ANNUAL REPORT 2016

Year ended March 31, 2016

NANTO BANK

ANNUAL REPORT 2016

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PROFILE

The Nanto Bank, Ltd. (the "Bank" or "Nanto Bank") is based in Nara Prefecture, a region rich in tradition and culture dating back to its development as Japan's first capital in the early 8th century. Since its establishment in 1934, Nanto Bank has achieved steady growth in partnership with its region and continues to maintain a sound financial structure. As of March 31, 2016, Nanto Bank had deposits of ¥4,719.3 billion, loans of ¥3,188.3 billion, and total assets of ¥5,505.6 billion.

Nanto Bank's domestic network of 138 branches extends beyond Nara Prefecture to the neighboring prefectures of Osaka, Kyoto, Hyogo, Mie, Wakayama, and Tokyo. The Bank has become a trusted institution in communities throughout its region thanks to its commitment to regionally focused services designed to meet the needs of local customers.

Nanto Bank continues to make a positive contribution to regional economic development by providing a comprehensive range of financial services, including overseas services, and maintains representative offices in Hong Kong and Shanghai.

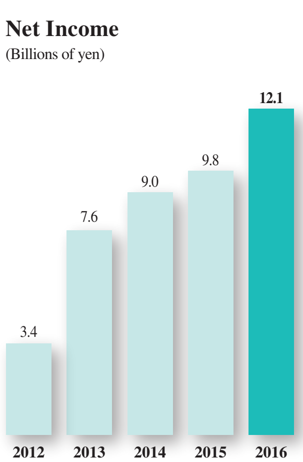
CORPORATE PHILOSOPHY

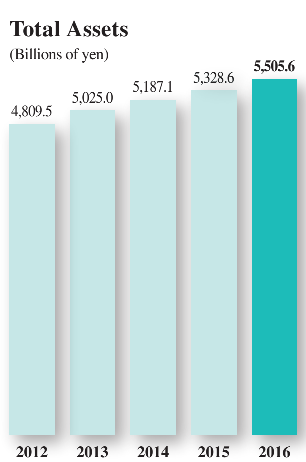
1. Pursue sound and efficient management
2. Provide superior comprehensive financial services
3. Contribute to regional prosperity
4. Strive to become a highly reliable, friendly and attractive bank

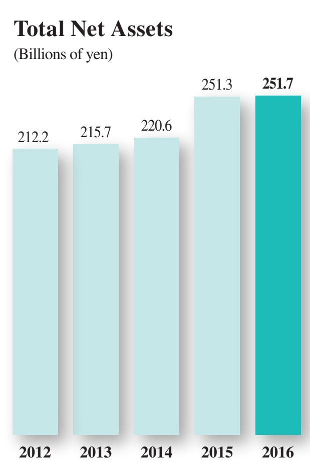
Consolidated Financial Highlights

	Millions of yen					Thousands of U.S. dollars
	2016	2015	2014	2013	2012	2016
For the year:						
Total income	¥ 76,417	¥ 81,869	¥ 82,717	¥ 88,875	¥ 90,075	$ 678,177
Total expenses	61,586	63,857	62,923	77,661	78,843	546,556
Income before income taxes	14,831	18,012	19,794	11,214	11,231	131,620
Net income	12,159	9,874	9,079	7,621	3,467	107,907
At year-end:						
Total assets	5,505,607	5,328,661	5,187,191	5,025,037	4,809,575	48,860,552
Loans and bills discounted	3,188,341	3,079,175	2,972,159	2,898,844	2,785,671	28,295,536
Securities	1,797,411	1,693,517	1,907,331	1,840,741	1,755,495	15,951,464
Deposits and negotiable certificates of deposit	4,766,330	4,754,414	4,662,888	4,514,604	4,343,154	42,299,698
Total liabilities	5,253,894	5,077,342	4,966,542	4,809,291	4,597,334	46,626,677
Non-controlling interests	—	7,935	7,336	6,658	25,971	—
Total net assets	251,712	251,318	220,648	215,745	212,241	2,233,865
Common stock	29,249	29,249	29,249	29,249	29,249	259,575
Per share data:	Yen					U.S. dollars
Net income	¥ 45.32	¥ 36.81	¥ 33.78	¥ 28.01	¥ 12.57	$0.40
Stockholders' equity	937.66	906.92	794.95	774.46	675.42	8.32
Capital adequacy ratio (%)	9.36	9.72	10.51	10.66	11.63	

Note: U.S. dollar amounts are included solely for the convenience of readers and are calculated at the exchange rate of ¥112.68 to US$1.00, the rate prevailing on March 31, 2016.







We would like to sincerely thank you for your support for the Nanto Bank.

The purpose of this Annual Report 2016 is to disclose our performance in fiscal 2015 (the year ended March 31, 2016), and our initiatives conducted during the fiscal year. We would appreciate it if you would read through the report.

Despite strong results for some domestic-demand based companies, the Japanese economy remained at a standstill due to a slowdown in the economies of China and other emerging countries as well as sluggish personal consumption.

In the regional economy centered around Nara Prefecture, while factors such as ongoing high level in numbers of tourists had a positive impact on the regional economy, overall the situation fluctuated, as there were delays in improvements in the earnings environment in some industries.

It is also believed that conditions in the financial environment will become increasingly severe due to factors including a decline in investment yields stemming from intensified competition between financial institutions and the impact of the Bank of Japan's negative interest rate policy.

Under these circumstances, we have entered the final year of the Bank's medium-term management plan titled "Vitality Creation Plan" (April 2014 to March 2017) that is based on the management vision of a "Vitality Creating Bank." In order to cap off this plan, the entire Group is fully making its efforts on five key strategies that include vitalizing the community and establishing a revenue base, while flexibly responding to changes in the environment.

In particular, "vitalizing the community" is the first pillar of our key strategies, and we aim to contribute to the sustainable development of the regional economy and continue growing together with the local community going forward.

Our executives and employees are committed to dedicating our utmost efforts to realizing the management vision and achieving the medium-term management plan. We look forward to the continued understanding and support of all of our stakeholders.

Creating Regional Vitality Together with Customers

Our Economic and Financial Environment

Despite strong results for some domestic-demand based companies, the Japanese economy remained at a standstill due to a slowdown in the economies of China and other emerging countries and sluggish personal consumption.

In the regional economy centered around Nara Prefecture, while factors such as ongoing high level in numbers of tourists had a positive impact on the regional economy, overall the situation fluctuated as there were delays in improvements in the earnings environment in some industries.

In addition, the future outlook is characterized by uncertainty as there are concerns over how the Japanese economy will be influenced in the future by the impact caused on the global economy by the UK's move to leave the EU.

It is also believed that conditions in the operating environment for financial institutions will become increasingly severe due to factors including a decline in investment yields stemming from intensified competition between financial institutions and the impact of the Bank of Japan's negative interest rate policy.

Under these circumstances, we have entered the final year of the three-year medium-term management plan titled "Vitality Creation Plan." Based on five key strategies centered on "vitalizing the community," we have steadily pursued the "enhancement of top-line margin," "efficient operation," and "creating strong organization enabling self-fulfillment," and this fiscal year we will implement various measures as a year for capping off the plan. In addition, we will also flexibly respond to changes in the environment, and promote "BPR," in other words, reforms in all aspects including sales, administration, and expenses in order to lead to further improvements in corporate value.

Capping Off the Medium-Term Business Plan

Vitalizing the Community

Many issues are beginning to emerge in the regional economy, such as an expected decline in the medium to long-term potential economic growth rate due to further changes in social and economic structures including population decline, lower fertility and population aging leading to contraction in the scale of the economy.

Under these circumstances, in joint efforts by the government and local municipalities to promote regional creation, there are expectations towards financial institutions that support the regional economy to perform an advanced financial function and be actively involved, and we have been promoting signing of cooperative agreements with local municipalities. As for regional economy vitalizing projects that include support for business creation and promotion of transfers and permanent citizenship in the region, we have been actively collaborating and coordinating with the projects based on our knowledge as a financial institution.

The first investments of the Nara Prefecture Tourism Revitalization Fund that was founded last year were made in April of this year. Investments included the renovation of a merchant house in Nara City built 160 years ago that was designated as a Nara City-designated cultural property into a restaurant that also operates an adjoining guest house. Through this fund, going forward we will work to vitalize tourism using attractive local resources, and aim to stimulate demand for accommodation within the prefecture and increase tourism consumption.

In addition, during fiscal 2015, continuing from the previous fiscal year, we implemented the NANTO Success Road business plan commercialization support project. This project aims to contribute to the regional economy and society through supporting customers that want to establish or develop new business, and eight plans have been selected this time. Currently, our dedicated representatives are focusing their support toward achieving prompt commercialization, while working together with external organizations. As we plan to implement this initiative during this fiscal year as well, we look forward to many customers applying.

Furthermore, we will support customers' business creation and development of new businesses through the NANTO Commercialization Support Fund 80, which is a financing program for business creation and new business expansion, and crowdfunding.

Since its foundation, we have endeavored to conduct business closely rooted in the region as a bank that grows together with the region. We believe that vitalization of the regional economy is essential for growing together with customers and perpetual development as a regional financial institution. Based on this stance, we will do our utmost together with customers and the local community in response to challenges in the region that arise from changes in social and economic structures, and link such efforts to our growth.

Properties invested in by the Nara Prefecture Tourism Revitalization Fund

Establishing a Revenue Base

Under our medium-term management plan, we are working to enhance deposits and customer assets and to strengthen our financial investment capabilities in order to establish a solid earnings base.

Nara Prefecture has a fertile individual market, and we are committed to further deepening the relationships we have fostered with our customers and implementing various measures to support the growth of the companies for corporate clients.

In Nara Prefecture, the Omiya Branch and Sakurai Branch were moved to temporary branches for branch rebuilding in September of last year and May of this year, respectively. We will work to further enhance our services including the development of the branch network in order to provide even more convenience to the local community.

Meanwhile, in Osaka Prefecture and other areas, we will actively invest management resources with its basis on continuity with branches in Nara Prefecture in order to expand our transaction base with corporate and individual customers and expand our core area.

Hatsushiba Branch was reopened in a new building as the second branch in Sakai City in December of last year, while the Izumi Branch was reopened in a new building in April of this year. With this, the number of branches in Osaka Prefecture totaled 18, and through such efforts, we will expand relationships with customers in each region and improve our presence in the Osaka area.

Next, as major initiatives for each department, in the corporate department, we will provide a wide range of solutions in line with the business stage including supports for business creation, overseas business, and business succession. In addition, in September of last year, a new financing program entitled the NANTO Vitality Creation Support Fund was created to proactively provide funds such as operating funds and capital funds based on a so-called business feasibility assessment that appropriately assesses factors including the nature of the business, growth, and sustainability without overly relying on collateral or guarantees.

In order to meet the diversifying asset management needs of individual customers, we have enhanced the product lineup and, in terms of channels, we established the NANTO L-Plaza to facilitate consultations with customers on Saturdays and Sundays in addition to weekdays. We are also working to expand non-face-to-face channels including Internet banking with smartphones and other devices. In addition, employees with more specialized knowledge on finance have been assigned to the FA Office to provide advanced asset management and consultation services.

Furthermore, as a new initiative, we established an official LINE@ account (a free call and mail application) in June of last year and started distributing information on products and events. We will work to strengthen new financial services by actively adopting FinTech as well.

In order to continue to meet the wide range of customer needs going forward, we will work to enhance products and services and diversify channels, while being a close partner for the businesses and life stages of customers in order to offer optimal solutions.

Strengthening Human Resources and Organization

Human resources are the core element of corporate management. As bank operations become more diverse and complex, we realize that challenges that we need to face include development of specialists, in other words, human resources equipped with highly-specialized business knowledge, and enhancement of organizational strength in order to effectively utilize such human resources.

In order to improve motivation and fulfillment in work, and ensure that each and every employee can perform to 100% of their ability, we will focus even more on enhancing training systems and workplace environment improvements in terms of both education at each workplace and improvements to prevent overtime work.

In April of this year, we introduced an Executive Officer System in an effort to strengthen governance and accelerate business execution by separating the decision making and supervision function in management from the business execution function. In addition, in terms of organizational improvements, we have gradually pursued the reorganization of the headquarters organization since October of last year, established new dedicated departments in order to strengthen the compliance structure and adopt advanced risk management, and conducted revisions across the corporate planning departments, sales departments, financial investment departments, and operations departments.

Going forward, we will aim to be an organization that conducts more rational, efficient, and functional operation management while striving to strengthen human resources.

Improving Productivity

While promoting our sales strategy to establish a revenue base, we are also making strong efforts to improve operation productivity.

We are working on revising our branch roles and personnel assignment in accordance with changing market characteristics as necessary, and endeavoring to improve efficiency of operations though the thorough simplification, centralization, and mechanization of operations.

In addition, we have distributed tablet terminals that can connect to internal bank information systems as a sales tool to all employees that work outside the office in order to enhance the provision of various types of information to customers, while improving the efficiency of sales activities and achieve paperless operations.

We will continue our efforts to improve the productivity of operations going forward in all aspects to utilize management resources in an effective and efficient manner.

Strengthening Internal Management Structure

As an important management task, we are implementing a variety of measures to realize “further enhancement of our compliance framework” and “incorporation of more advanced and enhanced risk management” as well.

Compliance is fundamental for banks to faithfully carry out their social responsibilities and public missions, and such social needs are becoming increasingly important. In order to earn the constant trust of our stakeholders, we are committed to installing greater awareness on compliance not only among executive management but among bank employees as well, as we enhance the efforts to build a more effective compliance framework.

In terms of risk management, we will continue to sophisticate and enhance various risk management while appropriately controlling risks and returns.

