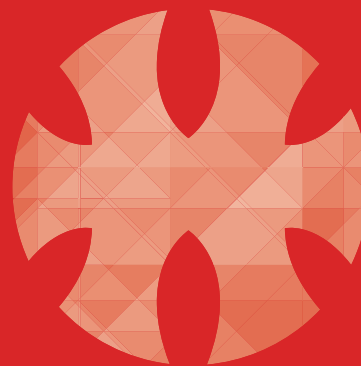


ANNUAL REPORT 2018



Copyright© 2016 THE BANK OF SAGA LTD. All rights reserved.

- Profile
- A Message from the Management
- Management Policy
- Review of Operations
- Financial Highlights
- Financial Section
- Corporate Data

Profile

The Bank of Saga is a regional bank with its base of operations in Saga and Fukuoka prefectures in northern Kyushu, the westernmost of Japan's four main islands. The region's advantageous location at Japan's western edge and its proximity to other Asian countries, as well as Fukuoka Prefecture's leadership in the Kyushu economy made it one of Japan's most vital regions.

The Bank of Saga's history dates back over 130 years to the establishment in 1882 of its earliest forerunner, the Imari Bank. The following decades saw a series of mergers with other banks based mainly in Saga Prefecture, a process that eventually led to the establishment of the Bank of Saga in 1955. Today, the Bank handles a significant share of the banking business in Saga Prefecture.

The Bank of Saga's management policy centers on a commitment to "maintaining close relationships with regional customers and ensuring sound management." This policy underlies all the Bank's efforts to promote industrial development and growth throughout the region and to secure affluent lives for its residents by providing high-quality services that assure full customer satisfaction.

As of March 31, 2018, the Bank of Saga's balance of deposits (including negotiable certificates of deposit) amounted to ¥2,243,863 million (US\$21,120 million) on a non-consolidated basis and its total assets amounted to ¥2,418,524 million (US\$22,764 million). A total of 1,472 employees were serving customers in the Bank's network of 103 branch offices.

A Message from the Management

Management Policy Review of Operations Financial Highlights Financial Section Corporate Data

A Message from the Management

I would like to take this opportunity to express our heartfelt gratitude for your continuous patronage and support for the Bank of Saga.

We are pleased to present you our "Annual Report 2018" that summarizes the Bank's management policies, as well as its business performance for fiscal 2017.

With the aim of establishing the "Bank of Saga brand" in order to remain an indispensable bank for our customers and shareholders, as well as for the region as a whole, the Bank's directors and general employees will join forces in concerted efforts to further enhance our business performance and improve our services.

We hope that we can count on your never-ending patronage and kind support as we pursue these endeavors going forward.

July 2018

Hideaki Sakai, President

The Bank's Fundamental Thinking

A Clear Perspective on the Future with a View to Regional Development

Management Policy

In its commitment to maintaining "close relationships with the citizens of its region and sound, stable management," the Bank of Saga provides high-quality financial services and contributes to local community development through its operations as a regional financial institution.

Basic Management Principles

Contributing to local community development

As a regional bank with its roots deeply embedded in the community, the Bank promotes the development of local industries and dedicates itself to assuring a high standard of living for regional residents and enriching the regional culture.

Responding to the trust of customers and shareholders

The Bank seeks to enhance its services to assure continued customer satisfaction. It satisfies the expectations of its shareholders as well by pursuing management that responds quickly and accurately to changes in the times.

Improving employee welfare

The Bank seeks to ensure that every employee enjoys an affluent life by providing an optimal working environment and cultivating a corporate climate that emphasizes respect for others.

Medium-Term Management Plan

With the environment surrounding financial institutions facing changes of unprecedented scale and intensity, the Bank has formulated a three-year medium-term management plan to reinforce its management base and strengthen its management culture.

15th Medium-Term Management Plan Shaping the region's future together

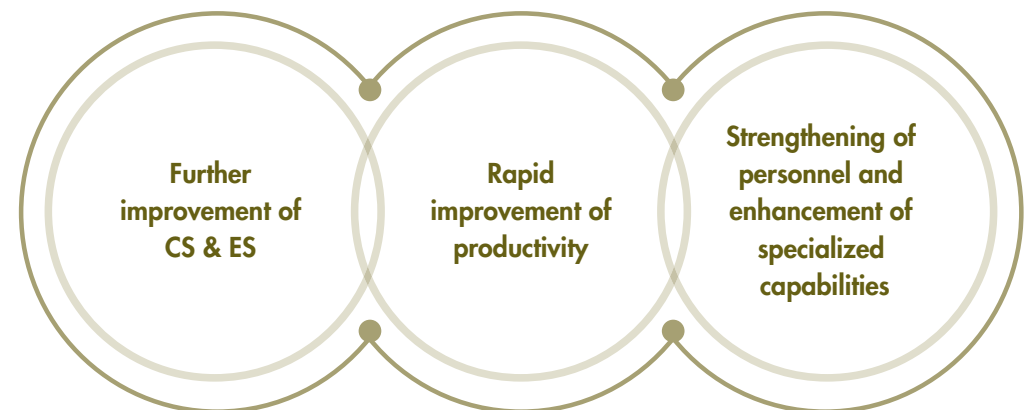
This fiscal year, the Bank launched its 15th Medium-Term Management Plan (April 1, 2016 to March 31, 2019). The management will continue to exert their maximum concerted efforts to make the Bank of Saga an entity that "shapes the region's future together with customers," by constantly coming up with flexible and new ideas, and by building up a Bank-wide readiness to cope with the diverse needs and expectations of customers.

BASIC PRINCIPLES

We are committed to contributing to regional revitalization by helping customers grow their business through services such as assessment of business feasibility, and thus expanding the circle of growth in the whole region.

We are committed to spending more time with customers and providing them high-quality services tailored to their needs both as a lifestyle and business partner.

SPECIFIC INITIATIVES



Business Environment and Results of Operations

Financial and economic environment

During the 2017 fiscal year, Japanese economy has been gradually recovering as favorable corporate postings spurred an increase in capital investment, a recovery of personal consumption, and certain improvements in employment conditions.

Economic conditions overseas stayed firm on the whole mainly centering on the major nations in Europe and the U.S., although there have been concerns regarding the new trends in the U.S. policies and a slowdown of the Chinese economy.

The economy in the northern Kyushu area, around which the Bank of Saga operations primarily revolve, also improved favorably influenced by the continually good economic conditions in and outside the country, as exports showed firm growth while corporate earnings improved. The area has also benefited from a continuing trend of recovery in personal consumption and improvements of the employment situation.

In the financial industry, under the impact of a negative interest rate policy, interest rates continued at very low levels in the market of loans for both business enterprises and individuals. On the other hand, careful attention needs to be paid to the U.S. and Europe regarding a number of issues including the impact of the trend to reduce relaxation of tight money policy.

Results of operations for fiscal 2017

Operating under these challenging conditions, the Group's directors and general employees have joined forces in concerted efforts to improve the Bank's business results and optimize its operating efficiency.

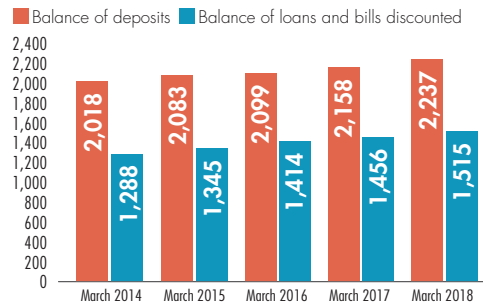
These and other efforts produced the following results of operations for the fiscal year under review:

+ Deposits and loans

The total balance of deposits as of March 31, 2018 had grown by ¥79,500 million from the previous fiscal-end to ¥2,237,700 million thanks to an increase of personal deposits by ¥34,200 million and general corporate deposits by ¥39,700 million. On a regional basis, deposits increased by ¥57,400 in Saga Prefecture and by ¥21,300 million in Fukuoka Prefecture.

