(¥8,257)	(\$193,834)

#### (Changes in Presentation)

“Gains on establishment of a retirement benefit trust” and “Share of retained earnings of affiliates accounted for by the equity method” under “Deferred tax liabilities”, which were included in “Liability for retirement benefits” and “Others” under “Deferred tax assets”, respectively, in the previous fiscal year, are presented separately from the current fiscal year for enhancing clarity of disclosure.

In order to reflect these changes in presentation, notes for the previous fiscal year have been reclassified.

As a result, “Liability for retirement benefits” of ¥339 million in the previous fiscal year has been reclassified as “Liability for retirement benefits” of ¥3,987 million and “Gains on establishment of a retirement benefit trust” of ¥3,647 million, and “Others” of ¥8,291 million in the previous fiscal year has been reclassified as “Others” of ¥8,371 million and “Share of retained earnings of affiliates accounted for by the equity method” of ¥79 million, in the above notes for 2017.

The reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statement of income for the year ended 31st March, 2018 is not presented since the difference between those rates was equal to or less than 5% of the statutory rate.

The reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statement of income for the year ended 31st March, 2017 is as follows:

	2017
Statutory tax rate	30.7%
(Adjustments)	
Items permanently not deductible for tax purposes such as entertainment expenses	0.6
Non-taxable dividend income and others	(0.6)
Inhabitant tax on per capita basis	0.3
Capital gain adjustments	3.3
Increase in valuation allowance	(6.7)
Others	0.4
Effective tax rate	28.0%

## Notes to Consolidated Financial Statements

### 33. Asset Retirement Obligations

Information on asset retirement obligations is as follows:

Asset retirement obligations that are recorded in the consolidated balance sheet

#### (1) Outline of asset retirement obligations

The Company and its consolidated subsidiaries recognize asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Company and its consolidated subsidiaries also recognize asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

#### (2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

#### (3) Changes in total asset retirement obligations for the years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of the year	¥849	¥843	\$7,996
Increase due to acquisition of tangible fixed assets	10	33	100
Adjustment for passage of time	11	13	107
Decrease due to fulfillment of asset retirement obligation	86	40	814
Balance at end of the year	¥785	¥849	\$7,389

### 34. Business Segment Information

#### (1) Segment Information

##### i) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of 7 consolidated subsidiaries and 1 affiliate. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which Nishi-Nippon City Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

##### ii) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies". The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.



## Notes to Consolidated Financial Statements

### iii) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

<In 2018>

Millions of yen					
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥129,286	¥13,326	¥142,613	¥—	¥142,613
Internal ordinary income among segments	15,329	11,349	26,678	(26,678)	—
Total ordinary income	144,616	24,676	169,292	(26,678)	142,613
Segment profit	41,801	11,143	52,945	(19,007)	33,937
Segment assets	9,947,861	485,941	10,433,803	(472,139)	9,961,663
Segment liabilities	9,410,723	81,268	9,491,992	(65,224)	9,426,768
Other items					
Depreciation	6,630	230	6,861	—	6,861
Interest and dividend income	98,671	7,524	106,196	(5,777)	100,419
Interest expenses	5,255	126	5,382	(295)	5,087
Increase in tangible and intangible fixed assets	10,780	248	11,029	—	11,029

Thousands of U.S. dollars					
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	\$1,216,932	\$125,435	\$1,342,367	\$—	\$1,342,367
Internal ordinary income among segments	144,287	106,832	251,119	(251,119)	—
Total ordinary income	1,361,219	232,267	1,593,487	(251,119)	1,342,367
Segment profit	393,465	104,890	498,355	(178,914)	319,441
Segment assets	93,635,744	4,573,999	98,209,744	(4,444,085)	93,765,659
Segment liabilities	88,579,851	764,954	89,344,806	(613,930)	88,730,875
Other items					
Depreciation	62,412	2,168	64,580	—	64,580
Interest and dividend income	928,764	70,828	999,593	(54,380)	945,212
Interest expenses	49,466	1,192	50,659	(2,777)	47,882
Increase in tangible and intangible fixed assets	101,473	2,343	103,817	—	103,817