In Partnership with the Local Community

The Bank has grown together with the local community up until now. Looking forward, as a “Vitality Creating Bank,” our executives and employees are committed to further improving corporate value by offering ever-better financial services in order to make the relationships of trusts with stakeholders even stronger.

We look forward to your continued support.

PRESIDENT Takashi Hashimoto

Medium-Term Management Plan

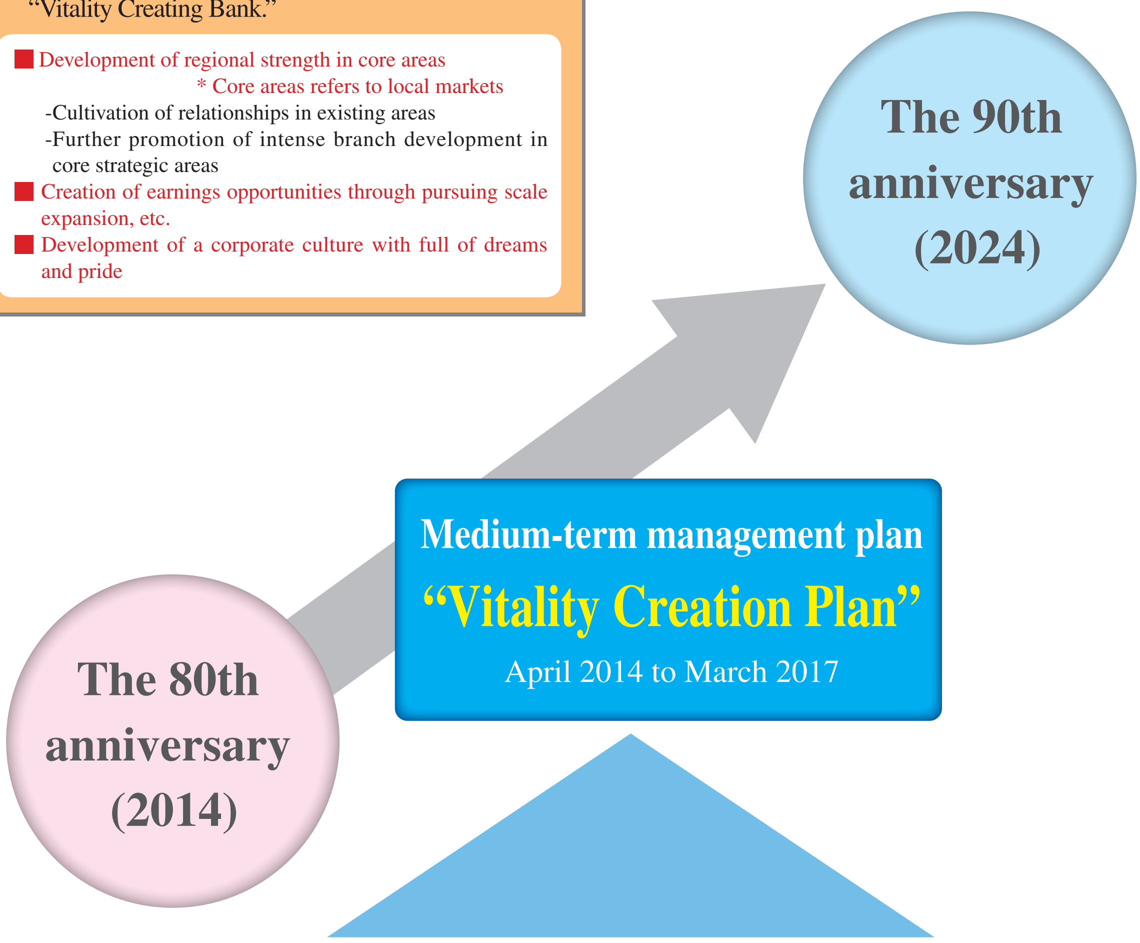
Medium-Term Management Plan "Vitality Creation Plan"

The Bank embraces a management vision for the period of 10 years up to 2024, its 90th anniversary, aiming to become a bank which creates vitality in community and itself as "Vitality Creating Bank." In order to fulfill this vision, the Bank started its medium-term management plan called "Vitality Creation Plan" in April, 2014, that covers the three-year period from fiscal 2014 to fiscal 2016. This plan contains five key strategies including "vitalizing the community," firmly commit to realizing "enhancement of top-line margin," "efficient operation," and "creating strong organization enabling self-fulfillment."

Management vision to create "Vitality Creating Bank"

■ The Bank embraces a management vision for 10 years up to its 90th anniversary, aiming to become a bank which creates vitality in community and itself as "Vitality Creating Bank."

- Development of regional strength in core areas
  * Core areas refers to local markets
  - Cultivation of relationships in existing areas
  - Further promotion of intense branch development in core strategic areas
- Creation of earnings opportunities through pursuing scale expansion, etc.
- Development of a corporate culture with full of dreams and pride



Economic/financial environment

- Falling birth rate in an aging society and declining population
- Decreasing business offices in Nara Prefecture
- Declining interest rate
- Intensifying intrusion of competitor banks, etc.

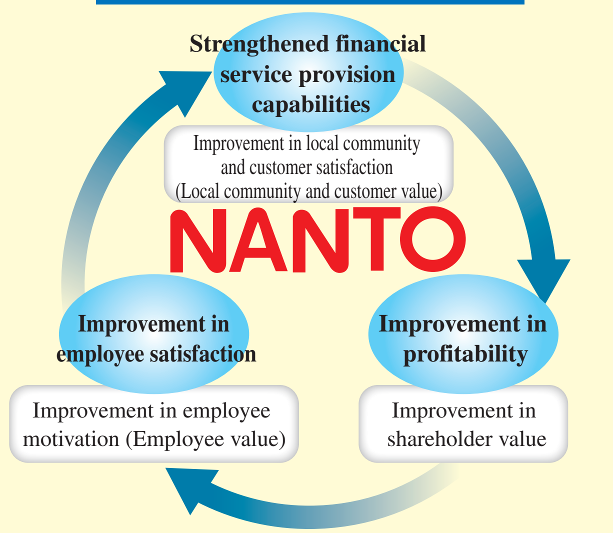
Earnings environment

- Reduction of fund profit due to low interest rate
- Fees and commission income flattening out, etc.

Corporate philosophy

(i) Pursue sound and efficient management
(ii) Provide superior comprehensive financial services
(iii) Contribute to regional prosperity
(iv) Strive to become a highly reliable, friendly and attractive bank

A positive cycle with stakeholders through improvement of NANTO brand



Vitality Creation Plan

1. Name and term

- Medium-term management plan “Vitality Creation Plan”
- April 2014 to March 2017 (three years)

2. Basic philosophy

- Aim to enhance top-line profit through practicing customer-centricity and effective investment of funds.
- Strive to realize management efficiency through optimum deployment of corporate resources.
- Building up an organization enabling self-fulfillment through human resource development and revitalization.

3. Numerical targets <fiscal 2016>

- Net income of ¥8.0 billion or above
- Balance of loans of ¥3,250.0 billion or above
- Balance of deposits of ¥5,000 billion or above

4. Key strategies

I. Vitalizing the community
II. Establishing a revenue base
III. Strengthening human resources and organization
IV. Improving productivity
V. Strengthening internal management system

<Key strategies>

I. Vitalizing the community

◇Aim to vitalize regional economy through implementations such as creation and development of industries as well as through cooperation with industries, governments, schools and finance.
◇Make effort in management improvement and business rehabilitation through utilizing consulting capabilities.

II. Establishing a revenue base

◇Develop solid revenue base through cultivating relationship with customers in the existing areas.
◇Expand core areas in the core strategic areas including Osaka Prefecture, through actively deploying corporate resources, based on the continuity of branch presence.
◇Provide products and services depending on individual life stage of customers, at the right timing.
◇Strengthen fund investment in the market.

III. Strengthening human resources and organization

◇Radically review human resources development framework to strengthen marketing capabilities.
◇Develop organization with full of vitality by placing the right people in the right job along with adequate personnel management.
◇Reinforcing Group’s strength to enhance capabilities to provide comprehensive financial services.

IV. Improving productivity

◇Improve productivity through developing marketing framework geared to regional market characteristics.
◇Strive to streamline work processes and strengthen marketing capabilities through the review of work processes.

V. Strengthening internal management system

◇Reinforce compliance framework in order to gain further trust from stakeholders.
◇Enhance and develop various risk management in consideration of risks/returns.

Compliance

Compliance refers to strict observance of ethics and social norms as well as laws, regulations, government ordinances and the bank's regulations. This is essential for banks to faithfully carry out their social responsibilities and public missions.

The Bank takes the following approach in order to increase awareness of compliance and respond to legal risks.

Thorough Execution of Compliance

- In recognition of the public mission and social responsibilities that financial institutions need to perform, the Bank regards compliance with laws and regulations as the most important management issue and has established a Charter of Corporate Behavior which consists of Basic Policies and Code of Conduct for all officers and employees to follow to gain trust from all stakeholders, including local communities, our customers and shareholders.
- To establish a basic framework for the compliance system, we have established our compliance regulations and rules for disciplinary action and demonstrate fairness and transparency in the administration of disciplinary action as means of establishing a clear stance on compliance with laws and regulations.
- Deliberations and decisions in matters of compliance are the responsibility of the Compliance Committee, which is chaired by the President and operates horizontally across the bank's organization structure. Plans and supervision of compliance are carried out in the Compliance & Risk Management Division.
- A Compliance Program consisting of concrete plans to achieve compliance is drawn up each year and undergoes appropriate review.
- The Bank strives to properly operate a Compliance Hotline as part of its internal reporting system that was established to prevent legal violations and misconduct before they occur, to discover them promptly if they occur and to rectify them immediately.
- To instill a compliance mindset throughout the Bank, we have compiled a Compliance Handbook, which serves as a guide for achieving compliance and has been distributed to all officers and employees, and regularly conduct seminars and other group training at the workplaces of individual workgroups.
- The Bank has established a Regulations on Response to Antisocial Forces in order to take a resolute stand against anti-social forces that pose a threat to the order and security of civil society and takes strong measures to intervene and block any attempt by such forces to create any relationship with the Bank.

Risk Management

In recent years, the management environment surrounding financial institutions has changed drastically, and the risks they face have become more diversified and complex.

The Bank regards risk management as one of its most important management issues and aims to create an advanced risk management system so that the Bank can maintain appropriate and sound management and provide reliable services to its customers.

Risk Management Coordination

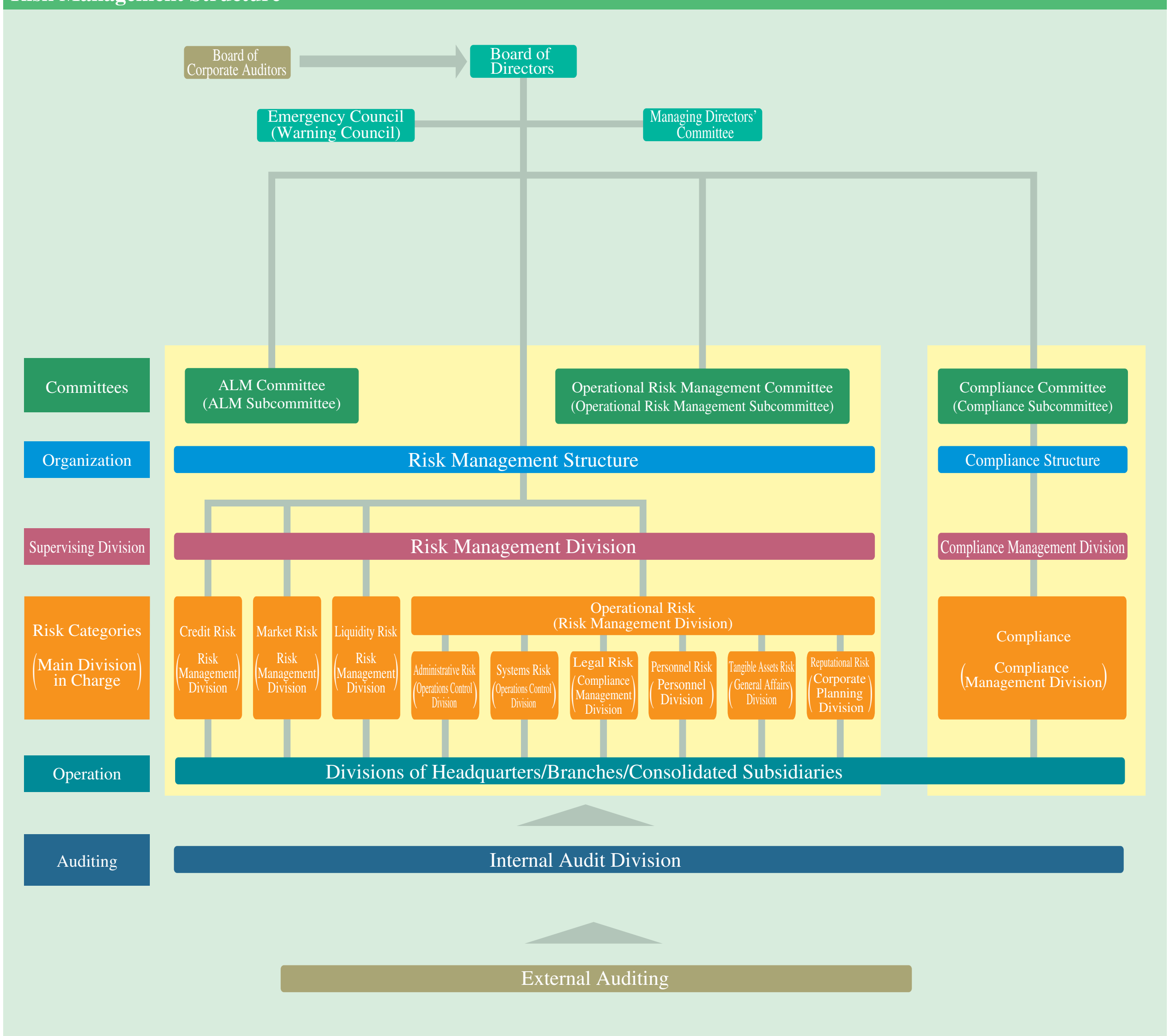
To cope with the various risks that the Bank faces in its banking business, the Bank has established specified units for each category of risk. The Bank also incorporates the Risk Management Division responsible for risk management coordination in order to gain a precise understanding of the nature and extent of risks and take expeditious steps toward their management.