In the area of loans and bills discounted, although

Balance of deposits/
Balance of loans and bills discounted (Unit: Billion yen)



loans for municipal corporations decreased from the previous fiscal-end by ¥15,700 million, feasibility loans mainly to small and medium-sized enterprises recorded an increase from the previous fiscal-end by ¥72,900 million. On a regional basis, deposits increased by ¥27,900 million in Saga Prefecture and by ¥45,500 million in Fukuoka Prefecture. As a result, loans and bills discounted increased from the previous fiscal-end by ¥58,700 million to ¥1,515,200 million.

In the area of securities, the Bank is striving to implement efficient fund management in response to a perceived risk of future interest-rate fluctuations. Securities declined by ¥134,700 million from the previous fiscal-end, to ¥533,000 million.

Furthermore, the capital adequacy ratio (domestic standard) was 8.14%, up 0.46% from the previous fiscal-end. Although there was an increase in the risk assets compared with the previous fiscal-end due to increases in loans to corporations, small- and medium-sized business, and individuals, the Bank also posted an increase in equity capital by ¥11,600 million thanks to a number of reasons including accumulation of profits

Nonperforming loans ratio (ratio of receivables for which disclosure is mandatory under the Financial Reconstruction Law) stood at 2.12% on March 31, 2018, down from 2.46% as of March 31, 2017.

+ Profit conditions

In the area of ordinary income, although the Bank, based on the trends of financial markets, decreased the number

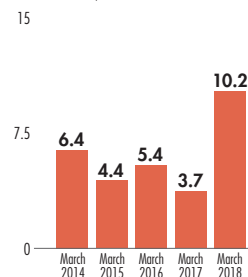
of buy-write transactions (transactions combining profits from derivative financial instruments and losses from sales of national and other bonds), which comprise the profits related to the market transactions involving securities, etc. by ¥8,070 million, income from interest on loans and discounts was ¥18,443 million primarily because the loans and bills discounted showed a satisfactory increase, and, thanks to the fact that there was an increase by ¥100 million as compared with the previous fiscal year for the first time since the term ended March 2008, and also as there was dividend earned income of ¥8,498 million from wholly owned subsidiaries accompanying transformation of several companies into wholly owned subsidiaries as well as some other reasons, ordinary income was ¥43,760 million, up ¥252 million from the previous fiscal year.

In the area of ordinary profit, in addition to the increase factors for ordinary income listed above, the Bank also posted a reversal of allowance for loan losses up ¥286 million from the previous fiscal year, while operating expenses decreased by ¥1,018 million and losses from sales of national and other bonds decreased by ¥6,365 million, ordinary profit was ¥11,278 million, up ¥7,884 million from the previous fiscal year.

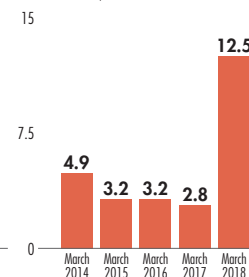
Furthermore, in the area of current net income, partly due to the fact that the Bank established a retirement benefit trust by contributing a part of listed shares of the Bank owned to a retirement benefit trust for the purpose of improving the financial conditions of termination benefits funding, thus posting gain on contribution of securities to retirement benefit trust of ¥2,224 million as extraordinary profit, current net income was ¥12,597 million, up ¥9,738 million from the previous fiscal year.

Furthermore, in the area of net interest income, which comprises the largest portion of our profits, there was satisfactory increase in the loans and bills discounted. As a result, income from interest on loans and discounts increased from the previous fiscal year for the first time since the term ended March 2008. This in turn enabled an increase in profit margins between lending and deposits by ¥295 million from the previous fiscal year and a dividend earned income of ¥8,498 million, which was posted accompanying the conversion of several companies into wholly-owned subsidiaries. These and other developments resulted in net interest income of ¥34,035 million, up ¥8,289 million from the previous fiscal year.

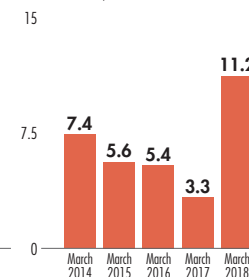
Net business profit (Unit: Billion yen)



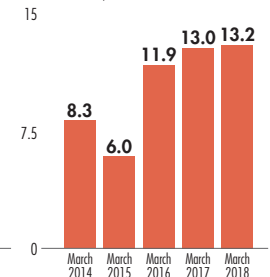
Current net income (Unit: Billion yen)



Ordinary profit (Unit: Billion yen)



Net core business profit (Unit: Billion yen)



Net business profit

Net business profit is an indicator of profit particular to banks that shows the results for their basic banking services. It is calculated by subtracting "expenses" and "transferred general provisions for loan losses" from the total of four items: "profit from funds" generated through management and procurement of deposits, loans and bills accounted for and marketable securities; "profit from service transactions, etc." denoting income and expenditures associated with various service charges; "profit from particular transactions" indicating income and expenditures associated with short-term trading of government bonds, etc.; and "other operating profit" showing profits and losses from bond trading, foreign currency exchange and other such operations.

Net core business profit

Net core business profit comprises net business profit before general provisions for loan losses are transferred after adjusting the results of the final calculation of five bond accounts. It is associated with the Bank's fundamental ability to achieve profitability.

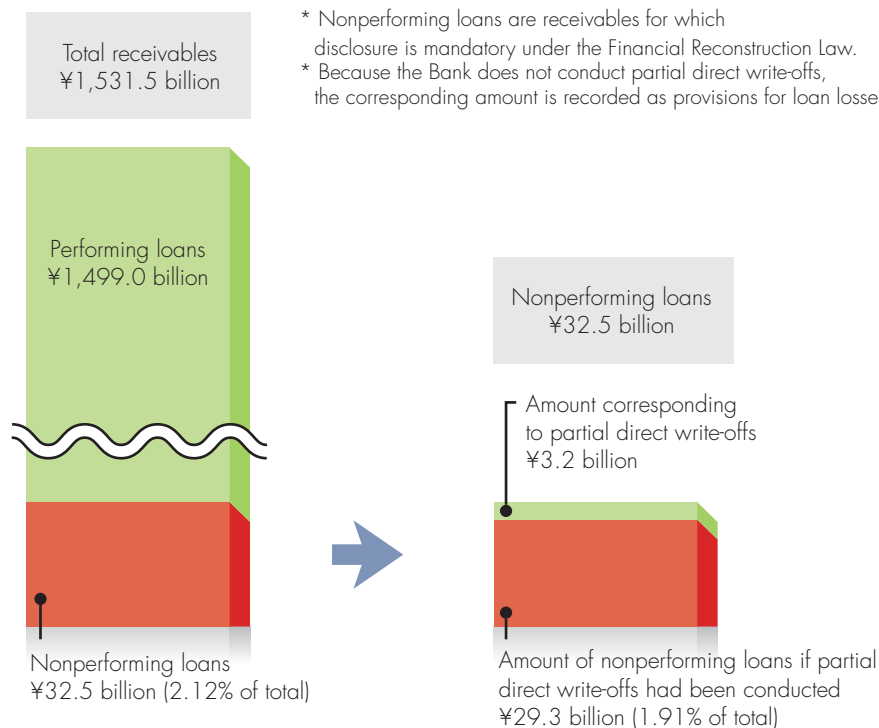
Business Environment and Results of Operations

Status of Nonperforming Loans

The Bank's ratio of loan assets for which disclosure is mandatory under the Financial Reconstruction Law (nonperforming loans) to total receivables stood at 2.12% on March 31, 2018, down from 2.46% as of March 31, 2017.

The Bank of Saga does not conduct partial direct write-offs. Had it conducted partial direct write-offs, however, the ratio as of March 31, 2018 would have been 1.91% (as compared with 2.20% as of March 31, 2017).