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

## Notes to Consolidated Financial Statements

<In 2017>

	Millions of yen				Consolidated
	Reportable segment Banking	Other	Total	Adjustments	
Ordinary income					
Ordinary income from third party customers	¥134,140	¥11,722	¥145,862	¥—	¥145,862
Internal ordinary income among segments	7,327	12,696	20,023	(20,023)	—
Total ordinary income	141,467	24,419	165,886	(20,023)	145,862
Segment profit	34,409	11,774	46,183	(12,315)	33,868
Segment assets	9,449,568	498,696	9,948,264	(461,816)	9,486,448
Segment liabilities	8,979,476	48,673	9,028,149	(53,379)	8,974,769
Other items					
Depreciation	6,385	229	6,615	—	6,615
Interest and dividend income	99,150	8,957	108,107	(6,835)	101,271
Interest expenses	6,984	80	7,064	(736)	6,327
Increase in tangible and intangible fixed assets	13,042	254	13,296	—	13,296

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

### (2) Related Information

Ordinary income by services:

<In 2018>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥90,055	¥19,366	¥33,191	¥142,613

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$847,658	\$182,289	\$312,419	\$1,342,367

Note: Ordinary income is presented instead of net sales.

<In 2017>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥90,529	¥21,914	¥33,418	¥145,862

Note: Ordinary income is presented instead of net sales.

### (3) Impairment Losses on Tangible Fixed Assets by Reportable Segments

<In 2018>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥1,135	¥—	¥1,135

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Impairment losses	\$10,690	\$—	\$10,690

&lt;In 2017&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥974	¥—	¥974

**(4) Amortization and Balance of Goodwill by Reportable Segments**

&lt;In 2018&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Goodwill			
Amortization of goodwill	¥—	¥283	¥283
Balance at end of the year	¥—	¥945	¥945

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Goodwill			
Amortization of goodwill	\$—	\$2,669	\$2,669
Balance at end of the year	\$—	\$8,897	\$8,897

&lt;In 2017&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Goodwill			
Amortization of goodwill	¥—	¥189	¥189
Balance at end of the year	¥—	¥1,228	¥1,228

Note: "Other" mainly consists of services for financial instruments exchange.

**35. Related Party Transactions**

Related party transactions for the years ended 31st March, 2018 and 2017 are as follows:

- (1) There are no relevant transactions of the Company with related parties to report.
- (2) Transactions of the Company's consolidated subsidiaries with related individuals, including shareholders and directors

&lt;In 2018&gt;

There are no relevant transactions to report.

&lt;In 2017&gt;

Attribute	Name	Address	Common stock	Business/ occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Company owned by the Company's directors and their close relatives	Takata Kosan Ltd.	Chuo-ku Fukuoka	¥4 (million)	Real-estate leasing	—	Company owned by close relatives of Company's director (Kiyota Takata)	Loan	¥— (million)	Loans	¥54 (million)

\* Terms and conditions of the transactions are similar to those with unrelated parties.

## Notes to Consolidated Financial Statements

### 36. Reconciliation of Cash and Cash Equivalents

The reconciliation between “Cash and cash equivalents” in the consolidated statement of cash flows and each account in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and due from banks on the consolidated balance sheet	¥1,076,592	¥807,097	\$10,133,590
Due from banks, exclusive of central bank	(3,424)	(3,336)	(32,233)
Cash and cash equivalents on the consolidated statement of cash flows	¥1,073,168	¥803,760	\$10,101,356

### 37. Per Share Information

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share at end of the year	¥3,414.04	¥3,127.67	\$32.135
Profit (loss) attributable to owners of parent per share*	137.78	142.24	1.296

Basis for net assets per share as of 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net assets	¥534,895	¥511,678	\$5,034,783
Items to be deducted from net assets	7,420	23,899	69,850
Non-controlling interests	7,420	23,899	69,850
Net assets attributable to common stock	527,474	487,778	4,964,933
	Shares		
	2018	2017	
Number of shares of common stock outstanding at end of the year	154,501,417	155,955,729	

Basis for profit (loss) attributable to owners of parent per share for the years ended 31st March, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Basis:			
Profit (loss) attributable to owners of parent	¥21,467	¥22,214	\$202,069
Items not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent available for shareholders of common stock	21,467	22,214	202,069
	Shares		
	2018	2017	
Average number of shares of common stock outstanding during the year**	155,811,275	156,171,533	

\* Diluted profit (loss) attributable to owners of parent per share for the years ended 31st March, 2018 and 2017 was not presented because the Company and its consolidated subsidiaries had no dilutive shares during the years.