Furthermore, the Bank defines its basic risk management policies in risk management regulations and other requirements, including the Risk Management Coordination Regulations, in an effort to appropriately manage the risks.

Moreover the Bank has adopted a policy of Risk Management Coordination under which it quantifies various risks by using the integrated risk management method, intending to keep the amount of risks and its capital adequacy at appropriate levels in the light of its management vitality. Biannually, the Bank determines risk capital (risk based amounts) for each category of risk within the scope of its capital adequacy to limit the value of each risk (e.g. VaR) to the amount of risk capital.

The situation of each risk is evaluated at a monthly ALM Committee meeting which decides the appropriate level of risk control to implement, aiming at conducting more effective and efficient risk and return management from the viewpoint of maintaining sound management and higher profitability alongside effective utilization of capital.

Risk Management Structure



Risk Management

Managing Internal Capital

Managing Internal Capital refers to the implementation of measures to maintain a sufficient level of internal capital, capital adequacy assessment and computation of the capital adequacy ratio.

The Bank conducts a quarterly assessment of its internal capital adequacy by analyzing factors that cause the capital adequacy ratio to fluctuate.

We also use the integrated risk management method to quantify the various risks faced by the Bank, and we regularly compare the level of these risks with the Bank's internal capital so as to control each risk and carry out the assessments of our internal capital adequacy for each risk.

As for the capital adequacy assessment, the Bank positions itself to be able to review the allocation of its internal capital, discuss necessary internal capital strategies and other necessary actions through the monthly-held ALM Committee meeting. We intend to maintain a sound management with the help of appropriate risk control practices and increase profitability through the effective utilization of our internal capital by fully operating this internal capital management structure.

Managing Credit Risk

To ensure the soundness of its assets, the Bank has established the Risk Management Division and Credit Analysis Division as credit risk management departments that are separate and independent from business operations departments.

The Risk Management Division plans and supervises the credit risk management structure within the Bank, conducts credit portfolio analysis by segment and current status analysis by managing the levels of credit concentration on major creditors for each industry and rating group, and strives to build a sound credit portfolio by measuring credit risks using statistical calculation methods for future potential loss.

The Credit Analysis Division consists of the Credit Analysis Group, which handles general screening and industry-specific screening; the Management Group, which intensively supervises borrowers whose business performance has deteriorated; and the Business Vitalization Support Office, which was established to assist borrowers with business restructuring and recovery initiatives. Together these units form a structure that supports flexible risk management tailored to the specific circumstances of each customer.

Our credit analysis and risk management measures include rigorous self-assessment, credit rating which is consistent with the borrower classifications used in self-assessment and other methods with which the Bank objectively recognizes and manages each customer's credit capability. In addition, we have a policy of setting an interest rate (Pricing) to be applied to individual customers according to their rating-based creditworthiness. Through this, we take measures to strengthen our credit risk management and increase profitability.

The Bank regularly and appropriately reviews transaction terms and establishes credit limits for borrowers with debt exceeding a certain amount, with a view to reducing credit risk by conducting strict credit control.

Managing Asset Appraisals

Asset Appraisals are for the review of determine assets held by financial institutions in order to the accurate status of the institution's assets. It is an important method of credit risk management and a preliminary procedure to appropriately determine the amount of depreciation and allowances. Asset assessment conducted by the financial institution itself is referred to as a self-assessment.

The Bank carries out an assessment of its assets in which actual assessments are conducted by its operating branches in conformity with the Regulations on Self-Assessment of Assets. Assessment results are then subjected to a rigorous verification process in which the results are examined by the Credit Analysis Division and further audited by the Internal Audit Division. According to the audit results, the Bank determines appropriate amounts of depreciation and allowances. In this way, the Bank strives to perform appropriate asset assessment practices and maintain and improve the soundness of its assets.

Managing Market Risk

The Bank controls its market operations under a system of reciprocal checks and balances based on a clear demarcation between front office units, which implement transactions, and back office units, which carry out administrative processing. The middle office unit responsible for risk management is the Risk Management Division, which develops risk management systems, checks compliance with risk management regulations and other requirements and monitors the positions and profit performance of market units. The Risk Management Division also carries out wide-ranging analyses to quantify the risk levels of assets and liabilities, including deposits, loans and securities. In its analyses, the division uses a variety of analytical techniques, including the value at risk (VaR) and basis point value (BPV) methods and interest rate fluctuation simulations. The results of this work are used to provide timely reports to management.

Allowable risk limits are measured based on VaR and determined by the Bank's ALM Committee biannually in consideration of its capital status, market conditions and other factors. Market operation staff members make efforts to gain profits while complying with these allowable risk limits. Every month, the ALM Committee obtains actual risk and revenue results from each market operation and discusses appropriate ways to control risks and generate earnings efficiently by taking account of the market prospects and other conditions. In addition, the Bank conducts stress tests by using scenarios that capture the characteristics of market environments and its portfolios in order to understand the impact of extreme market fluctuations exceeding VaR projections, bracing up for contingency events.

• Managing Liquidity Risk

Liquidity risk, also known as fund-raising risk, is defined as the risk of the Bank incurring a loss due to encountering an obstacle in raising the required funds either because of a mismatch between the use and procurement of funds or unexpected outflow of funds or being forced to borrow at higher interest rates than usual.

According to monthly fund management plans formulated by the ALM Committee, the Financial Investment Division closely manages the Bank's cash flow position on a day-to-day basis, and the Risk Management Division monitors the management conditions. The ALM Committee is also responsible for overall monitoring and management of cash flow risk, including the monitoring of assets available for liquidation and the amount of funds that the Bank can procure.

The cash flow situation is classified into one of three levels according to financial situations: "regular phase," "concern phase" and "crisis phase." The Bank has developed management systems that can be flexibly implemented in each of these situations.

• Managing Operational Risks

Operational risk is the risk of the Bank incurring a loss due to inadequate or failed processes of banking operations, activities of executives and employees (including part-time and temporary and other similarly classified workers) or systems, as well as external events.

At the Bank, departments in charge of operational risks apply the perspectives of specialists to the management of administrative risk, systems risk, legal risk, personnel risk, tangible assets risk and reputational risk.

In addition, information about loss from operational accidents and results of potential risk analysis, etc. are collectively reported to the Operational Risk Management Committee, which understands and manages each risk comprehensively. This enables the Bank to preferentially deal with major risks and minimize the effects of the risks.

• Managing Administrative Risk

Administrative risk refers to the risk of incurring loss as a result of neglecting accurate administrative processes alongside occurrences of accident or fraud.

The Bank reinforces the provisions of its administrative regulations and requires strict staff compliance with the regulations to achieve customer confidence in its accurate and strict administration. At the same time, the Bank aims to raise executives and employees administrative work standards by conducting regular training programs and temporary office work guidance. In addition, the Bank intends to establish more accurate and efficient administrative operations by facilitating the systemization and centralization of administrative processes.

• Managing System Risk

System risk refers to failures or malfunctions of the computer system and loss incurred associated with inadequate systems, etc. Furthermore, system risk includes the risk of loss from unauthorized use of computers.

The Bank incorporates a system which copes with unexpected system failures or network errors and swiftly resumes operations. It is prepared for these events with stand-by equipment for each of the existing equipment in the network system and dual communication lines. Also, the Bank has formulated a manual which directs necessary action as defined by its contingency plan in the event of a large scale disaster and has developed a decentralized data administration system and "back-up center".

With a view to conducting strict control of customer data and other confidential information, the Bank takes various measures to prevent unauthorized use of the computer system or leakage of information. It addresses the provision of safer and more assured services by establishing security measures such as the formulation of handling regulations for classified data, encryption of computer data and important information, e.g., security codes, and others.

Risk Management

● Managing Legal Risk

The term "legal risk" refers to the risk of incurring loss or damage arising from violation of obligations resulting from negligence concerning customers and inappropriate business and/or market practices.

The Bank has attempted to avoid and mitigate legal risks via legal examination by external experts, such as corporate lawyers, and the Compliance Management Division.

● Managing Personnel Risk

Personnel risk refers to the risk of loss and damages the Bank suffers due to unfairness/unjustness in terms of personnel management concerning compensation, benefits, dismissal and acts of discrimination such as sexual harassment, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of personnel risk can have a major impact on the Bank's management and business operations and strives to minimize the risk through the appropriate management of such risk.

● Managing Tangible Assets Risk

Tangible assets risk involves the risk of loss from impairment or damage to tangible assets due to disaster or other unforeseeable events.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of tangible asset risk can have a major impact on the Bank's management and business operations and strives to minimize the tangible assets risk through the appropriate management of such risk.

● Managing Reputational Risk

Reputational risk refers to the risk of loss or damage incurred if an organization has fallen into discredit due to the deterioration of its reputation or through damaging rumors, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of reputational risk can have a major impact on the Bank's management and business operations and strives to minimize that risk through appropriate management. In the event of the spread of damaging rumors about the Bank, the Bank will take appropriate and swift action to curtail them and revitalize its reputation.

Internal Audit Posture

For the enhancement and reinforcement of risk management, it is necessary to verify the effective function of internal control and improve problems as needed.

The Internal Audit Division, an internal auditing organization, promotes risk management and strives to ensure the soundness of management and the appropriateness of business by ascertaining the risk management situation at the division and branch level, evaluating and verifying that internal control is appropriately maintained and functioning effectively and providing advice as necessary.

Crisis Management Posture

Along with the above risk management, the Bank has formulated a Crisis Management Plan and a Crisis Management Plan Response Manual for each type of crisis to respond suitably to the occurrence and materialization of crises related to business operations, such as natural disasters including large-scale earthquakes, systems malfunctions, or novel influenza and other pandemics. In the event of a crisis, the Bank responds, depending on the level of emergency of the crisis, by having the Emergency Council, Response Headquarters, or other divisions gather information and engaging in centralized supervision and command, in an effort to minimize the impact of the crisis on its operations.

In the meantime, the Bank, as an organization responsible for social function maintenance, takes measures to continuously provide customer services, including improvement of facilities to continue its business operations in the event of disasters or other events, while striving to ensure the effectiveness of the crisis management posture and improve it continuously, through measures including risk management training provided every year.

Board of Directors and Corporate Auditors

(As of July 1, 2016)

Yasuo Ueno
Chairman

Takashi Hashimoto
President
(Representative Director)

Kohsaku Yoshida
Senior Managing Director
(Representative Director)

Yoshihiko Kita
Managing Director
(Representative Director)

Naoki Minowa
Managing Director

Toru Hagihara
Managing Director

Shigeyori Kawai
Managing Director
(Business Planning & Promotion Headquarters)

Chairman
Yasuo Ueno

President
Takashi Hashimoto

Senior Managing Director
Kohsaku Yoshida

Managing Director
Yoshihiko Kita
Naoki Minowa
Toru Hagihara
Shigeyori Kawai
(Business Planning & Promotion Headquarters)

Directors and General Managers
Hiroshi Nakagawa
Matazaemon Kitamura

Managing Executive Officer
Kiyohide Sawamura
(Osaka Regional Headquarters)

Executive Officer
Akira Kondo
(Head Office)
Keizo Nishikawa
(Tokyo Branch)
Kazuomi Nakamuro
(Personal Business Division)
Satoru Wada
(Credit Analysis Division)
Kazuya Yokotani
(Corporate Planning Division)
Tomomi Onishi
(Financial Investment Division)
Kozo Togawa
(Osaka Chuo Office)

Corporate Auditors
Masaaki Hashimoto
Takao Handa
Katsuhisa Yoshikawa
Masahiro Nakamura

Note: Hiroshi Nakagawa and Matazaemon Kitamura are outside directors pursuant to Item 15, Article 2 of the Company Law and Katsuhisa Yoshikawa and Masahiro Nakamura are outside corporate auditors pursuant to Item 16, Article 2 of the Company Law.