Status of nonperforming loans as of end March 2018



(Status of receivables for which disclosure is mandatory under the Financial Reconstruction Law)

(Units: Billion yen, percentage)

	End March 2017	End March 2018	Change from previous year
Receivables for which disclosure is mandatory under the Financial Reconstruction Law (A)	36.2	32.5	-3.7
Amount equivalent to partial direct write-offs (B) (Note)	3.9	3.2	-0.7
Difference (C) = (A) - (B)	32.2	29.3	-2.9
Total loan amount (including ordinary loans) (D)	1,471.7	1,531.5	59.8
(A) / (D) × 100	2.46%	2.12%	-0.34% point
(C) / ((D) - (B)) × 100	2.20%	1.91%	-0.29% point

Note: Because the Bank does not conduct partial direct write-offs, it records an equivalent amount as a provision for loan losses.

Business Environment and Results of Operations

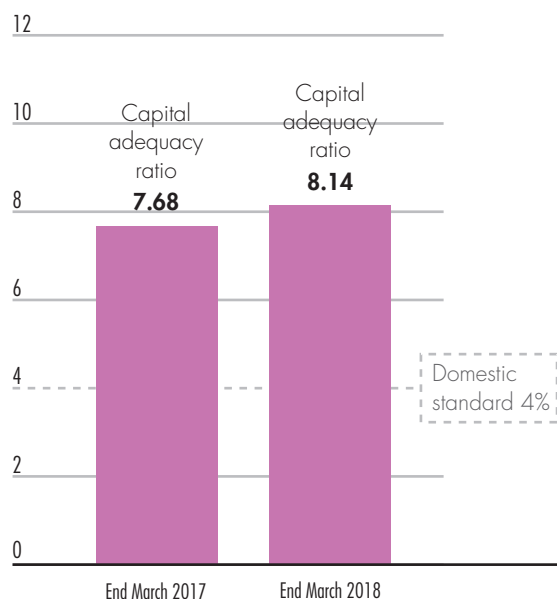
Capital adequacy ratio

The capital adequacy ratio (domestic standard) as of the end of March, 2018 increased by 0.46% point compared with the end of the previous fiscal year to 8.14%. This is due to the fact that although loans to corporations as well as small and medium-size loans to individuals increased as compared with the end of the

preceding fiscal year resulting in an increase in risk-weighted assets, shareholders' equity increased by ¥11,600 million as a result of an increase in accumulated profits and other reasons.

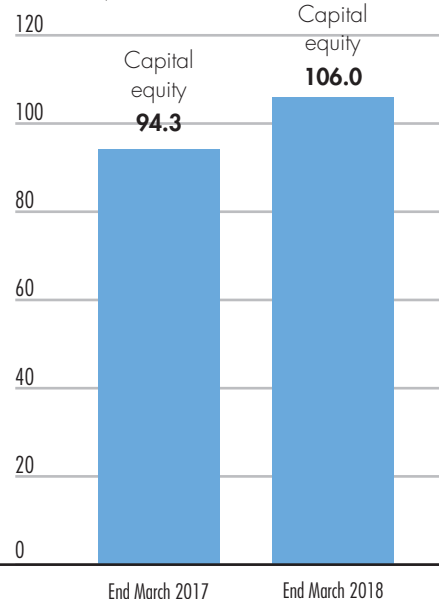
Capital adequacy ratio (domestic standard)

(Unit: %)



Capital equity (domestic standard)

(Unit: billion yen)



Results of group operations

Compared to the previous consolidated fiscal-end, the results of the Bank's Group operations showed a growth of ¥82,100 million in the total balance of deposits to ¥2,233,000 million, a rise of ¥49,700 million in the total balance of loans and bills discounted to ¥1,506,200 million, and a decrease in the securities of ¥142,800 million to ¥526,100 million as of March 31, 2018.

In the area of consolidated operating results, from this consolidated accounting year, the Bank's Group has made an additional acquisition of shares of the Sagin Lease Co., Ltd., which used to be a company accounted for using equity method, the Sagin Computer Service Co., Ltd. and the Sagin Credit Guarantee Co., Ltd., which used to be consolidated subsidiary companies, as well as the Sagin Capital & Consulting Co., Ltd., which used to be an unconsolidated subsidiary accounted for using equity method, making the five companies into fully consolidated subsidiaries of the Bank's Group, which is why the difference between the calculations on a non-consolidated basis and on a consolidated basis is much larger than it was in the previous consolidated accounting year.

Ordinary income on a consolidated basis decreased by ¥4,484 million as compared with the previous consolidated fiscal year to ¥39,622 million, as although there was an increase in net sales by ¥4,359 million mainly due to sales made by subsidiary companies to entities outside the Bank's Group posted in connection with the change of the range of consolidation, the Bank's Group, based on trends of financial markets, etc., decreased the number of buy-write transactions (transactions combining profits from derivative financial instruments and losses from sales of national and other bonds), which comprise the profit related to market transactions involving securities, etc. on a non-consolidated basis by ¥8,070 million.

Ordinary profit on a consolidated basis decreased by ¥586 million as compared with the previous consolidated fiscal year to ¥3,471 million, as although there were negative factors resulting in a decrease of ordinary income on a consolidated basis stated above, operating expenses decreased as compared with the previous consolidated fiscal year to ¥763 million, while losses on sales of national and other bonds decreased, resulting in a decrease in other operating expenses by ¥2,596 million.

Net income attributable to owners of parent increased by ¥3,752 million as compared with the previous consolidated accounting year to ¥6,650 million, mainly due to such reasons as the extraordinary profits posted by Bank's Group from gain on contribution of securities to retirement benefit trust of ¥2,224 million, as well as a gain on bargain purchase of ¥2,778 million peculiar to the figures posted on a consolidated basis, which resulted from companies accounted for using equity method being made into consolidated subsidiaries.

Furthermore, in connection with a transformation of several companies into wholly owned subsidiaries, the main positive factor resulting in an increase of income and profit on a consolidated basis was an increase by ¥4,359 million of sales made by subsidiary companies to entities outside the Bank's Group posted in connection with the change of the range of consolidation, while the main negative factors resulting in a decrease of income and profit on a consolidated basis were a decrease by ¥3,100 million of cost of sales of subsidiaries as well as a decrease of ¥8,498 million from elimination of the dividend earned by the wholly owned subsidiaries, which used to be posted on a non-consolidated basis and is now set off on a consolidated basis as internal transaction. All of the above are the main factors for the difference between the calculations on a non-consolidated basis and on a consolidated basis.

Corporate Governance

Fundamental thinking

The Bank of Saga is striving to achieve sustainable growth, enhance medium- to long-term corporate value, and realize the best possible corporate governance in order to remain an indispensable bank for our customers and shareholders. Based on the following basic concepts, it is implementing measures to achieve good corporate governance and appropriate management systems to sustain it.

- (I) Respect the rights of shareholders, and secure impartiality.
- (II) Consider the interests of stakeholders (including local communities, customers, shareholders and employees), and collaborate with them appropriately.
- (III) Disclose properly and secure transparency of corporate information.
- (IV) Endeavor to strengthen the supervisory functions over the Board of Directors through Independent Outside Directors, Independent Outside Auditors, and the Audit & Supervisory Board.
- (V) Hold constructive dialogue with shareholders who possess investment views that correspond with their medium- to long-term benefits.

Current corporate governance systems

The Bank's Board of Directors, which comprises 12 members, determines the Bank's business execution and supervises the performance of the Directors. The Bank elected two external members to the Board of Directors as part of its efforts to strengthen the Board's supervisory function, ensure the fairness of its decision-making and enhance its objectivity.

The Bank has adopted an auditor system, under which a Board of Auditors comprising four members, three of them external auditors, is responsible for auditing the execution of duties by Directors and providing appropriate advice.

In an effort to ensure the effectiveness and soundness of its corporate governance, moreover, the Bank has instituted a system under which its execution of business is audited and supervised from an

independent perspective by external directors and external auditors who have no experience of employment by the Bank or any member of its Group.