\*\* Because the Company was established on 3rd October, 2016 through a joint share transfer, the average number of shares of common stock outstanding during the year ended 31st March, 2017 has been calculated for the period before the establishment of the Company, from 1st April to 2nd October, 2016, by multiplying the average number of shares outstanding during the period of Nishi-Nippon City Bank by its share transfer ratio, and for the period from 3rd October, 2016 to 31st March, 2017 by using the Company's average number of shares outstanding during the period.

### 38. Cash Dividends

Cash dividends paid during the years ended 31st March, 2018 and 2017 are as follows:

<In 2018>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
29th June, 2017 Ordinary General Meeting of Shareholders	Cash dividends (¥17.5 per share)	¥3,142	\$29,582	31st March, 2017	30th June, 2017
9th November, 2017 Meeting of Board of Directors	Cash dividends (¥12.5 per share)	¥1,949	\$18,350	30th September, 2017	8th December, 2017

<In 2017>

The Company is a joint holding company that was established on 3rd October, 2016 through a joint share transfer. Accordingly, the cash dividends were paid at the amounts approved at the meetings of shareholders and the Board of Directors of the following wholly owned subsidiary.

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
29th June, 2016 Ordinary General Meeting of Shareholders	Cash dividends (¥3.5 per share), for common stock of Nishi-Nippon City Bank	¥2,747	\$2,747	31st March, 2016	30th June, 2016
8th November, 2016 Meeting of Board of Directors	Cash dividends (¥2.5 per share), for common stock of Nishi-Nippon City Bank	¥1,949	\$1,949	30th September, 2016	9th December, 2016

### 39. Subsequent Event

The following appropriation of earned surplus for the year ended 31st March, 2018 was approved at the shareholders' meeting held on 28th June, 2018:

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
28th June, 2018 Ordinary General Meeting of Shareholders	Cash dividends (¥17.5 per share)	¥2,704	\$25,453	31st March, 2018	29th June, 2018

# Quarterly Information (Unaudited)

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries  
Year ended 31st March, 2018

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2017 to 30th June, 2017	from 1st April, 2017 to 30th September, 2017	from 1st April, 2017 to 31st December, 2017	from 1st April, 2017 to 31st March, 2018
Ordinary income	¥36,195	¥72,215	¥107,446	¥142,613
Profit (loss) before income taxes	¥11,329	¥18,542	26,908	32,422
Profit (loss) attributable to owners of parent	¥7,417	¥12,430	17,967	21,467

	Yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2017 to 30th June, 2017	from 1st April, 2017 to 30th September, 2017	from 1st April, 2017 to 31st December, 2017	from 1st April, 2017 to 31st March, 2018
Profit (loss) attributable to owners of parent per share	¥47.55	¥79.70	¥115.21	¥137.78

	Yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2017 to 30th June, 2017	from 1st July, 2017 to 30th September, 2017	from 1st October, 2017 to 31st December, 2017	from 1st January, 2018 to 31st March, 2018
Profit (loss) attributable to owners of parent per share	¥47.55	¥32.14	¥35.50	¥22.52

	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2017 to 30th June, 2017	from 1st April, 2017 to 30th September, 2017	from 1st April, 2017 to 31st December, 2017	from 1st April, 2017 to 31st March, 2018
Ordinary income	\$340,698	\$679,736	\$1,011,353	\$1,342,367
Profit (loss) before income taxes	106,642	174,535	253,283	305,179
Profit (loss) attributable to owners of parent	69,815	117,007	169,120	202,069

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2017 to 30th June, 2017	from 1st April, 2017 to 30th September, 2017	from 1st April, 2017 to 31st December, 2017	from 1st April, 2017 to 31st March, 2018
Profit (loss) attributable to owners of parent per share	\$0.44	\$0.75	\$1.08	\$1.29

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2017 to 30th June, 2017	from 1st July, 2017 to 30th September, 2017	from 1st October, 2017 to 31st December, 2017	from 1st January, 2018 to 31st March, 2018
Profit (loss) attributable to owners of parent per share	\$0.44	\$0.30	\$0.33	\$0.21