Consolidated Financial Statements

Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets:			
Cash and due from banks (Notes 14 and 16)	¥ 410,198	¥ 452,967	$ 3,640,379
Debt purchased (Note 16)	3,527	5,096	31,301
Trading account securities (Notes 16 and 17)	362	230	3,212
Money held in trust (Notes 16 and 17)	22,000	22,000	195,243
Securities (Notes 5, 7, 10, 16 and 17)	1,797,411	1,693,517	15,951,464
Loans and bills discounted (Notes 6, 8 and 16)	3,188,341	3,079,175	28,295,536
Foreign exchanges (Note 6)	3,754	5,918	33,315
Lease receivables and lease investment assets	13,226	13,857	117,376
Other assets (Note 7)	33,834	23,651	300,266
Tangible fixed assets (Note 9)	40,566	41,230	360,010
Buildings	11,401	11,726	101,180
Land	25,359	25,236	225,053
Construction in progress	304	—	2,697
Other tangible fixed assets	3,500	4,267	31,061
Intangible fixed assets	4,697	5,157	41,684
Software	4,145	4,583	36,785
Other intangible fixed assets (Note 7)	552	573	4,898
Deferred tax assets (Note 21)	1,314	1,386	11,661
Customers' liabilities for acceptances and guarantees	10,191	10,963	90,441
Reserve for possible loan losses (Note 16)	(23,818)	(26,494)	(211,377)
Total assets	¥5,505,607	¥5,328,661	$48,860,552
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 7 and 16)	4,719,323	4,691,065	41,882,525
Negotiable certificates of deposit (Note 16)	47,007	63,349	417,172
Payables under securities lending transactions (Notes 7 and 16)	233,648	134,855	2,073,553
Borrowed money (Notes 7, 16 and 27)	189,724	116,122	1,683,741
Foreign exchanges	202	399	1,792
Other liabilities (Note 27)	19,182	34,877	170,234
Liability for retirement benefits (Note 19)	27,248	14,753	241,817
Reserve for reimbursement of deposits	164	131	1,455
Reserve for contingent losses	851	946	7,552
Deferred tax liabilities (Note 21)	6,349	9,878	56,345
Acceptances and guarantees	10,191	10,963	90,441
Total liabilities	¥5,253,894	¥5,077,342	$46,626,677
Net assets (Note 3):			
Common stock: Authorized 640,000 thousand shares Issued 272,756 thousand shares in 2016 and 2015	29,249	29,249	259,575
Capital surplus	26,075	18,813	231,407
Retained earnings	150,620	140,209	1,336,705
Less treasury stock: Issued 4,454 thousand shares in 2016 and 4,556 thousand shares in 2015	(1,864)	(1,907)	(16,542)
Total stockholders' equity	204,080	186,365	1,811,146
Valuation difference on available-for-sale securities (Note 17)	57,072	58,818	506,496
Deferred gains or losses on hedges (Note 18)	(620)	(668)	(5,502)
Accumulated adjustments for retirement benefits (Note 19)	(8,956)	(1,279)	(79,481)
Total accumulated other comprehensive income	47,496	56,870	421,512
Stock acquisition rights	136	146	1,206
Non-controlling interests	—	7,935	—
Total net assets	251,712	251,318	2,233,865
Total liabilities and net assets	¥5,505,607	¥5,328,661	$48,860,552

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	**2015**	**2016**
Income:			
Interest income:			
Interest on loans and bills discounted	**¥34,734**	¥36,452	**$308,253**
Interest and dividends on securities	**17,927**	17,873	**159,096**
Other interest income	**714**	508	**6,336**
Fees and commissions	**17,804**	18,375	**158,004**
Other operating income	**1,092**	4,729	**9,691**
Other income (Note 11)	**4,143**	3,930	**36,767**
Total income	**76,417**	81,869	**678,177**
Expenses:			
Interest expense:			
Interest on deposits	**2,405**	2,611	**21,343**
Interest on borrowings and rediscounts	**1,085**	478	**9,629**
Interest on subordinated bonds	**—**	318	**—**
Other interest expense	**303**	358	**2,689**
Fees and commissions	**8,834**	9,063	**78,399**
Other operating expenses	**1,483**	883	**13,161**
General and administrative expenses	**45,139**	47,723	**400,594**
Other expenses (Note 12)	**2,334**	2,420	**20,713**
Total expenses	**61,586**	63,857	**546,556**
Income before income taxes	**14,831**	18,012	**131,620**
Income taxes (Note 21):			
Current	**898**	1,130	**7,969**
Deferred	**1,469**	6,421	**13,036**
Total income taxes	**2,367**	7,552	**21,006**
Net income	**12,463**	10,459	**110,605**
Net income attributable to non-controlling interests	**303**	585	**2,689**
Net income attributable to owners of parent	**¥12,159**	¥ 9,874	**$107,907**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 25):			
Net income - basic	**¥45.32**	¥36.81	**$0.40**
Net income - diluted	**45.26**	36.76	**0.40**
Dividends	**7.00**	7.00	**0.06**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	**2015**	**2016**
Net income	**¥12,463**	¥10,459	**$110,605**
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	**(1,753)**	19,247	**(15,557)**
Deferred gains or losses on hedges	**47**	91	**417**
Adjustments for retirement benefits (Note 19)	**(7,676)**	3,097	**(68,122)**
Total other comprehensive income	**(9,382)**	22,436	**(83,262)**
Total comprehensive income for the year	**¥ 3,080**	¥32,895	**$ 27,334**
Total comprehensive income attributable to:			
Owners of parent	**¥ 2,784**	¥32,295	**$ 24,707**
Non-controlling interests	**295**	600	**2,618**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2015

		Millions of yen									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2014	272,756	¥29,249	¥18,813	¥132,594	¥(1,918)	¥39,585	¥(760)	¥(4,376)	¥123	¥7,336	¥220,648
Cumulative effects of changes in accounting policies	—	—	—	(377)	—	—	—	—	—	—	(377)
Restated balance at April 1, 2014 ..	—	29,249	18,813	132,216	(1,918)	39,585	(760)	(4,376)	123	7,336	220,271
Cash dividends	—	—	—	(1,877)	—	—	—	—	—	—	(1,877)
Net income attributable to owners of parent	—	—	—	9,874	—	—	—	—	—	—	9,874
Purchase of treasury stock	—	—	—	—	(11)	—	—	—	—	—	(11)
Disposition of treasury stock	—	—	(3)	—	21	—	—	—	—	—	18
Transfer from retained earnings to capital surplus	—	—	3	(3)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	—	19,232	91	3,097	22	598	23,043
Balance at April 1, 2015	272,756	¥29,249	¥18,813	¥140,209	¥(1,907)	¥58,818	¥(668)	¥(1,279)	¥146	¥7,935	¥251,318
Cash dividends	—	—	—	(1,743)	—	—	—	—	—	—	(1,743)
Net income attributable to owners of parent	—	—	—	12,159	—	—	—	—	—	—	12,159
Purchase of treasury stock	—	—	—	—	(8)	—	—	—	—	—	(8)
Disposition of treasury stock	—	—	(5)	—	51	—	—	—	—	—	45
Transfer from retained earnings to capital surplus	—	—	5	(5)	—	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling stockholders	—	—	7,261	—	—	—	—	—	—	—	7,261
Net changes in the items other than stockholders' equity	—	—	—	—	—	(1,745)	47	(7,676)	(10)	(7,935)	(17,320)
Balance at March 31, 2016 (Note 3) ..	**272,756**	**¥29,249**	**¥26,075**	**¥150,620**	**¥(1,864)**	**¥57,072**	**¥(620)**	**¥(8,956)**	**¥136**	**—**	**¥251,712**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2015	$259,575	$166,959	$1,244,311	$(16,924)	$521,991	$(5,928)	$(11,350)	$1,295	$70,420	$2,230,369
Cash dividends	—	—	(15,468)	—	—	—	—	—	—	(15,468)
Net income attributable to owners of parent	—	—	107,907	—	—	—	—	—	—	107,907
Purchase of treasury stock	—	—	—	(70)	—	—	—	—	—	(70)
Disposition of treasury stock	—	(44)	—	452	—	—	—	—	—	399
Transfer from retained earnings to capital surplus	—	44	(44)	—	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling stockholders	—	64,439	—	—	—	—	—	—	—	64,439
Net changes in the items other than stockholders' equity	—	—	—	—	(15,486)	417	(68,122)	(88)	(70,420)	(153,709)
Balance at March 31, 2016 (Note 3) ...	**$259,575**	**$231,407**	**$1,336,705**	**$(16,542)**	**$506,496**	**$(5,502)**	**$(79,481)**	**$1,206**	**—**	**$2,233,865**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 14,831	¥ 18,012	$ 131,620
Depreciation	4,006	4,526	35,552
Loss on impairment of fixed assets	—	11	—
Increase (decrease) in reserve for possible loan losses	(2,676)	179	(23,748)
Increase (decrease) in liability for retirement benefits	1,509	10	13,391
Increase (decrease) in reserve for reimbursement of deposits	33	(19)	292
Increase (decrease) in reserve for contingent losses	(94)	(251)	(834)
Interest income	(53,376)	(54,835)	(473,695)
Interest expense	3,795	3,766	33,679
Loss (gain) on investment securities	(2,353)	(5,789)	(20,882)
Loss (gain) on money held in trust	35	(304)	310
Foreign exchange losses (gains)	25,042	(40,491)	222,239
Losses (gains) on sales of fixed assets	(483)	(162)	(4,286)
Net decrease (increase) in loans and bills discounted	(109,166)	(107,016)	(968,814)
Net increase (decrease) in deposits	28,257	105,708	250,772
Net increase (decrease) in negotiable certificates of deposit	(16,342)	(14,182)	(145,030)
Net increase (decrease) in borrowed money	73,602	30,733	653,194
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	(343)	(257)	(3,044)
Net decrease (increase) in call loans and bills bought	1,569	313	13,924
Net increase (decrease) in payables under securities lending transactions	98,793	(6,745)	876,757
Net decrease (increase) in foreign exchange assets	2,163	(3,853)	19,195
Net increase (decrease) in foreign exchange liabilities	(197)	202	(1,748)
Net decrease (increase) in lease receivables and lease investment assets	506	892	4,490
Interest received	56,550	60,990	501,863
Interest paid	(3,930)	(5,061)	(34,877)
Other	(25,912)	9,216	(229,960)
Subtotal	95,820	(4,406)	850,372
Income taxes paid	(943)	(1,426)	(8,368)
Income taxes refunded	—	9	—
Net cash provided by (used in) operating activities	94,877	(5,822)	842,003
Cash flows from investing activities			
Purchases of securities	(528,866)	(625,395)	(4,693,521)
Proceeds from sales of securities	140,152	671,475	1,243,805
Proceeds from maturities of securities	255,828	234,290	2,270,394
Increase in money held in trust	(196)	(5)	(1,739)
Decrease in money held in trust	160	310	1,419
Purchase of tangible fixed assets	(2,179)	(1,930)	(19,337)
Proceeds from sales of tangible fixed assets	1,200	493	10,649
Purchase of intangible fixed assets	(1,281)	(1,534)	(11,368)
Other	(95)	(21)	(843)
Net cash provided by (used in) investing activities	(135,277)	277,682	(1,200,541)
Cash flows from financing activities			
Redemption of subordinated bonds	—	(20,000)	—
Dividends paid	(1,745)	(1,878)	(15,486)
Dividends paid to non-controlling stockholders	(1)	(1)	(8)
Purchase of treasury stock	(8)	(11)	(70)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(967)	—	(8,581)
Other	0	0	0
Net cash used in financing activities	(2,722)	(21,890)	(24,156)
Effect of exchange rate changes on cash and cash equivalents	9	17	79
Net increase (decrease) in cash and cash equivalents	(43,113)	249,986	(382,614)
Cash and cash equivalents at beginning of year	450,641	200,655	3,999,298
Cash and cash equivalents at end of year (Note 14)	¥407,527	¥450,641	$3,616,675

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

1. BASIS OF PRESENTATION

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

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

As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its ten subsidiaries at March 31, 2016 (ten in 2015). For the fiscal year ended March 31, 2015, Nanto Asset Research Co., Ltd. resolved its dissolution at the extraordinary stockholders' meeting held on September 30, 2014 and its liquidation was completed on January 29, 2015.

The Bank has one (one in 2015) unconsolidated subsidiary, namely, Nanto Sixth Industry Support Investment Limited Partnership. The unconsolidated subsidiary is excluded from the scope of consolidation because the portion of its assets, net income (loss), retained earnings, accumulated other comprehensive income and others that correspond to the Bank's equity are immaterial to the extent that its exclusion from the scope of consolidation does not preclude reasonable judgment of the Group's financial position and results of operations.

The Bank has no affiliates over which it has the ability to exercise significant influence over operating and financial policies.

The Bank has one unconsolidated subsidiary (one in 2015) not accounted for by the equity method, namely, Nanto Sixth Industry Support Investment Limited Partnership, and one (0 in 2015) affiliate not accounted for by the equity method, namely, Nara Prefecture Tourism Revitalization Investment Limited Partnership. The unconsolidated subsidiary and affiliate not accounted for by the equity method are excluded from the scope of the equity method because its effect on the accompanying consolidated financial statements is not significant in terms of the portion of its net income (loss), retained earnings, accumulated other comprehensive income, and others which correspond to the Bank's equity.

All consolidated subsidiaries have fiscal years ending on March 31.

All significant intercompany accounts, transactions and unrealized profits on transactions are eliminated.

b. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents represents cash and due from the Bank of Japan.

c. Finance leases

As lessor:

Finance leases are accounted for in a manner similar to that used for ordinary sale transactions. Revenue from finance lease transactions and related costs are recognized upon receipt of lease payments. Finance leases which transfer ownership of the lease assets to the lessee are recognized as lease receivables, and all finance leases which do not transfer ownership of the lease assets to the lessee are recognized as lease investment assets.

As for finance leases which commenced before April 1, 2008 and do not transfer ownership of the lease assets to the lessee, the appropriate book value (net of accumulated depreciation and amortization) of tangible and intangible fixed assets as of March 31, 2008 was recorded as the beginning balance of "Lease receivables and lease investment assets," and the total amount of interest equivalent for the remaining lease term after the adoption of the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Statement No. 13, issued on March 30, 2007) is allocated over the remaining lease term using the straight-line method.

Differences between income before income taxes for the fiscal years ended March 31, 2016 and 2015 and income before income taxes calculated as if the accounting treatment for the ordinary sale transactions had been applied to the finance leases which do not transfer ownership of the leased assets to the lessee are not material.

d. Securities

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the disposal or the change. Cost of sales for such securities is determined using the moving average method. Held-to-maturity debt securities are stated at amortized cost on a straight-line method, cost of which is determined using the moving average method. Available-for-sale securities with available fair values are stated at fair value in principle based on the market price as of the fiscal closing date. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Available-for-sale securities for which it is extremely difficult to identify the fair value are stated at moving average cost.