The Bank's Articles of Incorporation stipulate that the Board of Directors shall comprise up to 14 members and the Board of Auditors up to 4 members.

The Bank of Saga is working to achieve greater depth and breadth in the deliberations of its Board of Directors and other governing bodies and to accelerate the decision-making process to facilitate quick, appropriate responses to the rapid changes occurring in its operating environment as well as to ensure proper execution of operations reflecting these changes.

The Board of Directors meets once a month, in principle, to consider matters prescribed by laws and regulations as well as to make decisions concerning important management issues. The Bank has also taken steps to reinforce the Board's functions by clarifying the responsibilities of the Bank's executive officers and determining the sphere of content of their reports to the Board of Directors.

The Executive Committee, comprising the President, Chairman and managing directors, meets once a week, in principle, to deliberate matters regarding the Bank's regular operations at the request of the Board of Directors as a means of facilitating prompt decision-making. The Management Meeting and the Compliance Committee, moreover, a pair of bodies organized to augment corporate governance through discussions and examinations concerning the implementation status of operations and Bank-wide risk management, hold monthly and bimonthly meetings, respectively, with the President, Chairman, managing directors and external directors concerned in attendance. The Bank's auditors also attend important management meetings, including Executive Committee, Board of Directors' and Compliance Committee meetings, thus reinforcing the Bank's "dynamic auditing function."

Pursuant to the provisions of Article 427, Paragraph 1 of the Company Law, the Bank has entered into agreements with external directors and

external auditors, which provide that, in the event that an external director or external auditor causes damage to the Bank due to negligence of his/her duties, the liability of such external director or external auditor shall be limited to the total amount specified in each item of Article 425, Paragraph 1 of the Company Law, only in case he/she has performed his/her duties in good faith and without gross negligence.

Structures for Compliance with Laws and Regulations and for Risk Management

Today's ongoing diversification and advancement of financial operations are generating increasingly varied and complex risks for the banking business. It is an important issue for bank management to understand and manage these risks properly. The Bank has established the Risk Integration and Compliance Group in its Corporate Management and Coordination Department and the Profit Management Office in its General Planning Department as part of efforts to develop structures for compliance with laws and regulations and an integrated risk management structure for each category of risks.

Structure for compliance with laws and regulations

The Corporate Management and Coordination Department acts as a supervisory body with responsibility for overseeing the Bank's systems for compliance with laws and regulations, and the Board of Directors has formulated a set of Basic Compliance Objectives and Compliance Standards. We have also instituted the Compliance Committee with the President as chairman, moreover, as part of efforts to establish a structure that assures compliance with laws and regulations.

Our efforts to reinforce the law-abiding spirit of our directors and regular employees include such measures as ensuring that they all keep the Compliance Guide covering the Bank's standards for compliance in daily operations on hand as a means of strengthening their commitment to compliance with laws and regulations. In addition, we conducted a reexamination of our evaluation system and, as a specific measure targeting our directors and key employees, introduced a "360-degree evaluation" system in fiscal 2004 under which subordinates evaluate their bosses. We have also introduced evaluation procedures that place greater emphasis on matters concerning compliance with laws and regulations into our personnel and branch performance evaluation systems.

In these and other ways, we are making the most of every opportunity to create a climate of compliance.

Personal information management

Since the enforcement of the Act on the Protection of Personal Information in April 2005, and of the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (My Number Act), in October 2015, and in accordance with our Personal Information Protection Declaration (Privacy Policy) and the Basic Policy Regarding the Handling of Specific Personal Information, we have placed the highest priority on earning the trust of customers (business partners, shareholders and regional residents), complying with the two aforementioned acts and related legislation, and protecting customers' personal information.

In addition to making every effort to ensure proper handling of personal information by all our employees, we are introducing a variety of organizational, human and technological security measures to attain these goals. These include clarification of management responsibilities, enforcement of rules, introduction of IC card-based building entry/exit control systems, promotion of paperless documentation, and limitation of the use of recording media.

The Bank is particularly committed to strict management of the collection, use, provision and control of specific personal information, as prescribed separately.

Steps to reinforce internal auditing

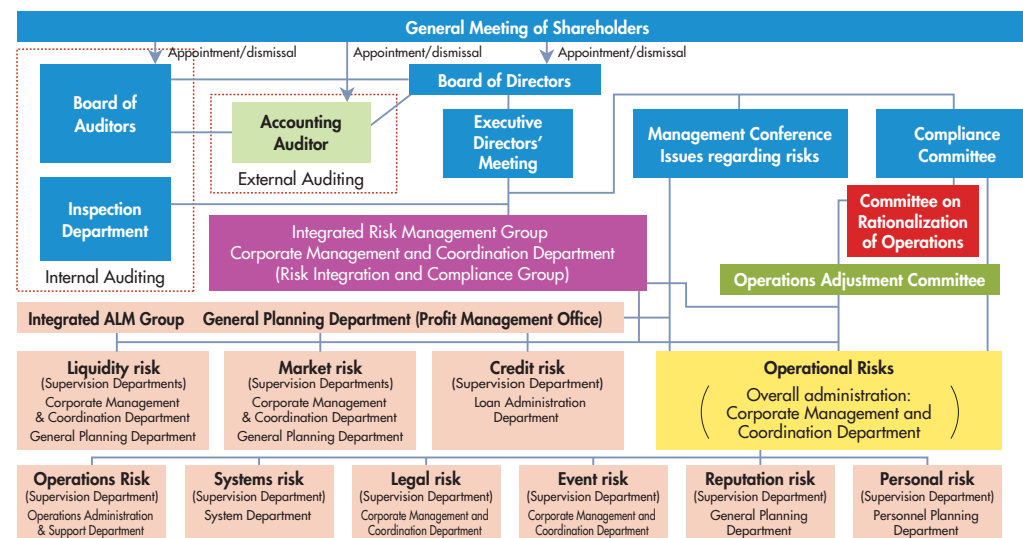
With respect to internal auditing, the Bank has prepared auditing systems in response to revisions of the financial inspections manual and changes in laws and regulations, including the Financial Instruments and Exchange Law. We are reinforcing the auditing of our management systems, including those concerned with customer protection, our compliance systems and our risk management systems. We are placing a greater stress on process checking in our auditing operations, moreover, to acquire a deeper understanding of actual conditions. We are also upgrading our internal auditing mechanisms as part of efforts to establish a more transparent corporate culture.

Risk Management

The Bank has established a Risk Management Policy in accordance with strategic objectives determined by the Board of Directors to ensure appropriate risk management in an environment of increasingly varied and complex risks stemming from the ongoing diversification and advancement of financial operations.

Based on our Risk Management Policy and Risk

Management Regulations, moreover, we have not only attained a grasp of currently existing risks with respect to those indicated in the accompanying risk management structure diagram, but we have also identified risks that may potentially occur. We are introducing measures to protect against these risks, and to respond appropriately in the event of their emergence.



Integrated risk management

The Bank has classified risks into the four categories of liquidity risk, market risk, credit risk and operational risk and designated one or more risk supervision departments for each with responsibility for conducting appropriate risk management according to the respective risk characteristics.

The Corporate Management and Coordination Department conducts integrated management of all

these risks. This means that the Department controls risks within managerially permissible parameters by such means as measuring the level of risk through statistical methods and allocating risk capital with regard to market risk, credit risk and operational risk. The status of the integrated risks is reported at the monthly Management Conference, ALM meetings and other forums to realize prompt implementation of any requisite measures.