# Non-Consolidated Balance Sheet (Unaudited)

The Nishi-Nippon City Bank, Ltd.  
31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Assets:</b>			
Cash and due from banks	¥1,064,236	¥794,047	\$10,017,284
Call loans and bills bought	—	128	—
Trading account assets	1,142	869	10,758
Money held in trust	2,850	850	26,826
Securities	1,556,641	1,677,231	14,652,126
Loans and bills discounted	6,836,291	6,574,638	64,347,625
Foreign exchange assets	8,359	7,539	78,683
Other assets	88,830	50,130	836,128
Tangible fixed assets	120,435	116,778	1,133,615
Intangible fixed assets	3,001	4,508	28,256
Prepaid pension cost	16,954	15,233	159,591
Customers' liabilities for acceptances and guarantees	20,512	22,868	193,080
Reserve for possible loan losses	(36,120)	(36,990)	(339,993)
Reserve for devaluation of securities	(501)	(501)	(4,719)
<b>Total assets</b>	<b>¥9,682,635</b>	<b>¥9,227,333</b>	<b>\$91,139,264</b>
<b>Liabilities and Net assets:</b>			
<b>Liabilities:</b>			
Deposits	¥8,145,409	¥7,812,742	\$76,669,896
Call money and bills sold	41,387	49,924	389,563
Payables under repurchase agreements	100,753	69,174	948,355
Guarantee deposits received under securities lending transactions	27,630	18,714	260,077
Borrowed money	740,104	640,375	6,966,349
Foreign exchange liabilities	113	89	1,070
Bonds	20,000	30,000	188,253
Other liabilities	31,195	68,560	293,631
Reserve for employee retirement benefits	1,358	2,670	12,784
Reserve for reimbursement of deposits	2,503	2,386	23,565
Reserve for other contingent losses	1,348	1,427	12,695
Deferred tax liabilities	18,961	13,430	178,476
Deferred tax liabilities on revaluation of premises	14,730	14,986	138,650
Acceptances and guarantees	20,512	22,868	193,080
<b>Total liabilities</b>	<b>9,166,010</b>	<b>8,747,351</b>	<b>86,276,449</b>
<b>Net assets:</b>			
Capital stock	85,745	85,745	807,093
Capital surplus			
Capital reserve	85,684	85,684	806,514
Earned surplus			
Legal reserve	61	61	579
Voluntary reserves	3	3	29
Unappropriated retained earnings	238,049	211,041	2,240,672
<b>Total shareholders' equity</b>	<b>409,543</b>	<b>382,536</b>	<b>3,854,888</b>
Net unrealized gains on securities available for sale, net of taxes	77,057	67,429	725,317
Net deferred gains (losses) on hedging instruments, net of taxes	(33)	(384)	(316)
Revaluation of premises, net of taxes	30,058	30,400	282,925
<b>Total valuation and translation adjustments</b>	<b>107,082</b>	<b>97,445</b>	<b>1,007,925</b>
<b>Total net assets</b>	<b>516,625</b>	<b>479,981</b>	<b>4,862,814</b>
<b>Total liabilities and net assets</b>	<b>¥9,682,635</b>	<b>¥9,227,333</b>	<b>\$91,139,264</b>

See accompanying Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statement of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥79,929	¥80,465	\$752,349
Interest and dividends on securities	14,453	14,322	136,045
Other interest income	228	224	2,149
Fees and commissions	25,476	24,297	239,797
Trading income	5	1	51
Other operating income	841	2,000	7,917
Other income	19,234	15,173	181,048
Total income	140,168	136,484	1,319,360
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	2,451	3,722	23,072
Interest on call money and bills sold	181	382	1,705
Interest on payables under repurchase agreements	932	659	8,776
Interest on borrowings	621	1,059	5,849
Interest on guarantee deposits received under securities lending transactions	206	27	1,941
Other interest expenses	931	1,135	8,763
Fees and commissions	14,951	14,309	140,733
Other operating expenses	2,148	2,022	20,218
General and administrative expenses	73,065	74,143	687,739
Other expenses	5,066	6,554	47,685
Total expenses	100,554	104,016	946,486
Income before income taxes	39,614	32,467	372,874
Income taxes			
Current	7,611	8,012	71,646
Deferred	330	(722)	3,114
Total income taxes	7,942	7,290	74,760
Net income	¥31,671	¥25,177	\$298,113

See accompanying Notes to Non-Consolidated Financial Statements.



# Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Shareholders' equity</b>			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$807,093
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$807,093
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$806,514
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$806,514
Other capital surplus			
Balance at beginning of the year	¥—	¥230	\$—
Changes during the year			
Sale of treasury stock	—	(2)	—
Retirement of treasury stock	—	(228)	—
Total changes during the year	—	(230)	—
Balance at end of the year	¥—	¥—	\$—
Total capital surplus			
Balance at beginning of the year	¥85,684	¥85,914	\$806,514
Changes during the year			
Sale of treasury stock	—	(2)	—
Retirement of treasury stock	—	(228)	—
Total changes during the year	—	(230)	—
Balance at end of the year	¥85,684	¥85,684	\$806,514
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$579
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$579
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥3	¥3	\$30
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(1)
Total changes during the year	(0)	(0)	(1)
Balance at end of the year	¥3	¥3	\$29
Other voluntary reserves			
Balance at beginning of the year	¥—	¥171,200	\$—
Changes during the year			
Transfer to other voluntary reserves	—	25,500	—
Transfer from other voluntary reserves	—	(196,700)	—
Total changes during the year	—	(171,200)	—
Balance at end of the year	¥—	¥—	\$—

## Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unappropriated retained earnings			
Balance at beginning of the year	¥211,041	¥30,228	\$1,986,461
Changes during the year			
Cash dividends paid	(5,007)	(10,703)	(47,129)
Transfer from reserve for deferred capital gains	0	0	1
Transfer to other voluntary reserves	—	(25,500)	—
Transfer from other voluntary reserves	—	196,700	—
Net income	31,671	25,177	298,113
Retirement of treasury stock	—	(4,968)	—
Reversal of revaluation of premises	342	106	3,226
Total changes during the year	27,007	180,813	254,211
Balance at end of the year	¥238,049	¥211,041	\$2,240,672
Total earned surplus			
Balance at beginning of the year	¥211,106	¥201,493	\$1,987,071
Changes during the year			
Cash dividends paid	(5,007)	(10,703)	(47,129)
Net income	31,671	25,177	298,113
Retirement of treasury stock	—	(4,968)	—
Reversal of revaluation of premises	342	106	3,226
Total changes during the year	27,007	9,612	254,210
Balance at end of the year	¥238,113	¥211,106	\$2,241,281
Treasury stock			
Balance at beginning of the year	¥—	(¥4,188)	\$—
Changes during the year			
Acquisition of treasury stock	—	(1,014)	—
Sale of treasury stock	—	6	—
Retirement of treasury stock	—	5,196	—
Total changes during the year	—	4,188	—
Balance at end of the year	¥—	¥—	\$—
Total shareholders' equity			
Balance at beginning of the year	¥382,536	¥368,965	\$3,600,678
Changes during the year			
Cash dividends paid	(5,007)	(10,703)	(47,129)
Net income	31,671	25,177	298,113
Acquisition of treasury stock	—	(1,014)	—
Sale of treasury stock	—	4	—
Reversal of revaluation of premises	342	106	3,226
Total changes during the year	27,007	13,570	254,210
Balance at end of the year	¥409,543	¥382,536	\$3,854,888

## Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.  
Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Valuation and translation adjustments</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥67,429	¥61,643	\$634,689
Changes during the year			
Net changes in items other than shareholders' equity	9,628	5,786	90,628
Total changes during the year	9,628	5,786	90,628
Balance at end of the year	¥77,057	¥67,429	\$725,317
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥384)	(¥1,011)	(\$3,616)
Changes during the year			
Net changes in items other than shareholders' equity	350	626	3,299
Total changes during the year	350	626	3,299
Balance at end of the year	(¥33)	(¥384)	(\$316)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥30,400	¥30,507	\$286,151
Changes during the year			
Net changes in items other than shareholders' equity	(342)	(106)	(3,226)
Total changes during the year	(342)	(106)	(3,226)
Balance at end of the year	¥30,058	¥30,400	\$282,925
Total valuation and translation adjustments			
Balance at beginning of the year	¥97,445	¥91,139	\$917,224
Changes during the year			
Net changes in items other than shareholders' equity	9,636	6,306	90,701
Total changes during the year	9,636	6,306	90,701
Balance at end of the year	¥107,082	¥97,445	\$1,007,925
<b>Total net assets</b>			
Balance at beginning of the year	¥479,981	¥460,104	\$4,517,902
Changes during the year			
Cash dividends paid	(5,007)	(10,703)	(47,129)
Net income	31,671	25,177	298,113
Acquisition of treasury stock	—	(1,014)	—
Sale of treasury stock	—	4	—
Reversal of revaluation of premises	342	106	3,226
Net changes in items other than shareholders' equity	9,636	6,306	90,701
Total changes during the year	36,643	19,877	344,911
Balance at end of the year	¥516,625	¥479,981	\$4,862,814

See accompanying Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Balance Sheet (Unaudited)