If the fair value of held-to-maturity debt securities or available-for-sale securities declines significantly, the securities are stated at fair value, and the difference between the fair value and the carrying amount is recognized as a loss in the period of the decline. In such a case, the fair value will be the carrying amount of the securities at the beginning of the next fiscal year.

Securities managed as trust assets in the individually managed money held in trust primarily for securities management purposes are measured at fair value.

e. Derivatives and hedge accounting

Derivatives are measured at fair value.

To account for hedging transactions in connection with interest rate risk arising from financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). The Bank assesses the effectiveness of such hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items, such as loans and deposits, and the hedging instruments, such as interest rate swaps, by their maturity. Regarding cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the hedged items with the hedging instruments.

A portion of the deferred hedge losses and gains that were previously accounted for under the "macro hedge method," which had been applied in order to manage interest rate risk arising from large volume transactions in loans, deposits and other interest earning assets and interest bearing liabilities as a whole using derivatives pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15, February 15, 2000) is no longer subject to hedge accounting. The deferred hedge losses and gains are being charged to "Interest income" or "Interest expense" over a 15-year period (maximum) from March 31, 2004 according to their maturity and notional principal amount. The total amount of deferred hedge loss under the "macro hedge method" was ¥1 million ($8 thousand) in 2016 and ¥2 million in 2015.

In order to hedge risk arising from the volatility of exchange rates for securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting on the condition that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currency.

f. Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets of the Bank is computed by the declining balance method, except for buildings (excluding building attachments which are depreciated by the declining balance method) which are depreciated by the straight-line method. The estimated useful lives of major items are as follows:

Buildings	6 to 50 years
Others	3 to 20 years

Depreciation of the assets of the consolidated subsidiaries is computed principally by the declining balance method over the estimated useful life of the asset.

g. Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

h. Lease assets

Lease assets with respect to finance leases that do not transfer ownership of tangible fixed assets and intangible fixed assets are depreciated or amortized using the straight-line method with the assumption that the term of the lease is the useful life. Residual values of leased assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

i. Reserve for possible loan losses

The reserve for possible loan losses is provided according to predetermined standards. For loans to insolvent customers who are undergoing bankruptcy or other special liquidation ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided based on the amount of the claims net of the amount expected to be recovered from collateral and guarantees and net of the deducted amount mentioned below. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances, but for whom there is a high probability of so becoming ("likely to become bankrupt borrowers"), the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, the reserve for possible loan losses is provided for based on the Bank's actual rate of loan losses in the past.

All the claims are assessed by the operating divisions based on the self-assessment criteria on asset quality, and the assessment results are audited by the Asset Audit Division, which is independent from the operating divisions.

For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and deducted directly from those claims. At March 31, 2016 and 2015, the deducted amounts were ¥7,755 million ($68,823 thousand) and ¥7,434 million, respectively. The reserve for possible loan losses of the consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan-loss ratio and for certain doubtful claims by the amount deemed uncollectible based on an assessment of each claim.

j. Employee retirement benefits

In calculating projected benefit obligations, expected benefits are attributed to each period by the benefit formula basis.

Prior service costs are recognized as profit or loss at the time of occurrence.

Actuarial gains and losses are amortized from the fiscal year following the year in which the gains and losses are recognized by the straight-line method over a fixed period (ten years), which is within the average remaining service years of the current employees.

Consolidated subsidiaries applied the simplified method where the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations in the calculation of their liability for retirement benefits and retirement benefit costs.

k. Reserve for reimbursement of deposits

A reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience.

l. Reserve for contingent losses

Providing for payment of the contribution to the Credit Guarantee Corporation, the Bank provides a reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

m. Foreign currency translations

Foreign currency assets and liabilities are translated at fiscal year-end exchange rates.

n. Income taxes

Deferred income taxes are recorded to reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

o. Recognition criteria for lease income and costs for finance leases

Lease income and costs are recognized at the time of receiving lease fees.

p. Consumption taxes

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

q. Changes in accounting policies

For the year 2015

The Bank and its consolidated domestic subsidiaries adopted Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, hereinafter, "Retirement Benefits Guidance") from the current fiscal year, and have changed the determination of projected benefit obligations and current service costs. In addition, the Bank and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line method to a benefit formula basis and determining the discount rates from the method using a discount rate which refers to the yields of bonds whose remaining maturities approximate the estimated average remaining service years of employees to the method using a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts by the respective estimated payment periods.

In accordance with Paragraph 37 of Retirement Benefits Standard, the effect of changing the determination of projected benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, liability for retirement benefits increased by ¥584 million and retained earnings decreased by ¥377 million at the beginning of the current fiscal year. In addition, income before income taxes increased by ¥69 million in the current fiscal year.

The effects on segment information and per share information are explained in Note 23, "SEGMENT AND RELATED INFORMATION" and Note 25, "PER SHARE INFORMATION," respectively.

For the year 2016

The Bank and its consolidated domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Bank changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Bank's ownership interest of subsidiaries over which the Bank continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Bank changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Bank also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

With regard to the application of the Business Combination Accounting Standards, the Bank followed the provisional treatments in Paragraph 58-2(4) of Statement No. 21, Paragraph 44-5 (4) of Statement No. 22 and Paragraph 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year prospectively.

As a result, income before income taxes for the current fiscal year decreased by ¥7,268 million ($64,501 thousand) and capital surplus as of the end of the current fiscal year increased by ¥7,261 million ($64,439 thousand).

Capital surplus as of the end of the current fiscal year in the consolidated statement of changes in net assets increased by ¥7,261 million ($64,439 thousand).

The effects on per share information are explained in Note 25, "PER SHARE INFORMATION."

r. Unapplied accounting standards

For the year 2015

"Revised Accounting Standard for Business Combinations," etc. (September 13, 2013)

(1) Summary

The standards provide guidance for (1) the accounting for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary upon additional acquisition of shares in a subsidiary or other cases, (2) the corresponding accounting for acquisition-related costs, (3) the provisional accounting treatments, and (4) the presentation method for net income and the change from minority interests to non-controlling interests.

(2) Effective date

The Group is scheduled to apply the revised accounting standards, etc. from the beginning of the fiscal year starting on April 1, 2015.

(3) Effects of application of the standards

The effects of this application have yet to be determined.

For the year 2016

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016, hereinafter, "Guidance No. 26")

(1) Summary

Following the framework in "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets" (JICPA Auditing Committee Report No. 66), which prescribes a guidance for recoverability of deferred tax assets, the implementation guidance changed its treatment as necessary.

(2) Effective date

The Group is scheduled to apply the revised implementation guidance from the beginning of the fiscal year starting on April 1, 2016.

(3) Effects of application of the guidance

The Group is currently evaluating the effects.

3. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2016 and 2015 were as follows:

	2016 (Thousands of shares)				Remarks
	April 1, 2015	Increase	Decrease	March 31, 2016	
Shares issued					
Common stock	**272,756**	**—**	**—**	**272,756**	
Total	**272,756**	**—**	**—**	**272,756**	
Treasury stock					
Common stock	**4,556**	**20**	**122**	**4,454**	**Notes 1 & 2**
Total	**4,556**	**20**	**122**	**4,454**	

Notes: 1. The increase in common stock of treasury stock of 20 thousand shares is due to the purchase of shares of less than one unit.
2. The decrease in common stock of treasury stock of 122 thousand shares comprises a decrease of 121 thousand shares due to the execution of stock options and a decrease of 0 thousand shares due to sales of shares of less than one unit.

	2015 (Thousands of shares)				Remarks
	April 1, 2014	Increase	Decrease	March 31, 2015	
Shares issued					
Common stock	272,756	—	—	272,756	
Total	272,756	—	—	272,756	
Treasury stock					
Common stock	4,581	26	52	4,556	Notes 1 & 2
Total	4,581	26	52	4,556	

Notes: 1. The increase in common stock of treasury stock of 26 thousand shares is due to the purchase of shares of less than one unit.
2. The decrease in common stock of treasury stock of 52 thousand shares is due to the execution of stock options.

(2) Matters concerning Stock Acquisition Rights

For the fiscal year ended March 31, 2016

Classification	Breakdown		Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares				Balance at end of current fiscal year (Millions of yen)	(Thousands of U.S. dollars)
			April 1, 2015	Increase	Decrease	March 31, 2016		
The Bank	Stock acquisition rights granted as stock options		—	—	—	—	¥136	$1,206
		Total	—	—	—	—	¥136	$1,206

For the fiscal year ended March 31, 2015

Classification	Breakdown		Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares				Balance at end of current fiscal year (Millions of yen)
			April 1, 2014	Increase	Decrease	March 31, 2015	
The Bank	Stock acquisition rights granted as stock options		—	—	—	—	¥146
		Total	—	—	—	—	¥146

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2016

	Millions of yen (thousands of U.S. dollars), except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 26, 2015	Common stock	¥804 ($7,135)	¥3.00 ($0.02)	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 13, 2015	Common stock	¥939 ($8,333)	¥3.50 ($0.03)	September 30, 2015	December 7, 2015

Dividends paid in the fiscal year ended March 31, 2015

	Millions of yen, except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 27, 2014	Common stock	¥804	¥3.00	March 31, 2014	June 30, 2014
Board of Directors' meeting held on November 14, 2014	Common stock	¥1,072	¥4.00	September 30, 2014	December 5, 2014

(b) Dividends to be paid in the fiscal year ending March 31, 2017

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen (thousands of U.S. dollars), except per share amount				
Annual stockholders' meeting held on June 29, 2016	Common stock	¥939 ($8,333)	Retained earnings	¥3.50 ($0.03)	March 31, 2016	June 30, 2016

4. STOCKHOLDERS' EQUITY

Under the Banking Law of Japan and the Company Law, the entire amount of the issue price of shares is required to be accounted for as capital, although the Bank may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations be appropriated and set aside as legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Bank has reached 100% of common stock. Therefore, the Bank is not required to provide additional legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or more than 100% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with the Company Law.

5. SHARES OR INVESTMENTS IN CAPITAL OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Shares or investments in capital of unconsolidated subsidiaries and affiliates at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Shares or investments in capital	**¥12**	¥0	**$106**

6. NONPERFORMING LOANS

Nonperforming loans at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans to bankrupt borrowers	**¥ 1,457**	¥ 894	**$ 12,930**
Past due loans	**62,239**	63,465	**552,351**
Past due loans (three months or more)	**169**	762	**1,499**
Restructured loans	**9,914**	14,805	**87,983**
Total	**¥73,781**	¥79,928	**$654,783**

Bills discounted are accounted for as financing transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). This accounting treatment allows the Bank the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥20,050 million ($177,937 thousand) and ¥19,970 million at March 31, 2016 and 2015, respectively.

7. PLEDGED ASSETS

At March 31, 2016 and 2015, securities of ¥550,250 million ($4,883,297 thousand) and ¥445,629 million, respectively, were pledged as collateral for deposits of ¥61,136 million ($542,563 thousand) and ¥57,489 million, respectively, payables under securities lending transactions of ¥233,648 million ($2,073,553 thousand) and ¥134,855 million, respectively, and borrowed money of ¥181,342 million ($1,609,353 thousand) and ¥107,911 million, respectively.

Securities of ¥70,827 million ($628,567 thousand) and ¥79,326 million were pledged for transaction guarantees at March 31, 2016 and 2015, respectively.

Unexpired lease contract claims of ¥4,516 million ($40,078 thousand) and ¥4,980 million were pledged as collateral for borrowed money of ¥3,497 million ($31,034 thousand) and ¥4,019 million at March 31, 2016 and 2015, respectively.

At March 31, 2016 and 2015, other assets included initial margins of futures markets of ¥122 million ($1,082 thousand) and nil, respectively, and security deposits of ¥1,273 million ($11,297 thousand) and ¥1,248 million, respectively, and other intangible fixed assets included key money of ¥552 million ($4,898 thousand) and ¥573 million, respectively.

8. LOAN COMMITMENTS

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to a prescribed amount as long as there is no violation of any condition established in the contract. The amounts of unused commitments at March 31, 2016 and 2015 were ¥931,177 million ($8,263,906 thousand) and ¥895,274 million, respectively, and the amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2016 and 2015 were ¥907,347 million ($8,052,422 thousand) and ¥878,294 million, respectively.

Since many of these commitment line contracts are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily affect actual future cash flow.

Many of these commitments line contracts have clauses that allow the Group to reject the application from customers or reduce the contract amounts if economic conditions change. In addition, the Group may request that customers pledge collateral such as premises and securities or take other necessary measures such as scrutinizing customers' financial positions and revising contracts when the need arises to secure claims.

9. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets were ¥44,784 million ($397,444 thousand) and ¥45,612 million at March 31, 2016 and 2015, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥718 million ($6,372 thousand) at March 31, 2016 and 2015.

10. GUARANTEES

The amount guaranteed by the Bank for privately placed bonds (stipulated by Article 2, Paragraph 3 of the Financial Instruments Exchange Act) included in "Bonds" of "Securities," was ¥4,753 million ($42,181 thousand) and ¥2,933 million at March 31, 2016 and 2015, respectively.