Financial Highlights

Consolidated	Millions of yen				Thousands of U.S. dollars
	2018	2017	2016	2015	2018
Total Assets	¥ 2,421,231	¥ 2,335,305	¥ 2,292,796	¥ 2,304,264	\$ 22,790,204
Deposits (including NCDs)	2,239,186	2,156,291	2,100,229	2,083,432	21,076,681
Loans and Bills Discounted	1,506,293	1,456,516	1,414,305	1,345,089	14,178,215
Securities	526,138	668,978	638,161	680,800	4,952,353
Total Income	¥ 44,786	¥ 44,106	¥ 49,017	¥ 42,063	\$ 421,555
Total Expenses	36,705	40,107	42,907	35,393	345,496
Income (Loss) before Income Taxes	8,080	3,999	6,109	6,670	76,058
Net Income (Loss) attributable to owners of parent	6,650	2,898	3,242	3,316	62,602
Cash Dividends	1,170	1,169	1,168	1,168	11,018

U.S. dollar amounts are converted, solely for convenience, at ¥106.24=US\$1, the prevailing rate on March 31, 2018

Non-Consolidated	Millions of yen				Thousands of U.S. dollars	
	2018	2017	2016	2015	2014	2018
Total Assets	¥ 2,418,524	¥ 2,334,955	¥ 2,291,624	¥ 2,303,267	¥ 2,222,830	\$ 22,764,728
Deposits (including NCDs)	2,243,863	2,163,545	2,106,381	2,089,382	2,025,307	21,120,699
Loans and Bills Discounted	1,515,294	1,456,516	1,414,305	1,345,089	1,288,715	14,262,938
Securities	533,054	667,850	636,537	679,080	634,219	5,017,459
Total Income	¥ 46,145	¥ 43,508	¥ 48,320	¥ 41,023	¥ 42,092	\$ 434,347
Total Expenses	32,746	40,171	42,924	35,390	34,804	308,232
Income (Loss) before Income Taxes	13,398	3,336	5,396	5,632	7,288	126,115
Net Income (Loss)	12,597	2,859	3,218	3,266	4,954	118,572
Cash Dividends	1,170	1,169	1,168	1,168	1,168	11,018
			Yen			U.S. dollars
Net Income (Loss) per Share	¥ 753.48	¥ 171.21	¥ 19.28	¥ 19.57	¥ 29.68	\$ 7.092
Cash Dividends per Share	38.5	7	7	7	7	0.362

U.S. dollar amounts are converted, solely for convenience, at ¥106.24=US\$1, the prevailing rate on March 31, 2018

Consolidated Balance Sheets

The Bank of Saga Ltd. and its consolidated subsidiaries
March 31, 2018 and 2017

	Millions of yen (Note 2)		Thousands of
	2018	2017	U.S. dollars (Note 2) 2018
Assets			
Cash and Due from Banks	¥ 322,825	¥ 169,874	\$ 3,038,648
Monetary Claims Bought	3,568	3,534	33,584
Money Held in Trust	398	398	3,753
Securities (Note 8)	526,138	668,978	4,952,353
Loans and Bills Discounted (Note 4,5)	1,506,293	1,456,516	14,178,215
Lease Receivables and Investment Assets	13,440	—	126,507
Foreign Exchanges (Note 9)	3,880	2,990	36,526
Other Assets (Note 10)	15,529	6,956	146,169
Tangible Fixed Assets (Note 6)	27,270	24,952	256,691
Intangible Fixed Assets	1,710	2,081	16,100
Deferred Tax Assets	683	797	6,432
Customers' Liabilities for Acceptances and Guarantees	12,499	12,401	117,654
Allowance for Possible Loan Losses	(12,976)	(14,177)	(122,139)
Allowance for Investment Loss	(31)	—	(294)
Total Assets	¥ 2,421,231	¥ 2,335,305	\$ 22,790,204
Liabilities			
Deposits (Note 11)	¥ 2,239,186	¥ 2,156,291	\$ 21,076,681
Call Money and Bills Sold	—	5,048	—
Payables under Securities Lending Transactions	10,563	2,144	99,430
Borrowed Money (Note 12)	9,543	2,775	89,825
Foreign Exchanges (Note 9)	43	59	410
Other Liabilities (Note 13)	9,866	20,379	92,865
Provision for Bonuses	675	686	6,362
Net Defined Benefit Liability	3,444	8,053	32,423
Reserve for Directors' Retirement Benefits	21	12	205
Reserve for Reimbursement of Deposits	332	328	3,131
Deferred Tax Liabilities	4,465	2,389	42,035
Deferred Tax Liabilities for Land Revaluation (Note 6)	4,013	4,047	37,779
Acceptances and Guarantees	12,499	12,401	117,654
Total Liabilities	2,294,657	2,214,617	21,598,806
Net Assets			
Common Stock (Note 7)	16,062	16,062	151,187
Capital Surplus	13,327	11,375	125,442
Retained Earnings	67,687	62,195	637,114
Treasury Stock	(1,130)	(1,191)	(10,644)
Total Shareholders' Equity	95,945	88,441	903,100
Valuation difference on available-for-sale securities	23,201	20,554	218,390
Revaluation Reserve for Land (Note 6)	8,232	8,307	77,493
Remeasurements of Defined Benefit Plans	(1,005)	(1,522)	(9,462)
Total Valuation and Translation Adjustments	30,429	27,339	286,422
Subscription Rights to Share	199	201	1,876
Non-controlling interests	—	4,705	—
Total Net Assets	126,574	120,687	1,191,398
Total Liabilities and Net Assets	¥ 2,421,231	¥ 2,335,305	\$ 22,790,204

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen (Note 2)		Thousands of
	2018	2017	U.S. dollars (Note 2) 2018
Income			
Interest Income:			
Loans and Discounts	¥ 18,431	¥ 18,343	\$ 173,486
Securities	7,413	7,941	69,776
Others	195	228	1,836
Fees and Commissions	6,389	6,543	60,146
Other Operating Income (Note 14)	5,490	9,893	51,678
Other Income (Note 15)	6,866	1,155	64,631
Total Income	44,786	44,106	421,555
Expenses			
Interest Expenses:			
Deposits	429	623	4,042
Borrowings and Call Money	58	124	555
Others	26	7	248
Fees and Commissions Payments	3,396	3,271	31,968
Other Operating Expenses (Note 16)	8,516	11,112	80,166
General and Administrative Expenses (Note 17)	23,404	24,167	220,296
Other Expenses	873	800	8,219
Total Expenses	36,705	40,107	345,496
Income (Loss) before Income Taxes	8,080	3,999	76,058
Income Taxes:			
Current	719	769	6,776
Deferred	462	(74)	4,351
Net Income (Loss) Attributable to Non-controlling interests	247	407	2,327
Net Income (Loss) Attributable to Owners of Parent	¥ 6,650	¥ 2,898	\$ 62,602
Per Share of Common Stock:		Yen	U.S. dollars
Basic Net Income (Loss)	¥ 397.98	¥ 173.55	\$ 3.746

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

The Bank of Saga Ltd. and its consolidated subsidiaries
March 31, 2018 and 2017

	Millions of yen (Note 2)		Thousands of
	2018	2017	U.S. dollars (Note 2) 2018
Net Income	¥ 6,898	¥ 3,305	\$ 64,930
Other comprehensive income	3,164	(914)	29,785
Valuation difference on available-for-sale securities	2,647	(1,324)	24,919
Defined benefit plans	517	410	4,866
Share of other comprehensive income of entities accounted for using equity method	(0)	0	(0)
Comprehensive Income	10,062	2,391	94,715
(Breakdown)			
Comprehensive Income Attributable to Owners of the Parent	9,815	1,983	92,388
Comprehensive Income Attributable to Non-controlling interests	247	407	2,327

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2018

	Millions of yen (Note 2)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balances at March 31, 2017	¥ 16,062	¥ 11,375	¥ 62,195	(¥1,191)	¥ 88,441
Changes during the fiscal year					
Dividends from surplus			(1,169)		(1,169)
Net income (loss) attributable to owners of parent			6,650		6,650
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		(3)	(10)	152	138
Change of scope of consolidation			(53)	(86)	(140)
Change in ownership interest of parent due to transactions with non-controlling interests		1,955			1,955
Reversal of revaluation reserve for land			74		74
Net Changes other than shareholders' equity (net)					
Total changes during the fiscal year	—	1,951	5,491	60	7,503
Balance as of March 31, 2018	16,062	13,327	67,687	(1,130)	95,945