The Bank of Nagasaki, Ltd.  
31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Assets:</b>			
Cash and due from banks	¥29,653	¥30,455	\$279,114
Securities	8	3	77
Loans and bills discounted	242,536	237,047	2,282,915
Other assets	1,038	995	9,775
Tangible fixed assets	4,766	4,715	44,868
Intangible fixed assets	253	108	2,383
Deferred tax assets	458	617	4,312
Customers' liabilities for acceptances and guarantees	44	48	414
Reserve for possible loan losses	(668)	(957)	(6,294)
<b>Total assets</b>	<b>¥278,090</b>	<b>¥273,033</b>	<b>\$2,617,567</b>
<b>Liabilities and net assets:</b>			
<b>Liabilities:</b>			
Deposits	¥237,606	¥246,127	\$2,236,505
Call money and bills sold	23,000	10,000	216,490
Borrowed money	600	600	5,647
Other liabilities	960	812	9,036
Reserve for employee retirement benefits	405	507	3,818
Reserve for retirement benefits for directors and corporate auditors	82	64	776
Reserve for reimbursement of deposits	35	33	334
Reserve for other contingent losses	60	69	571
Deferred tax liabilities on revaluation of premises	509	509	4,793
Acceptances and guarantees	44	48	414
<b>Total liabilities</b>	<b>263,304</b>	<b>258,773</b>	<b>2,478,389</b>
<b>Net assets:</b>			
Capital stock	6,121	6,121	57,621
Capital surplus			
Capital reserve	2,000	2,000	18,825
Other capital surplus	2,463	2,463	23,192
Earned surplus			
Legal reserve	200	195	1,888
Unappropriated retained earnings	2,908	2,387	27,378
<b>Total shareholders' equity</b>	<b>13,694</b>	<b>13,168</b>	<b>128,906</b>
Revaluation of premises, net of taxes	1,091	1,091	10,272
<b>Total valuation and translation adjustments</b>	<b>1,091</b>	<b>1,091</b>	<b>10,272</b>
<b>Total net assets</b>	<b>14,786</b>	<b>14,259</b>	<b>139,178</b>
<b>Total liabilities and net assets</b>	<b>¥278,090</b>	<b>¥273,033</b>	<b>\$2,617,567</b>

See accompanying Notes to Non Consolidated Financial Statements.

# Non-Consolidated Statement of Income (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Income:</b>			
Interest and dividend income:			
Interest on loans and discounts	¥4,055	¥4,160	\$38,170
Other interest income	251	251	2,364
Fees and commissions	710	728	6,687
Other income	415	275	3,908
<b>Total income</b>	<b>5,432</b>	<b>5,416</b>	<b>51,130</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	175	240	1,654
Interest on call money and bills sold	(0)	—	(7)
Interest on borrowings	0	—	0
Other interest expenses	2	2	25
Fees and commissions	1,215	1,175	11,445
Other operating expenses	0	—	0
General and administrative expenses	3,314	3,367	31,197
Other expenses	43	54	411
<b>Total expenses</b>	<b>4,751</b>	<b>4,840</b>	<b>44,727</b>
Income before income taxes	680	575	6,403
Income taxes			
Current	(30)	(53)	(288)
Deferred	159	188	1,501
<b>Total income taxes</b>	<b>128</b>	<b>135</b>	<b>1,213</b>
<b>Net income</b>	<b>¥551</b>	<b>¥440</b>	<b>\$5,189</b>

See accompanying Notes to Non Consolidated Financial Statements.

# Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Shareholders' equity</b>			
Capital stock			
Balance at beginning of the year	¥6,121	¥6,121	\$57,621
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥6,121	¥6,121	\$57,621
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥2,000	¥2,000	\$18,825
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥2,000	¥2,000	\$18,825
Other capital surplus			
Balance at beginning of the year	¥2,463	¥2,463	\$23,192
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥2,463	¥2,463	\$23,192
Total capital surplus			
Balance at beginning of the year	¥4,463	¥4,463	\$42,017
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥4,463	¥4,463	\$42,017
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥195	¥190	\$1,841
Changes during the year			
Reserve of legal retained earnings	5	5	47
Total changes during the year	5	5	47
Balance at end of the year	¥200	¥195	\$1,888
Other earned surplus:			
Unappropriated retained earnings			
Balance at beginning of the year	¥2,387	¥1,959	\$22,471
Changes during the year			
Reserve of legal retained earnings	(5)	(5)	(47)
Cash dividends paid	(25)	(28)	(235)
Net income	551	440	5,189
Reversal of revaluation of premises	—	20	—
Total changes during the year	521	427	4,907
Balance at end of the year	¥2,908	¥2,387	\$27,378
Total earned surplus			
Balance at beginning of the year	¥2,582	¥2,149	\$24,312
Changes during the year			
Cash dividends paid	(25)	(28)	(235)
Net income	551	440	5,189
Reversal of revaluation of premises	—	20	—
Total changes during the year	526	433	4,954
Balance at end of the year	¥3,109	¥2,582	\$29,267

## Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.  
Years ended 31st March, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Total shareholders' equity</b>			
Balance at beginning of the year	¥13,168	¥12,735	\$123,951
Changes during the year			
Cash dividends paid	(25)	(28)	(235)
Net income	551	440	5,189
Reversal of revaluation of premises	—	20	—
Total changes during the year	526	433	4,954
Balance at end of the year	¥13,694	¥13,168	\$128,906
<b>Valuation and translation adjustments</b>			
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥1,091	¥1,112	\$10,272
Changes during the year			
Net changes in items other than shareholders' equity	—	(20)	—
Total changes during the year	—	(20)	—
Balance at end of the year	¥1,091	¥1,091	\$10,272
<b>Total valuation and translation adjustments</b>			
Balance at beginning of the year	¥1,091	¥1,112	\$10,272
Changes during the year			
Net changes in items other than shareholders' equity	—	(20)	—
Total changes during the year	—	(20)	—
Balance at end of the year	¥1,091	¥1,091	\$10,272
<b>Total net assets</b>			
Balance at beginning of the year	¥14,259	¥13,847	\$134,223
Changes during the year			
Cash dividends paid	(25)	(28)	(235)
Net income	551	440	5,189
Reversal of revaluation of premises	—	20	—
Net changes in items other than shareholders' equity	—	(20)	—
Total changes during the year	526	412	4,954
Balance at end of the year	¥14,786	¥14,259	\$139,178

See accompanying Notes to Non-Consolidated Financial Statements.

# Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd.  
31st March, 2018 and 2017

## 1. Basis of Presentation of Financial Statements

The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd. (the Banks) have been prepared from the accounts maintained by the Banks in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.

## 2. Other Accounting Principles and Practices Employed by the Bank

Accounting principles employed by the Banks in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.





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## Independent Auditor's Report

The Board of Directors  
Nishi-Nippon Financial Holdings, Inc.

We have audited the accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. 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 Nishi-Nippon Financial Holdings, Inc. 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 28, 2018  
Fukuoka, Japan

# Outline of Banking Subsidiaries

As of 31st March, 2018, the Group has a nationwide network of 183 branches of The Nishi-Nippon City Bank, Ltd. (Head Office, 162 branches and 20 sub-branches) and 23 branches of The Bank of Nagasaki, Ltd. (Head Office and 22 branches), and four overseas representative offices of The Nishi-Nippon City Bank, Ltd., in Hong Kong, Seoul, Shanghai, and Singapore.

## The Nishi-Nippon City Bank, Ltd.

▶ Business	Banking
▶ Established	1st December, 1944
▶ Headquarters	1-1, Hakata-ekimae 3-chome, Hakata-ku, Fukuoka 812-0011, Japan
▶ Number of Employees	3,720
▶ Number of Domestic Offices	183
▶ Number of Correspondent Banks	122
▶ Parent Company	Nishi-Nippon Financial Holdings, Inc. (NNFH's share of voting rights 100%)

(As of 31st March, 2018)

### Board of Directors

Chairman	Isao Kubota
President	Hikomichi Tanigawa
Deputy Presidents	Souichi Kawamoto Kiyota Takata
Representative Executive Director	Shigeru Urayama
Executive Directors	Hiroyuki Irie Shinya Hirota Hideyuki Murakami
Managing Directors	Hiroyuki Takeo Masaru Ikeda Ryutaro Kaichi
Directors (Audit and Supervisory Committee Members)	Seiji Ino Michiaki Uriu (outside) Hiroshi Fujioka (outside)

(As of 30th June, 2018)

\*Directors/Audit and Supervisory Committee Members Michiaki Uriu and Hiroshi Fujioka are Outside Directors as prescribed in Article 2 (xv) of the Companies Act of Japan.