11. OTHER INCOME

For the fiscal years ended March 31, 2016 and 2015, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	**2015**	**2016**
Gains on sales of stocks and other securities	**¥1,846**	¥1,515	**$16,382**
Recovery of written off claims	**369**	678	**3,274**
Gains on sales of fixed assets	**560**	197	**4,969**
Other	**1,370**	1,735	**12,158**
Total	**¥4,143**	¥3,930	**$36,776**

12. OTHER EXPENSES

For the fiscal year ended March 31, 2016 and 2015, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	**2015**	**2016**
Write-offs of loans	**¥ 933**	¥1,176	**$ 8,280**
Provision for possible loan losses	**362**	563	**3,212**
Loss on impairment of fixed assets	**—**	11	**—**
Other	**1,038**	669	**9,220**
Total	**¥2,334**	¥2,420	**$20,715**

13. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2015**	**2016**
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	**¥ (1,068)**	¥30,733	**$ 9,478**
Reclassification adjustments to net income	**(2,353)**	(5,790)	**(20,882)**
Amount before tax effect	**(3,421)**	24,943	**(30,360)**
Tax effect	**1,668**	(5,696)	**14,802**
Valuation difference on available-for-sale securities	**(1,753)**	19,247	**(15,557)**
Deferred gains or losses on hedges			
Losses incurred during the year	**(202)**	(179)	**(1,792)**
Reclassification adjustments to net income	**302**	360	**2,680**
Amount before tax effect	**100**	181	**887**
Tax effect	**(52)**	(90)	**(461)**
Deferred gains or losses on hedges	**47**	91	**417**
Adjustments for retirement benefits:			
Gains (losses) incurred during the year	**(11,721)**	3,507	**(104,020)**
Reclassification adjustments to net income	**735**	1,374	**6,522**
Amount before tax effect	**(10,986)**	4,881	**(97,497)**
Tax effect	**3,309**	(1,784)	**29,366**
Adjustments for retirement benefits	**(7,676)**	3,097	**(68,122)**
Total other comprehensive income	**¥ (9,382)**	¥22,436	**$ (83,262)**

14. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2016 and 2015 and cash and cash equivalents in the consolidated statements of cash flows for the fiscal years then ended were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks on the consolidated balance sheets	**¥410,198**	¥452,967	**$3,640,379**
Current deposits due from banks	**(1,978)**	(1,648)	**(17,554)**
Time deposits due from banks	**(615)**	(615)	**(5,457)**
Other due from banks	**(77)**	(63)	**(683)**
Cash and cash equivalents on the consolidated statements of cash flows	**¥407,527**	¥450,641	**$3,616,675**

15. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	**¥ 125**	¥ 126	**$ 1,109**
Due after one year	**1,067**	1,125	**9,469**
Total	**¥1,192**	¥1,251	**$10,578**

As lessor:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	**¥—**	¥1	**$—**
Due after one year	**—**	—	**—**
Total	**¥—**	¥1	**$—**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Matters relating to the status of financial instruments

(1) Policy on financial instruments

The Group is composed of the Bank and ten consolidated subsidiaries and provides financial services such as banking, securities, leasing and credit guarantee businesses.

Its major banking business includes (i) the acceptance of deposits, lending services, bills discounting and remittance, and (ii) the guarantee of debt, acceptance of bills and other services related to the banking business. The securities business includes underwriting and dealing in securities, over-the-counter derivative transactions and other related services including security index future transactions in accordance with the Financial Instruments and Exchange Act.

The Bank, in addition to being a money lender and borrower in the interbank market to adjust surplus and deficit of funds, raises funds by loans and bonds with consideration for the financial market conditions and the balance of length.

The Bank conducts asset and liability management (ALM) and manages, identifying various types of risk exposures associated with the banking business, since the Bank holds financial assets and liabilities exposed to the market risk associated with the fluctuation of interest rates. As part of its risk management, the Bank utilizes derivative transactions such as interest rate swaps. The Bank also enters into derivative transactions for trading purposes with certain position limits.

(2) Contents and risk of financial instruments

Financial assets held by the Group are composed mainly of loans to corporate and individual customers which are exposed to credit risk arising from the nonperformance of its customers. In addition, loan balances are significantly concentrated to Nara prefecture, where the head office of the Bank is located. Accordingly, changes in the economic circumstances of the region could have a great impact on the credit risk.

Securities consist principally of Japanese government bonds, Japanese local government bonds, equity securities, foreign securities, investment trusts that are classified as other securities (available-for-sale), private bonds guaranteed by the Bank that are classified as held-to-maturity debt securities and Japanese government bonds classified as trading purpose securities. These securities are exposed to the credit risk of issuers and the market risk of fluctuation in interest rates and market prices. Since financial assets denominated in foreign currencies are exposed to exchange rate risk, currency related derivative transactions are used to balance the amount of funding and amount of operations for each currency to reduce the risk.

In the banking business, financial liabilities consist principally of deposits from retail clients in Japan and are exposed to interest rate risk. In addition, foreign currency deposits are exposed to exchange rate risk. With respect to borrowed money, the Group may be forced to raise funds under unfavorable conditions and, accordingly, become significantly exposed to liquidity risk if the fund raising capacity of the Group significantly declined and led to the inability to repay under circumstances such as the significant deterioration of the financial position of the Group. Furthermore, borrowed money with floating interest rates is exposed to interest rate risk.

Derivative transactions include interest rate swaps for interest rate related transactions, currency swaps and forward foreign exchange transactions for currency related transactions, and bond future transactions and bond option transactions for bond related transactions. In addition, certain credit derivatives are embedded in the financial instruments. The Bank utilizes those derivative transactions in order to hedge the position of the customers as well as to capture various risks associated with transactions with customers and control those risks properly. The Bank also uses derivatives for trading purposes with certain position limits.

The Bank applies the deferred hedge accounting method for derivative transactions when used as hedging instruments. Interest rate swaps are used as hedging instruments to avoid interest rate risks of hedged items such as loans with fixed interest rates and deposits with fixed interest rates. Deferred hedge accounting has been applied to derivatives used as hedging instruments.

The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation between the hedged items and the hedging instruments. Transactions which do not meet the requirements of hedge accounting and derivative transactions for trading purposes are exposed to interest rate risk, foreign currency risk, price fluctuation risk and credit risk.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a framework for credit control which includes credit reviews for individual transactions, credit limits, credit information management, internal credit ratings, guarantees and collateral and self-assessment in accordance with the Group's "Rules on credit risk management" and "Rules on self-assessment of assets." These credit controls are performed by each branch and the Credit Analysis Division, and the independent Audit Department audits the status of credit risk controls and its results. The status of credit risk controls is periodically evaluated and reported to the Managing Directors' Committee and board meeting.

Credit risks associated with the issuers of securities are managed by the Financial Investment Division and Risk Control Division. With respect to the credit risks associated with the issuer of the securities and counterparty risk associated with derivative transactions, related credit information and fair values of the securities are periodically checked to monitor those risks.

Market risk management

(a) Interest rate risk

From the perspective of ALM, the Group manages market risk such as interest rate risk associated with assets and liabilities, including loans, deposits and securities comprehensively. The Group's "Rules on Market Risk Management" articulates that the Bank makes efforts to manage the market sector effectively, taking risk and reward into account as well as avoiding excessive risk taking by setting appropriate risk limits based on the Group's ability to take risk and identifying market risk properly.

The ALM Committee, the decision making entity for the management of market risks, sets certain semiannual risk limits determined by VaR based upon the Bank's capital adequacy and market conditions. The Bank pursues profit opportunities within the risk limits. The Risk Control Division assesses interest rate risk by VaR, reports to the ALM Committee on a monthly basis and properly monitors its operations. Other methodologies such as BPV and the simulation of the interest rate fluctuation are also used so that the Bank can capture and analyze risk from a broader point of view.

(b) Foreign currency risk

With regard to foreign currency risk associated with operations and procurement of financial instruments denominated in foreign currency, the Group manages risk by balancing the amount of funding and amount of operations for each currency. In addition, as for foreign currency exchange transactions for investment purposes, the Risk Control Division assesses the foreign currency risk by VaR, reports to the ALM committee on a monthly basis and properly monitors its operations.

(c) Price fluctuation risk

With regard to investments in securities, the Group prepares its asset management plan semiannually and makes investment decisions at the ALM Committee based upon expected returns and correlations between investment items and related market fluctuation risk. The Financial Investment Division plays a part in investments for investment purposes, and the General Business Division plays a part in investments for the purpose of business alliances and capital affiliation. Continuous monitoring of market conditions and restrictions on investments in riskier assets such as securitized instruments help to avoid unnecessary price fluctuation risk.

The Risk Control Division assesses the price fluctuation risk of equity securities, etc. by VaR, reports monthly to the ALM Committee about compliance with risk limits and properly manages the risk.

(d) Derivative transactions

With respect to derivative transactions for hedging purposes, the Group establishes internal rules defining the authority and hedge policies which are governed by the Risk Control Division. With respect to derivative transactions for trading purposes, certain trading limits and loss limit rules are set semiannually by the ALM Committee. The Risk Control Division, which serves as the middle office, monitors compliance and calculates the total amount of risk. The Financial Investment Division, which serves as the back office, checks each derivative transaction, marked-to-market position, and evaluates the profit and loss from the transactions on a daily basis. Combined with those functions, the related divisions check each other so as not to exceed limits on loss.

The directors of the Bank are reported to from both the middle office and the back office and monitor the risks associated with the Bank's portfolio as a whole, including loans, deposits and securities at the ALM Committee.

(e) Quantitative information relating to market risk

The Group manages the quantity of market risk for financial instruments such as loans, deposits, securities and derivatives by VaR. To calculate VaR, the historical method (confidence level of 99%, observation period of 1,250 business days, holding period of 120 business days [holding period for equity securities other than purely for investment purposes are 240 business days] and the correlation of risk categories are not considered.) is adopted.

At March 31, 2016, the Group's total market risk (decrease in estimated economic value) was ¥53,513 million ($474,911 thousand) (¥27,083 million in 2015). In addition, the Group conducted back tests comparing actual income with the VaR calculated by the model in order to confirm the accuracy of the model. However, VaR is a statistical measure of market risk based on past fluctuations in the market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Management of liquidity risk associated with financing activities

The Financial Investment Division manages the Bank's cash position based upon the monthly funding plan designed by the ALM Committee, while the Risk Control Division monitors the situation. The ALM Committee manages financing risk comprehensively by understanding the amount of cash for which the Bank can liquidate and also can raise from the market on a regular basis.

In addition, the Group categorizes its financing situation into "Regular Phase" "Concern Phase" and "Crisis Phase," and prepares appropriate management structures for each phase so that the Group can take proper action accordingly.

(4) Supplementary explanation on the fair value of financial instruments

The fair values of financial instruments comprise the values determined based on quoted market prices and values calculated on a reasonable basis when no market price is available. Certain assumptions are used for the calculation of such amounts, and, accordingly, the result of such calculations may vary if different assumptions are used.

b. Fair value of financial instruments

The table below summarizes the carrying amounts, fair values and differences of financial instruments as of March 31, 2016 and 2015.

Note that unlisted equity securities for which it is extremely difficult to identify the fair value and immaterial accounts are not included in the table (see Note 2 below).

	Millions of yen		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	**¥ 410,198**	**¥ 410,198**	**¥ —**
Debt purchased	**3,527**	**3,527**	**—**
Trading account securities			
Trading securities	**362**	**362**	**—**
Money held in trust	**22,000**	**22,000**	**—**
Securities			
Held-to-maturity debt securities	**4,753**	**4,795**	**42**
Available-for-sale securities	**1,790,864**	**1,790,864**	**—**
Loans and bills discounted	**3,188,341**		
Reserve for possible loan losses (*1)	**(23,291)**		
	3,165,050	**3,193,563**	**28,512**
Total assets	**¥5,396,755**	**¥5,425,310**	**¥28,554**
Deposits	**¥4,719,323**	**¥4,719,729**	**¥ 406**
Negotiable certificates of deposit	**47,007**	**47,007**	**—**
Payables under securities lending transactions	**233,648**	**233,648**	**—**
Borrowed money	**189,724**	**189,680**	**(44)**
Total liabilities	**¥5,189,703**	**¥5,190,065**	**¥ 362**
Derivative transactions (*2)			
Hedge accounting not applied	**11,838**	**11,838**	**—**
Hedge accounting applied	**(706)**	**(706)**	**—**
Total derivative transactions	**¥ 11,131**	**¥ 11,131**	**¥ —**

	Millions of yen		
	2015		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 452,967	¥ 452,967	¥ —
Debt purchased	5,096	5,096	—
Trading account securities			
Trading securities	230	230	—
Money held in trust	22,000	22,000	—
Securities			
Held-to-maturity debt securities	2,933	2,950	16
Available-for-sale securities	1,688,677	1,688,677	—
Loans and bills discounted	3,079,175		
Reserve for possible loan losses (*1)	(26,006)		
	3,053,168	3,071,533	18,365
Total assets	¥5,225,075	¥5,243,457	¥18,381
Deposits	¥4,691,065	¥4,691,579	¥ 514
Negotiable certificates of deposit	63,349	63,349	—
Payables under securities lending transactions	134,855	134,855	—
Borrowed money	116,122	116,080	(41)
Total liabilities	¥5,005,392	¥5,005,864	¥ 472
Derivative transactions (*2)			
Hedge accounting not applied	(11,978)	(11,978)	—
Hedge accounting applied	(1,084)	(1,084)	—
Total derivative transactions	¥ (13,063)	¥ (13,063)	¥ —

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 3,640,379	$ 3,640,379	$ —
Debt purchased	31,301	31,301	—
Trading account securities			
Trading securities	3,212	3,212	—
Money held in trust	195,243	195,243	—
Securities			
Held-to-maturity debt securities	42,181	42,554	372
Available-for-sale securities	15,893,361	15,893,361	—
Loans and bills discounted	28,295,536		
Reserve for possible loan losses (*1)	(206,700)		
	28,088,835	28,341,879	253,035
Total assets	$47,894,524	$48,147,941	$253,407
Deposits	$41,882,525	$41,886,128	$ 3,603
Negotiable certificates of deposits	417,172	417,172	—
Payables under securities lending transactions	2,073,553	2,073,553	—
Borrowed money	1,683,741	1,683,351	(390)
Total liabilities	$46,057,002	$46,060,214	$ 3,212
Derivative transactions (*2)			
Hedge accounting not applied	105,058	105,058	—
Hedge accounting applied	(6,265)	(6,265)	—
Total derivative transactions	$ 98,784	$ 98,784	$ —

(*1) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(Note 1) Computation method for fair value of financial instruments

Assets

Cash and due from banks:
With respect to due from banks without maturities, the carrying amount is presented as the fair value as the fair value approximates the carrying amount. With respect to due from banks with maturities, the fair value is calculated for each category of maturity by discounting the cash flow at the interest rate assumed if the same due from banks were newly executed.