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balances at March 31, 2017	\$ 151,187	\$ 107,070	\$ 585,427	(\$11,214)	\$ 832,470
Changes during the fiscal year					
Dividends from surplus			(11,012)		(11,012)
Net income (loss) attributable to owners of parent			62,602		62,602
Purchase of treasury stock				(51)	(51)
Disposal of treasury stock		(32)	(98)	1,437	1,305
Change of scope of consolidation			(504)	(816)	(1,321)
Change in ownership interest of parent due to transactions with non-controlling interests		18,404			18,404
Reversal of revaluation reserve for land			700		700
Net Changes other than shareholders' equity (net)					
Total changes during the fiscal year	—	18,372	51,687	569	70,629
Balance as of March 31, 2018	151,187	125,442	637,114	(10,644)	903,100

	Millions of yen (Note 2)						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of Defined Benefit Plans	Total	Subscription rights to share	Non-controlling interests	Total net assets
Balances at March 31, 2017	¥ 20,554	¥ 8,307	(¥1,522)	¥ 27,339	¥ 201	¥ 4,705	¥ 120,687
Changes during the fiscal year							
Dividends from surplus							(1,169)
Net income (loss) attributable to owners of parent							6,650
Purchase of treasury stock							(5)
Disposal of treasury stock							138
Change of scope of consolidation							(140)
Change in ownership interest of parent due to transactions with non-controlling interests							1,955
Reversal of revaluation reserve for land							74
Net Changes other than shareholders' equity (net)	2,647	(74)	517	3,089	(1)	(4,705)	(1,617)
Total changes during the fiscal year	2,647	(74)	517	3,089	(1)	(4,705)	5,886
Balance as of March 31, 2018	23,201	8,232	(1,005)	30,429	199	—	126,574

	Thousands of U.S. dollars (Note 2)						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of Defined Benefit Plans	Total	Subscription rights to share	Non-controlling interests	Total net assets
Balances at March 31, 2017	\$ 193,471	\$ 78,194	(\$14,328)	\$ 257,337	\$ 1,894	\$ 44,289	\$ 1,135,992
Changes during the fiscal year							
Dividends from surplus							(11,012)
Net income (loss) attributable to owners of parent							62,602
Purchase of treasury stock							(51)
Disposal of treasury stock							1,305
Change of scope of consolidation							(1,321)
Change in ownership interest of parent due to transactions with non-controlling interests							18,404
Reversal of revaluation reserve for land							700
Net Changes other than shareholders' equity (net)	24,918	(700)	4,866	29,084	(18)	(44,289)	(15,222)
Total changes during the fiscal year	24,918	(700)	4,866	29,084	(18)	(44,289)	55,406
Balance as of March 31, 2018	218,390	77,493	(9,462)	286,422	1,876	—	1,191,398

Consolidated Statements of Cash Flows

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen (Note 2)		Thousands of
	2018	2017	U.S. dollars (Note 2)
			2018
Cash Flows from Operating Activities:			
Income (Loss) before Income Taxes	¥ 8,080	¥ 3,999	\$ 76,058
Depreciation	1,448	1,531	13,633
Impairment Losses	193	6	1,825
Gain on bargain purchase	(2,778)	—	(26,156)
(Income) Loss on securities contribution to employees' retirement benefits trust	(2,224)	—	(20,938)
(Income) Loss on step acquisitions	288	—	2,716
Income on Equity Method	(3)	(9)	(34)
(Decrease) Increase in Reserve for Possible Loan Losses	(1,322)	(719)	(12,452)
(Decrease) Increase in Accrued Bonuses	(22)	4	(209)
(Decrease) Increase in Net Defined Benefit Liability	(347)	20	(3,269)
(Decrease) Reserve for directors retirement benefits	1	1	17
(Decrease) Increase in Reserve for Reimbursement of Deposits	4	46	42
Interest and Dividend Income	(26,039)	(26,514)	(245,099)
Interest Expenses	514	755	4,845
(Income) Loss on Securities Transaction	2,831	9,156	26,650
(Income) Loss on Money Trust	(5)	1	(49)
Net exchange (gain) loss	0	0	3
(Income) Loss on Disposal of Properties	8	16	81
Net (Increase) Decrease in Loans and Bills Discounted	(54,887)	(42,211)	(516,641)
Net Increase (Decrease) in Deposits	82,329	57,112	774,936
Net Increase (Decrease) in Negotiable Certificates of Deposits	782	(1,049)	7,361
Net Increase (Decrease) in Borrowed Money	(634)	(95)	(5,971)
Net (Increase) Decrease in Due from Banks (other than The Bank of Japan)	227	321	2,137
Net (Increase) Decrease in Call Loans	(32)	(112)	(307)
Net Increase (Decrease) in Call Money	(5,048)	(1,712)	(47,520)
Net Increase (Decrease) in Payables under Securities Lending Transactions	8,419	2,144	79,246
Net (Increase) Decrease in Foreign Exchange Assets	(890)	208	(8,382)
Net Increase (Decrease) in Foreign Exchange Liabilities	(15)	(85)	(147)
Net (Increase) Decrease in lease receivables and investment assets	(444)	—	(4,181)
Revenues from Fund Operations	26,663	27,562	250,971
Expenditures on Fund Procurement	(822)	(849)	(7,744)
Others	(11,878)	207	(111,810)
Sub-total	24,393	29,738	229,611
Payment of Income Taxes	(2,802)	(2,184)	(26,375)
Refund of Income Taxes	831	2	7,824
Net Cash Provided by (Used in) Operating Activities	22,423	27,555	211,060

	Millions of yen (Note 2)		Thousands of
	2018	2017	U.S. dollars (Note 2)
			2018
Cash Flows from Investing Activities:			
Purchase of Securities	(116,967)	(609,016)	(1,100,972)
Sales of Securities	166,692	516,433	1,569,017
Redemption of Securities	91,764	69,651	863,751
Decrease in Money Held in Trust	5	—	47
Purchases of Tangible fixed Assets	(3,174)	(1,053)	(29,882)
Purchases of Intangible Fixed Assets	(229)	(177)	(2,161)
Proceeds from Sales of Tangible Fixed Assets	53	32	500
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,424)	—	(32,233)
Net Cash Provided by (Used in) Investing Activities	134,719	(24,129)	1,268,067
Cash Flows from Financing Activities:			
Repayment of Subordinated Loans	—	(12,500)	—
Payment of Cash Dividends	(1,170)	(1,167)	(11,016)
Dividends paid to non-controlling interests	(5)	(5)	(53)
Purchases of Treasury Stock	(5)	(2)	(51)
Proceeds from sales of Treasury Stock	87	—	823
Proceeds from exercise of stock options	0	0	2
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,173)	—	(29,867)
Net Cash Used in Financing Activities	(4,266)	(13,676)	(40,163)
Translation Adjustment of Cash and Cash Equivalents	(0)	(0)	(3)
Net Increase (Decrease) in Cash and Cash Equivalents	152,875	(10,250)	1,438,961
Cash and Cash Equivalents at Beginning of the Year	169,387	179,638	1,594,384
Cash and Cash Equivalents at End of the Year (Note 18)	¥ 322,262	¥ 169,387	\$ 3,033,346

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

The Bank of Saga Ltd. (the "Bank") and its consolidated subsidiaries

1. The Scope of Consolidated Financial Reporting and Application of The Equity Method

The Scope of Consolidated Financial Reporting

- SAGIN LEASE CO.,LTD.
- SAGIN CREDIT GUARANTEE CO.,LTD.
- SAGIN COMPUTER SERVICE CO.,LTD.
- SAGIN CAPITAL AND CONSUL CO.,LTD.
- SAGIN BUSINESS SERVICE CO.,LTD.