## The Bank of Nagasaki, Ltd.

▶ Business	Banking
▶ Established	11th November, 1912
▶ Headquarters	3-14, Sakaemachi, Nagasaki 850-8666, Japan
▶ Number of Employees	251
▶ Number of Domestic Offices	23
▶ Parent Company	Nishi-Nippon Financial Holdings, Inc. (NNFH's share of voting rights 100%)

(As of 31st March, 2018)

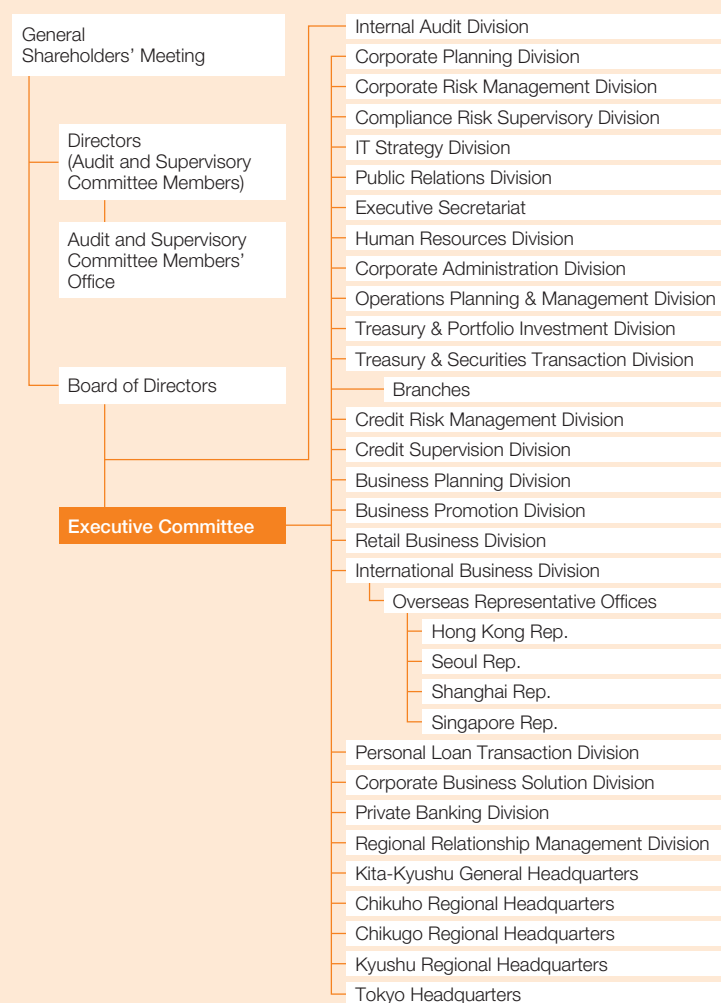
### Board of Directors and Audit and Supervisory Board Members

President	Kazuo Yamamoto
Managing Directors	Yutaka Matsuyama Tetsuhisa Matsumoto
Directors	Tsunehiro Nakao Yasuyuki Shigetomi Hiroji Mochida Hideyuki Murakami (part-time)
Audit and Supervisory Board Members	Kouji Nozu Hiromi Uchio (part-time) Mitsuru Kawatani (part-time)

(As of 30th June, 2018)

# Organization Chart of Banking Subsidiaries

## The Nishi-Nippon City Bank, Ltd.



(As of 30th June, 2018)

## International Network of The Nishi-Nippon City Bank, Ltd.

### INTERNATIONAL BUSINESS DIVISION

3-6, Hakata-ekimae 1-chome, Hakata-ku,  
Fukuoka 812-0011, Japan  
Phone: +81-92-476-2481  
SWIFT: NISIJPJTFKK  
Fax: +81-92-476-2488

### TREASURY & PORTFOLIO INVESTMENT DIVISION

11-8, Kyobashi 1-chome, Chuo-ku, Tokyo  
104-0031, Japan  
Phone: +81-3-3561-9306  
SWIFT: NISIJPJT  
Fax: +81-3-3561-4365

### TREASURY & SECURITIES TRANSACTION DIVISION

3-6, Hakata-ekimae 1-chome, Hakata-ku,  
Fukuoka 812-0011, Japan  
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Fax: +81-92-441-6106

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### SEOUL REPRESENTATIVE OFFICE

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### SHANGHAI REPRESENTATIVE OFFICE

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Fax: +86-21-6278-5940

### SINGAPORE REPRESENTATIVE OFFICE

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## The Bank of Nagasaki, Ltd.



(As of 30th June, 2018)



**NNFH**

## **Nishi-Nippon Financial Holdings, Inc.**

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