Debt purchased:
The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Trading account securities:
The fair value of securities held for trading purposes is determined based on quoted market prices or values calculated on a reasonable basis if no market price is available.

Money held in trust:
The fair value of securities managed as trust assets in individually managed money held in trust primarily for securities management purposes is determined based on the values presented by the trust bank. For additional information on money held in trust categorized by holding purposes, see Note 17, “SECURITIES AND MONEY HELD IN TRUST.”

Securities:
The fair value of equity securities is determined using the market price at the exchanges. The fair value of debt securities is determined based on market prices or values calculated on a reasonable basis if no market price is available. The fair value of listed investment trusts is determined using the market price at the exchanges and the fair value of other investment trusts is determined using standard prices published by the Investment Trust Association, Japan or presented from the financial institutions with which they are transacted. The fair value of the private bonds guaranteed by the Bank is calculated by discounting the aggregate value of principle and interest at the interest rate assumed if the same bond were newly issued for each category based on term, redemption method and guarantees. With respect to the private bonds guaranteed by the Bank issued by “bankrupt borrowers,” “effectively bankrupt borrowers” and “likely to become bankrupt borrowers,” the amount of possible loan losses is computed based on the present value of estimated future cash flow or the recoverable amounts from collateral and guarantees. Therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses, and such amount is presented as the fair value.

For additional information on securities categorized by holding purposes, see Note 17, “SECURITIES AND MONEY HELD IN TRUST.”

Loans and bills discounted:
The fair value of loans with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount, as long as the credit situation of the borrowers does not vary significantly after they execute the loans, since they reflect market interest rates due to their short-term nature. The fair value of loans with fixed rates is computed, by discounting the aggregate value of principal and interest at the interest rate assumed if the same loans were newly executed, for each category of type of loans, internal ratings and maturities. As for the loans whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

With respect to receivables from “bankrupt borrowers,” “effectively bankrupt borrowers” and “likely to become bankrupt borrowers,” the amount of possible loan losses is computed based on the present value of the estimated future cash flow or the recoverable amounts from collateral and guarantees. Therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses, and this amount is presented as the fair value.

The fair value of loans without a predetermined repayment date due to their lending amounts being limited within the values of the applicable collateral is presented using the carrying amount, as the fair value is deemed to approximate the carrying amounts considering the estimated repayment term and interest rates. The fair value of embedded derivative loans is presented using market prices at financial institutions.

Liabilities

Deposits and negotiable certificates of deposits:

With respect to on-demand deposits, the payment obligation due when demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of time deposits is computed using the present value by discounting future cash flows for each category of a certain period. The interest rate to be applied when a new deposit is taken is used as the discount rate. For deposits whose residual maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Payables under securities lending transactions:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Borrowed money:

The fair value of borrowed money with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount since the interest rate reflects the market interest rate due to the short-term nature and the credit situation of the Group does not vary significantly after executing the borrowing. The fair value of borrowed money with fixed interest rate is computed, by discounting the aggregate value of principal and interest (with respect to borrowed money accounted for by the exceptional accounting method for interest rate swaps, the aggregate value of principal and interest using the interest rate swap rate) at the interest rate assumed if the same borrowing were newly executed, for each category of type of maturities. As for the borrowed money whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Derivative transactions

For derivative transactions, see Note 18, "DERIVATIVE TRANSACTIONS."

(Note 2) The table below summarizes financial instruments whose fair value is extremely difficult to estimate: Note that these instruments are not included in the above table regarding the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted equity securities (*1) (*2)	¥1,642	¥1,596	$14,572
Investment in partnerships (*3)	151	309	1,340
Total	¥1,793	¥1,906	$15,912

(*1) The fair value of unlisted equity securities is not disclosed, since there is no market price and it is extremely difficult to estimate the fair value.
(*2) The Bank recognized impairment loss of ¥0 million ($0 thousand) and ¥0 million on unlisted equity securities for the fiscal years ended March 31, 2016 and 2015, respectively.
(*3) The fair value of unlisted equity securities among the investment in partnerships is not disclosed since there is no market price and it is extremely difficult to estimate the fair value.

(Note 3) Redemption schedule of monetary claims and securities with maturities

	Millions of yen					
	2016					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 367,096	¥ —	¥ —	¥ —	¥ —	¥ —
Debt purchased	3,527	—	—	—	—	—
Securities	215,947	256,871	417,663	228,692	398,090	10,600
Held-to-maturity debt securities	974	2,274	1,047	457	—	—
Bonds	974	2,274	1,047	457	—	—
Available-for-sale securities with contractual maturities	214,973	254,596	416,615	228,234	398,090	10,600
Japanese government bonds	130,500	107,000	274,000	142,500	68,500	—
Japanese local government bonds	14,284	32,468	19,887	21,351	95,673	—
Corporate bonds	13,831	21,908	30,534	37,329	33,386	10,600
Other	56,357	93,220	92,194	27,054	200,530	0
Loans and bills discounted (*)	872,086	471,337	310,197	239,659	314,304	607,550
Total	¥1,458,657	¥728,209	¥727,860	¥468,352	¥712,394	¥618,151

	Millions of yen					
	2015					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 407,444	¥ —	¥ —	¥ —	¥ —	¥ —
Debt purchased	5,096	—	—	—	—	—
Securities	240,438	356,190	341,955	355,821	219,300	15,000
Held-to-maturity debt securities	789	1,679	422	43	—	—
Bonds	789	1,679	422	43	—	—
Available-for-sale securities with contractual maturities	239,648	354,511	341,533	355,778	219,300	15,000
Japanese government bonds	96,000	184,500	251,500	230,000	101,500	—
Japanese local government bonds	51,243	20,907	30,985	31,970	34,372	—
Corporate bonds	20,493	26,735	3,204	4,029	44,974	—
Other	71,911	122,368	55,844	89,778	38,454	15,000
Loans and bills discounted (*)	876,822	411,536	311,973	204,255	285,866	590,847
Total	¥1,529,802	¥767,727	¥653,929	¥560,076	¥505,166	¥605,848

	Thousands of U.S. dollars					
	2016					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	**$ 3,257,862**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Debt purchased	**31,301**	**—**	**—**	**—**	**—**	**—**
Securities	**1,916,462**	**2,279,650**	**3,706,629**	**2,029,570**	**3,532,925**	**94,071**
Held-to-maturity debt securities	**8,643**	**20,181**	**9,291**	**4,055**	**—**	**—**
Bonds	**8,643**	**20,181**	**9,291**	**4,055**	**—**	**—**
Available-for-sale securities with contractual maturities	**1,907,818**	**2,259,460**	**3,697,328**	**2,025,505**	**3,532,925**	**94,071**
Japanese government bonds	**1,158,146**	**949,591**	**2,431,664**	**1,264,643**	**607,916**	**—**
Japanese local government bonds	**126,766**	**288,143**	**176,490**	**189,483**	**849,068**	**—**
Corporate bonds	**122,745**	**194,426**	**270,979**	**331,283**	**296,290**	**94,071**
Other	**500,150**	**827,298**	**818,193**	**240,095**	**1,779,641**	**0**
Loans and bills discounted (*)	**7,739,492**	**4,182,969**	**2,752,902**	**2,126,899**	**2,789,350**	**5,391,817**
Total	**$12,945,127**	**$6,462,628**	**$6,459,531**	**$4,156,478**	**$6,322,275**	**$5,485,898**

(*) Loans from “bankrupt,” “effectively bankrupt” and “likely to become bankrupt” borrowers, which are not expected to be repaid, and amounting to ¥63,415 million ($562,788 thousand) and ¥62,915 million at March 31, 2016 and 2015, respectively, are not included.
Loans whose payment term is not determined amounting to ¥309,789 million ($2,749,281 thousand) and ¥334,958 million at March 31, 2016 and 2015, respectively, are not included.

(Note 4) Redemption schedule of bonds payable, borrowed money and interest bearing liabilities

	Millions of yen					
	2016					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**¥4,128,635**	**¥518,020**	**¥ 72,667**	**¥—**	**¥—**	**¥—**
Negotiable certificates of deposits	**46,896**	**111**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**233,648**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**84,112**	**24,100**	**81,385**	**60**	**67**	**—**
Total	**¥4,493,291**	**¥542,231**	**¥154,052**	**¥60**	**¥67**	**¥—**

	Millions of yen					
	2015					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥4,102,219	¥527,443	¥61,402	¥—	¥—	¥—
Negotiable certificates of deposits	63,349	—	—	—	—	—
Payables under securities lending transactions	134,855	—	—	—	—	—
Borrowed money	48,557	41,785	25,780	—	—	—
Total	¥4,348,981	¥569,228	¥87,182	¥—	¥—	¥—

	Thousands of U.S. dollars					
	2016					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$36,640,353	$4,597,266	$ 644,897	$ —	$ —	$—
Negotiable certificates of deposits	416,187	985	—	—	—	—
Payables under securities lending transactions	2,073,553	—	—	—	—	—
Borrowed money	746,467	213,880	722,266	532	594	—
Total	$39,876,561	$4,812,131	$1,367,163	$532	$594	$—

(*) Demand deposits are included in "Due within one year or less."

17. SECURITIES AND MONEY HELD IN TRUST

The securities in this note include "Trading account securities" and beneficial trust interests under "Debt purchased," in addition to "Securities" classified on the consolidated balance sheets.

(1) Information on trading account securities and securities with available fair values at March 31, 2016 and 2015 was as follows:

(a) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amount of net unrealized gains (losses) included in the statements of income	¥2	¥(0)	$17

(b) Held-to-maturity debt securities

	Millions of yen		
	2016		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥4,753	¥4,795	¥42
Subtotal	¥4,753	¥4,795	¥42
Fair value not exceeding carrying amount:			
Corporate bonds	¥ —	¥ —	¥—
Subtotal	¥ —	¥ —	¥—
Total	¥4,753	¥4,795	¥42

	Millions of yen		
	2015		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥2,903	¥2,921	¥18
Subtotal	¥2,903	¥2,921	¥18
Fair value not exceeding carrying amount:			
Corporate bonds	¥ 30	¥ 28	¥ (1)
Subtotal	¥ 30	¥ 28	¥ (1)
Total	¥2,933	¥2,950	¥16

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	$42,181	$42,554	$372
Subtotal	$42,181	$42,554	$372
Fair value not exceeding carrying amount:			
Corporate bonds	$ —	$ —	$ —
Subtotal	$ —	$ —	$ —
Total	$42,181	$42,554	$372

(c) Available-for-sale securities

	Millions of yen		
	2016		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 79,353	¥ 45,059	¥34,294
Bonds	1,073,639	1,041,369	32,269
Japanese government bonds	731,597	710,647	20,949
Japanese local government bonds	191,298	183,624	7,674
Japanese corporate bonds	150,744	147,097	3,646
Others	534,694	518,278	16,415
Foreign securities included	473,054	459,191	13,863
Subtotal	¥1,687,687	¥1,604,707	¥82,979
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 8,815	¥ 10,021	¥ (1,206)
Bonds	15,443	15,472	(28)
Japanese government bonds	14,836	14,864	(27)
Japanese local government bonds	29	30	(0)
Japanese corporate bonds	576	577	(1)
Others	78,918	82,655	(3,737)
Foreign securities included	17,830	18,865	(1,034)
Subtotal	¥ 103,177	¥ 108,150	¥ (4,972)
Total	¥1,790,864	¥1,712,857	¥78,006

	Millions of yen		
	2015		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 95,556	¥ 50,565	¥44,990
Bonds	1,125,369	1,098,662	26,707
Japanese government bonds	850,070	830,744	19,326
Japanese local government bonds	174,865	169,540	5,324
Japanese corporate bonds	100,434	98,377	2,056
Others	400,753	390,159	10,593
Foreign securities included	384,803	377,492	7,311
Subtotal	¥1,621,679	¥1,539,388	¥82,291
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 2,636	¥ 2,779	¥ (143)
Bonds	38,783	38,878	(94)
Japanese government bonds	37,583	37,677	(94)
Japanese local government bonds	—	—	—
Japanese corporate bonds	1,199	1,200	(0)
Others	26,577	27,147	(569)
Foreign securities included	19,464	20,000	(535)
Subtotal	¥ 67,997	¥ 68,805	¥ (807)
Total	¥1,689,677	¥1,608,193	¥81,483

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**$ 704,233**	**$ 399,884**	**$304,348**
Bonds	**9,528,212**	**9,241,826**	**286,377**
Japanese government bonds	**6,492,696**	**6,306,771**	**185,915**
Japanese local government bonds	**1,697,710**	**1,629,605**	**68,104**
Japanese corporate bonds	**1,337,806**	**1,305,440**	**32,357**
Others	**4,745,243**	**4,599,556**	**145,678**
Foreign securities included	**4,198,207**	**4,075,177**	**123,029**
Subtotal	**$14,977,697**	**$14,241,276**	**$736,412**
Carrying amount not exceeding acquisition cost:			
Stocks	**$ 78,230**	**$ 88,933**	**$ (10,702)**
Bonds	**137,051**	**137,309**	**(248)**
Japanese government bonds	**131,664**	**131,913**	**(239)**
Japanese local government bonds	**257**	**266**	**(0)**
Japanese corporate bonds	**5,111**	**5,120**	**(8)**
Others	**700,372**	**733,537**	**(33,164)**
Foreign securities included	**158,235**	**167,421**	**(9,176)**
Subtotal	**$ 915,663**	**$ 959,797**	**$ (44,124)**
Total	**$15,893,361**	**$15,201,073**	**$692,279**

(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2016 and 2015

Not applicable.