(Important changes in range of consolidation)

In this consolidated accounting year, the Bank's Group has made an additional acquisition of shares of the Sagin Capital & Consulting Co., Ltd., which was an unconsolidated subsidiary accounted for using equity method, and the Sagin Lease Co., Ltd., an affiliated company which was a company accounted for using equity method in the previous fiscal year, making the two companies into wholly owned subsidiaries of the Bank's Group, which is why the two companies are included in the range of consolidation.

2. Japanese Yen and U.S. Dollar Amounts

Yen amounts of less than ¥1 million have been disregarded. Accordingly, the sum of each account may in fact not be equal to the combined sum of the individual items. All U.S. dollar amounts included herein are presented solely for the convenience of readers, and are nothing more than arithmetical computations.

They are converted at the rate of ¥106.24=US\$1, the prevailing rate on the Tokyo foreign exchange market on March 30, 2018.

3. Significant Accounting Policies

(a) Financial Instruments

The Bank and its consolidated subsidiaries apply the Accounting Standards for Financial Instruments to valuation of trading account securities, securities and

derivative transactions, and hedge accounting.

(b) Transactions for Trading Purposes

Transactions for "Trading Purposes" (purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value as of the balance sheet dates, and included in "Trading Assets" on a tradedate basis. Profits and losses on trading transactions are included in other operating income or expenses.

(c) Securities

- i. In conformity with the Accounting Standards for Financial Instruments, securities are stated as follows:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method, cost being determined by the moving-average method.

"Securities Available for Sale" defined by the standards are stated at fair market value when having market price and are stated at moving-average cost or amortized cost when having no market price. Unrealized valuation gains or losses on securities available for sale, net of applicable income taxes, are stated as a separate item in the consolidated balance sheets. Cost of the securities sold, in principle, is computed by the moving-average method.

- ii. In accordance with the Uniform Rules for Bank Accounting, securities included in "Money Held in Trust," which are designated for investments in securities and separately managed from other beneficiaries are valued by the same method as in (i.) above.

(d) Derivatives

Under the Accounting Standards for Financial Instruments, derivative transactions except for trading purposes transactions are stated at fair value.

Derivative transactions are executed and managed under the internal check system of the Bank in accordance with the established policies.

(e) Depreciation

Depreciation of premises and equipment of the Bank is calculated using the declining-balance method except for the buildings acquired after April 1, 1998 and accompanying facilities and structures acquired after April 1, 2016, which are depreciated using the straight-line method. Main useful lives of premises and equipment are as follows:

Buildings 3 to 60 years

Equipment 2 to 20 years

Premises and equipment held by the consolidated subsidiaries are depreciated over the useful lives of the respective assets principally using the declining balance method.

Software for internal use held by the Bank is amortized over the useful lives of 5 years using the straight-line method. Software for internal use held by the consolidated subsidiaries is amortized over the useful lives of 5 years.

(f) Foreign Currency Translation

The financial statements of the Bank and its consolidated subsidiaries are maintained in or translated into Japanese yen. Foreign currency assets and liabilities are translated into yen at the prevailing rates on the Tokyo foreign exchange market as of the uncollectible based on individual fair value assessment of collateral.

(g) Reserve for Possible Loan Losses

The Bank makes provision for possible loan losses in accordance with predetermined standards for write-offs and reserves. In line with the Guidelines for Governance on Asset Self-Assessment of Financial Institutions and Audits on Write-Offs and Reserves for Possible Loan Losses (JICPA Bank Auditing Special Committee Report No.4), the Bank has implemented a self-assessment rule for the credit quality of assets subject to disclosure under the Financial Reconstruction Law, and has classified them into four risk categories: bankrupted, doubtful, substandard and normal.

The Bank provides a non-specific reserve for assets classified under "substandard" or "normal," based on historical default rates. For assets classified under "doubtful," the Bank provides a specific reserve in an amount deemed necessary after deduction of the estimated recoverable portion through disposition of collateral or implementation of guarantees. For assets classified under "bankrupted," the Bank provides a specific reserve in an amount equivalent to the remaining portion of the assets after deduction of the estimated recoverable amounts through disposition of collateral or implementation of guarantees.

The consolidated subsidiaries provide a non-specific reserve in an amount deemed necessary based on historical default rates and a specific reserve for loans to potentially bankrupt borrowers and other specific loans in the amount deemed uncollectible based on individual fair value assessment of collateral.

(h) Provision for Bonuses

The provision for bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the current fiscal

year.

(j) Reserve for Directors' Retirement Benefits

The reserve for directors' retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end.

(j) Reserve for reimbursement of deposits

The Bank provides a reserve for withdrawals of dormant deposits on which it has previously recognized a profit. The Bank recognizes an amount that it estimates will be withdrawn in the future based on its past experience with such withdrawals.

(k) Methods for Accounting Treatment of Retirement Benefits Payments

A method of attributing projected retirement benefits from a fixed amount standard due by the current fiscal year-end is applied for calculating the retirement benefit obligations. In addition, the amortization methods for prior service costs and actuarial gain (loss) are as follows:

Prior service costs is amortized using the straight-line method over a specified period (5 years) within the employees' average remaining service period at incurrence.

Actuarial gain (loss) is amortized using the straight-line method over a specified period (5 years) within the employee's average remaining service period commencing from the next fiscal year of incurrence.

Our consolidated subsidiaries adopted a simplified method in calculating liabilities for retirement benefits and retirement benefit expenses by assuming the pension benefit obligation of the subsidiaries to be equal to the amount payable for

voluntary retirement of all employees at fiscal year-end.

(l) Calculation standards for income and expenses
Calculation standards for income from financial lease transactions

For financial lease transactions, the Bank's Group calculates the sales amount and the cost of sales at the time of receiving the lease fee (or at the time when such fee should have been received).

(m) Methods of Significant Hedge Accounting

i. Hedging Against Interest Rate Risk

The Bank of Saga applies deferred hedge accounting pursuant to the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (issued by JICPA Industry Audit Committee Report No. 24) to manage interest rate risk arising from interest-earning assets and interest-bearing liabilities. As for the hedges to offset market fluctuation, the Bank of Saga assesses the effectiveness of such hedges by classifying the hedged items (such as loans) and the hedging instruments (such as interest rate swaps) by their respective maturity

ii. Hedging Against Exchange Fluctuation Risk

The Bank of Saga applies deferred hedge accounting pursuant to the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (issued by JICPA Industry Audit Committee Report No. 25) to manage exchange fluctuation risk arising from lending or borrowing funds in different currencies. The Bank of Saga assesses the effectiveness of currency swap and foreign exchange swap transactions (the hedging instruments) executed for the purpose of

offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts (the hedged items) corresponding to the foreign-currency positions.

(n) Accounting Treatment of Consumption Tax

National and local consumption taxes of the Bank of Saga and its consolidated subsidiaries are accounted for using the tax-excluded method.

4. Loans and Bills Discounted

	Millions of yen	
	2018	2017
Bills Discounted	¥ 8,870	¥ 8,021
Loans on Notes	78,002	73,007
Loans on Deeds	1,236,337	1,209,214
Overdrafts	183,082	166,273
Total	¥ 1,506,293	¥ 1,456,516

5. Non-Performing Loans

	Millions of yen	
	2018	2017
Loans in Bankruptcy	¥ 1,662	¥ 1,847
Past due Loans	23,793	27,117
Restructured Loans	6,920	6,112
Total	¥ 32,376	¥ 35,077

6. Revaluation Reserve for Land

In accordance with the Law concerning the Revaluation of Land, the Bank revalued land held for its operations on March 31, 1998. Net unrealized gain was stated in net assets, net of applicable income taxes, as "Land Revaluation Reserve, Net of Tax," amounting to ¥8,487 million as of March 31, 2018.

7. Common Stock

As of March 31, 2018, Common Stock of the Bank consisted of 17,135 thousand shares issued. The authorized number of shares was 49,914 thousand.

8. Securities

	Millions of yen	
	2018	2017
Government Bonds	¥ 35,293	¥ 72,087
Municipal Bonds	201,404	249,582
Short-term Corporate Bonds	—	—
Corporate Bonds and Debentures	114,727	121,414
Stocks	47,193	45,104
Other Securities	127,518	180,789
Total	¥ 526,138	¥ 668,978

9. Foreign Exchange (Assets and Liabilities)

	Millions of yen	
	2018	2017
(Assets)		
Due from Foreign Correspondents	¥ 3,596	¥ 2,741
Foreign Bills of Exchange Bought	62	32
Foreign Bills of Exchange Receivable	221	216
Total	¥ 3,880	¥ 2,990

	Millions of yen	
	2018	2017
(Liabilities)		
Foreign Exchange Bills Sold	¥ 27	¥ 14
Foreign Bills Payable	16	44
Total	¥ 43	¥ 59

10. Other Assets

	Millions of yen	
	2018	2017
Prepaid Expenses	¥ 67	¥ 53
Accrued Income	3,951	2,426
Derivative Assets	1,770	1,560
Initial Margins of		
Futures Markets	900	—
Others	8,839	2,916
Total	¥ 15,529	¥ 6,956

11. Deposits

	Millions of yen	
	2018	2017
Current Deposits	¥ 116,173	¥ 100,824
Ordinary Deposits	1,304,265	1,225,536
Savings Deposits	3,999	4,081
Deposits at Notice	4,466	4,595
Time Deposits	784,507	796,971
Other Deposits	19,649	18,941
Negotiable Certificates		
of Deposit	6,124	5,342
Total	¥ 2,239,186	¥ 2,156,291

12. Borrowed Money

Borrowed money consisted of loans from other banks, including a subordinated loan in the amount of ¥9,543 million as of March 31, 2018.

13. Other Liabilities

	Millions of yen	
	2018	2017
Income Taxes Payable	¥ 497	¥ 239
Accrued Expenses	663	919
Unearned Income	2,299	2,433
Derivative Liabilities	961	1,824
Others	5,444	14,961
Total	¥ 9,866	¥ 20,379

14. Other Operating Income

	Millions of yen	
	2018	2017
Gain on Trading Purpose		
Transactions	¥ 17	¥ 41
Gain on Sales of Bonds	1,698	1,722
Others	3,774	8,129
Total	¥ 5,490	¥ 9,893

15. Other Income

	Millions of yen	
	2018	2017
Gain on Sales of Stocks and		
Other Securities	¥ 153	¥ 103
Gain on Money Held in Trust	5	—
Reversal of Allowance		
for loan Losses	488	195
Gain on Bargain purchase	2,778	—
Gain on Contribution of Securities		
to Retirement Benefit Trust	2,224	—
Others	1,215	855
Total	¥ 6,866	¥ 1,155

16. Other Operating Expenses

	Millions of yen	
	2018	2017
Losses on Foreign Exchange		
Transactions	¥ 386	¥ 100
Losses on Sales		
of Bonds	4,603	10,968
Losses on Redemption		
of Bonds	—	—
Losses on Devaluation		
of Bonds	80	43
Others	3,446	—
Total	¥ 8,516	¥ 11,112

17. Other Expenses

	Millions of yen	
	2018	2017
Provision for Reserve for Possible		
Written-off Loans	¥ —	¥ 0
Losses on Sales of Stocks		
and Other Securities	4	9
Losses on Devaluation of Stocks		
and Other Securities	—	0
Loss from Management		
of Money Trust	—	1
Others	868	788
Total	¥ 873	¥ 800

18. Statement of Cash Flow's

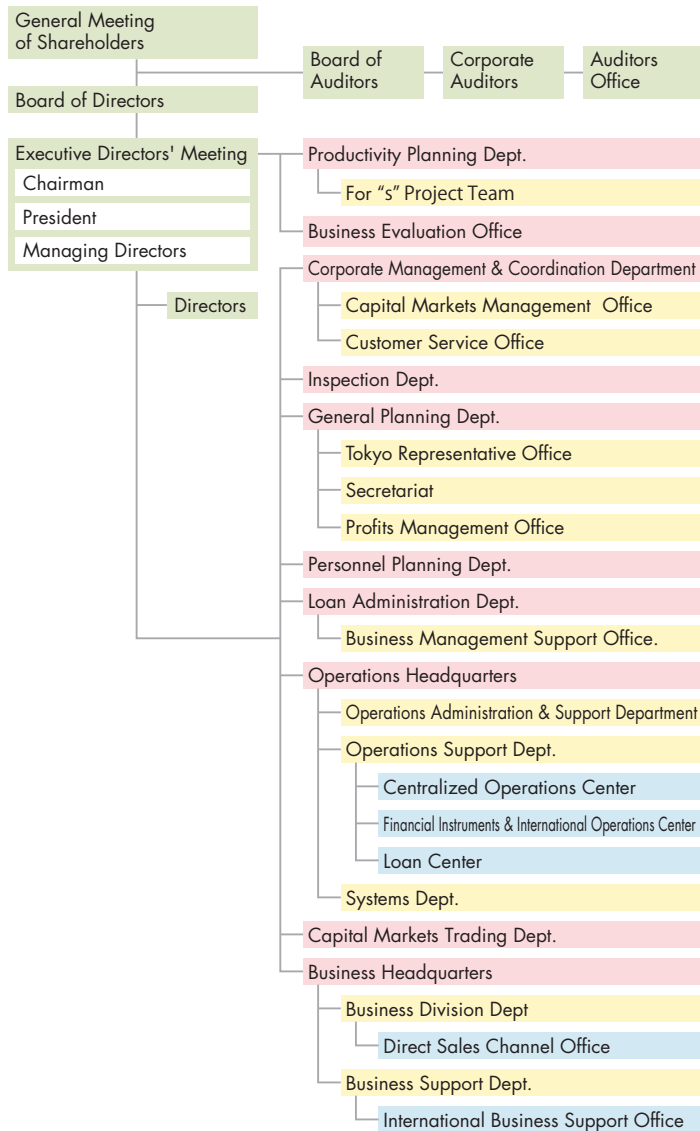
The balances of cash and due from banks on the balance sheet as of March 31, 2018 and 2017 were reconciled with cash and cash equivalents at end of year on the statements of cash flows as follows:

	Millions of yen	
	2018	2017
Cash and Due from Banks	¥ 322,825	¥ 169,874
Deposits with Banks		
(other than The Bank of Japan)	(563)	(486)
Cash and Cash Equivalents		
at End of Year	¥ 322,262	¥ 169,387

19. Subsequent Event

The following distribution of retained earnings for the year ended March 31, 2018 was resolved at the General Meeting of the Shareholders held on June 28, 2018.

Organization



Directors and Corporate Auditors

Chairman	Managing Directors	Directors	Corporate Auditors
Yoshihiro Jinnouchi	Sunao Imaizumi	Tomio Nihei	Kenji Tsuruda
	Akira Tashiro	Hironao Furukawa	(Standing Auditor)
President	Kingo Tominaga	Shinzaburo Nakamura	Akinobu Onizaki
Hideaki Sakai	Kazuyuki Tsutsumi	Toru Unoike	Syuichi Idera
		Tsutomu Kimura	Toshiaki Tanaka
		Naoto Furutachi	

Corporate Data

Bank Data

Head Office	7-20, Tojin 2-chome, Saga City, Saga 840-0813, Japan Telephone: (0952) 24-5111
Operations Support Dept.	3-35, Ohtakarakita-machi, Saga City, Saga 840-0802, Japan Telephone: (0952) 25-4571
Date of Incorporation	July 1955
Capital	¥16 billion
Number of Offices	103
Number of Employees	1,472

Network

Saga Prefecture	61 branches	Fukuoka Prefecture	38 branches
Nagasaki Prefecture	3 branches	Tokyo Branch	
Head Office Business Department Operations Support Department			