(3) Available-for-sale securities sold for the fiscal years ended March 31, 2016 and 2015

	Millions of yen		
	2016		
	Sales amount	Gains on sales	Losses on sales
Stocks	**¥ 5,802**	**¥1,706**	**¥158**
Bonds	**66,991**	**470**	**0**
Japanese government bonds	**59,991**	**450**	**—**
Japanese local government bonds	**5,067**	**2**	**0**
Japanese corporate bonds	**1,932**	**17**	**0**
Others	**52,795**	**494**	**—**
Foreign securities included	**52,795**	**494**	**—**
Total	**¥125,589**	**¥2,670**	**¥159**

	Millions of yen		
	2015		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 2,618	¥1,401	¥ —
Bonds	309,823	2,096	0
Japanese government bonds	286,518	2,012	—
Japanese local government bonds	8,892	38	0
Japanese corporate bonds	14,413	45	0
Others	324,882	2,438	145
Foreign securities included	324,882	2,438	145
Total	¥637,324	¥5,936	¥146

	Thousands of U.S. dollars		
	2016		
	Sales amount	Gains on sales	Losses on sales
Stocks	**$ 51,490**	**$15,140**	**$1,402**
Bonds	**594,524**	**4,171**	**0**
Japanese government bonds	**532,401**	**3,993**	**—**
Japanese local government bonds	**44,968**	**17**	**0**
Japanese corporate bonds	**17,145**	**150**	**0**
Others	**468,539**	**4,384**	**—**
Foreign securities included	**468,539**	**4,384**	**—**
Total	**$1,114,563**	**$23,695**	**$1,411**

(4) Information on money held in trust at March 31, 2016 and 2015 was as follows:

Money held in trust

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Carrying amount (fair value)	**¥22,000**	¥22,000	**$195,243**
Amount of net unrealized gains (losses) included in the statements of income	**48**	18	**425**

(5) The components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference	**¥ 78,006**	¥ 81,483	**$ 692,279**
Deferred tax liabilities	**(20,934)**	(22,602)	**(185,782)**
Amounts equivalent to difference on available-for-sale securities	**¥ 57,072**	¥ 58,881	**$ 506,496**
Non-controlling interests adjustment	**—**	(63)	**—**
Valuation difference on available-for-sale securities	**¥ 57,072**	¥ 58,818	**$ 506,496**

(6) Securities reclassified for the fiscal years ended March 31, 2016 and 2015

Not applicable.

(7) Impairment loss on securities

In the event that the fair value of securities, except trading securities, with available fair values declines significantly compared with the acquisition cost and the fair value is not expected to recover, such securities are stated at fair value and the difference between the fair value and the acquisition cost is recognized as loss in the period of the decline ("impairment loss"). The fair value is regarded as "significantly declined" when (i) the fair value as of the end of the fiscal year declines by more than 50% of the acquisition cost or (ii) the fair value as of the end of the fiscal year declines by more than 30% but less than 50% of the acquisition cost, and is not expected to recover within one year. Impairment loss recognized on equity securities was ¥158 million ($1,402 thousand) for the fiscal year ended March 31, 2016. No impairment loss was recognized for the fiscal year ended March 31, 2015.

18. DERIVATIVE TRANSACTIONS

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

With respect to derivatives to which hedge accounting is not applied, the contract amount or notional principal amount defined in the contract, fair value, unrealized gains (losses) and calculation method of fair value by transaction type as of March 31, 2016 and 2015 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related transactions

		Millions of yen			
		2016			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Interest rate futures				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
Over-the-counter transactions	Forward rate agreements				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate swaps				
	Receive fixed rate/pay floating rate	**¥ 323**	**¥ 323**	**¥ 9**	**¥ 9**
	Receive floating rate/pay fixed rate	**4,851**	**4,851**	**(307)**	**(307)**
	Receive floating rate/pay floating rate	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		**¥ —**	**¥ —**	**¥ (298)**	**¥ (298)**

Millions of yen

Category	Transaction type	2015 Contract amount	2015 Contract amount due after one year	2015 Fair value	2015 Unrealized gains (losses)
Exchange transactions	Interest rate futures				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
Over-the-counter transactions	Forward rate agreements				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate swaps				
	Receive fixed rate/pay floating rate	¥389	¥389	¥ 15	¥ 15
	Receive floating rate/pay fixed rate	389	389	(14)	(14)
	Receive floating rate/pay floating rate	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 1	¥ 1

Thousands of U.S. dollars

Category	Transaction type	2016 Contract amount	2016 Contract amount due after one year	2016 Fair value	2016 Unrealized gains (losses)
Exchange transactions	Interest rate futures				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
Over-the-counter transactions	Forward rate agreements				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate swaps				
	Receive fixed rate/pay floating rate	**$ 2,866**	**$ 2,866**	**$ 79**	**$ 79**
	Receive floating rate/pay fixed rate	**43,051**	**43,051**	**(2,724)**	**(2,724)**
	Receive floating rate/pay floating rate	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		**$ —**	**$ —**	**$(2,644)**	**$(2,644)**

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses), except as in Note 3, are recognized in the consolidated statements of income.
2. The fair values of exchange transactions are based on the closing price at the Tokyo Financial Exchange Inc., etc.
The fair values of over-the-counter transactions are based on the discounted cash flow method, option pricing model, etc.
3. As of March 31, 2016, “Receive floating rate/pay fixed rate” of interest rate swaps includes the contract amount of ¥4,528 million ($40,184 thousand), fair value of ¥ (299) million ($(2,653) thousand), and unrealized gains (losses) of ¥ (299) million ($(2,653) thousand), for which the application of hedge accounting was cancelled since they have not met the requirement of hedge accounting. Unrealized gains (losses) on “Receive floating rate/pay fixed rate” of ¥ (245) million ($(2,174) thousand) were deferred over the hedge period due to the cancellation.

(b) Currency related transactions

Category	Transaction type	Millions of yen 2016 Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Currency futures				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
	Currency options				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions	Currency swaps	**¥513,557**	**¥278,462**	**¥12,008**	**¥12,008**
	Forward foreign exchange contracts				
	Sold	**4,632**	**—**	**136**	**136**
	Bought	**311**	**—**	**(8)**	**(8)**
	Currency options				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
	Other				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
Total		**¥ —**	**¥ —**	**¥12,136**	**¥12,136**

Category	Transaction type	Millions of yen 2015 Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Currency futures				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Currency options				
	Sold	—	—	—	—
	Bought	—	—	—	—
Over-the-counter transactions	Currency swaps	¥490,472	¥254,191	¥(11,679)	¥(11,679)
	Forward foreign exchange contracts				
	Sold	4,401	—	(302)	(302)
	Bought	196	—	1	1
	Currency options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥(11,980)	¥(11,980)

Category	Transaction type	Thousands of U.S. dollars 2016 Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Currency futures				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
	Currency options				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions	Currency swaps	**$4,557,658**	**$2,471,263**	**$106,567**	**$106,567**
	Forward foreign exchange contracts				
	Sold	**41,107**	**—**	**1,206**	**1,206**
	Bought	**2,760**	**—**	**(70)**	**(70)**
	Currency options				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
	Other				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
Total		**$ —**	**$ —**	**$107,703**	**$107,703**

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.
2. The fair values are based on the discounted present value, etc.

(c) Stock related transactions
None

(d) Bond related transactions
None

(e) Commodity related transactions
None

(f) Credit derivative transactions
None

(2) Derivative contracts to which hedge accounting is applied
With respect to derivatives to which hedge accounting is applied, the contract amount or notional principal amount defined in the contract, fair value and calculation method of fair value by transaction type and by hedge accounting method as of March 31, 2016 and 2015 were as follows:
Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related transactions

			Millions of yen		
			2016		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥16,246	¥14,814	¥(706)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	—			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		—	—	—
Total			¥ —	¥ —	¥(706)

			Millions of yen		
			2015		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥26,027	¥22,864	¥(1,084)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥ 60	¥ —	Note 3
Total			¥ —	¥ —	¥(1,084)

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars 2016 Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		**$144,178**	**$131,469**	**$(6,265)**
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	—			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		—	—	—
Total			**$ —**	**$ —**	**$(6,265)**

Notes: 1. Gain/loss on the above contacts is deferred until maturity of the hedged items under the fundamental method in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).
2. The fair values of exchange transactions are based on the closing price at the Tokyo Financial Exchange Inc., etc.
The fair values of over-the-counter transactions are based on the discounted cash flow method, option pricing model, etc.
3. For the fiscal year ended March 31, 2015, interest rate swaps accounted for by the exceptional accounting method are accounted for together with the borrowed money as a hedged item, and the fair values are described in the fair values of "Borrowed money" under Liabilities of Note 16, "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) Currency related transactions

None

(c) Stock related transactions

None

(d) Bond related transactions

None

19. PROJECTED BENEFIT OBLIGATIONS

(1) Outline of employees' retirement allowance

The Bank has a contributory defined benefit pension plan and a non-contributory unfunded lump-sum retirement allowance plan. The Bank has employer retirement benefit trusts.

Ten consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans as defined benefit plans, and apply the simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

(2) Defined benefit plans

(a) Movement in projected benefit obligations

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Balance at the beginning of the fiscal year	**¥55,877**	¥55,146	**$495,891**
Cumulative effects of changes in accounting policies	**—**	584	**—**
Restated balance	**55,877**	55,731	**495,891**
Service cost	**1,652**	1,654	**14,660**
Interest cost	**871**	869	**7,729**
Actuarial loss (gain)	**9,599**	48	**85,188**
Benefits paid	**(2,585)**	(2,427)	**(22,941)**
Balance at the end of the fiscal year	**¥65,416**	¥55,877	**$580,546**

Note: Plans based on the simplified method have been included in the above.

(b) Movements in plan assets

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Balance at the beginning of the fiscal year	**¥41,124**	¥36,107	**$364,962**
Expected return on plan assets	**775**	626	**6,877**
Actuarial gain (loss)	**(2,122)**	3,556	**(18,832)**
Contributions paid by the employer	**10**	2,380	**88**
Benefits paid	**(1,620)**	(1,546)	**(14,376)**
Balance at the end of the fiscal year	**¥38,167**	¥41,124	**$338,720**

Note: Plans based on the simplified method have been included in the above.

(c) Reconciliation from projected benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Funded projected benefit obligations	**¥ 54,422**	¥ 45,669	**$ 482,978**
Plan assets	**(38,167)**	(41,124)	**(338,720)**
	16,254	4,544	**144,249**
Unfunded projected benefit obligations	**10,994**	10,208	**97,568**
Net liability (asset) for retirement benefits recorded on the consolidated balance sheet	**¥ 27,248**	¥ 14,753	**$ 241,817**
Liability for retirement benefits	**¥ 27,248**	¥ 14,753	**$ 241,817**
Asset for retirement benefits	**—**	—	**—**
Net liability (asset) for retirement benefits recorded on the consolidated balance sheet	**¥ 27,248**	¥ 14,753	**$ 241,817**

Note: Plans based on the simplified method have been included in the above.

(d) Retirement benefit costs

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Service cost	**¥1,652**	¥1,654	**$14,660**
Interest cost	**871**	869	**7,729**
Expected return on plan assets	**(775)**	(626)	**(6,877)**
Net actuarial loss amortization	**735**	1,374	**6,522**
Total retirement benefit costs	**¥2,484**	¥3,272	**$22,044**

Note: Retirement benefit costs of consolidated subsidiaries which have applied the simplified method are included in “Service cost.”

(e) Adjustments for retirement benefits

The components of adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Actuarial gain (loss)	**¥(10,986)**	¥4,881	**$(97,497)**
Total	**¥(10,986)**	¥4,881	**$(97,497)**

(f) Accumulated adjustments for retirement benefits

The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Unrecognized actuarial gain (loss)	**¥(12,879)**	¥(1,893)	**$(114,297)**
Total	**¥(12,879)**	¥(1,893)	**$(114,297)**

(g) Plan assets

1) Plan assets comprise:

	2016	2015
Bonds	**19.1%**	19.5%
Stocks	**33.4%**	36.1%
Cash and deposits	**2.9%**	3.7%
Life insurance general accounts	**34.3%**	30.9%
Other	**10.3%**	9.8%
Total	**100%**	100%

Note: Total plan assets include retirement benefit trusts which were set up for a corporate pension fund plan (0.2% and 5.9% of total plan assets at March 31, 2016 and 2015, respectively).

2) Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions for the fiscal years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	**0.70%**	1.57%
Long-term expected rate of return	**2.00%**	2.00%
Estimated rate of increase in salary	**3.90%**	3.90%

20. STOCK OPTIONS

(a) Items and amounts expensed related to stock options were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
General and administrative expenses	**¥35**	¥41	**$310**

(b) Stock options outstanding at March 31, 2016 were as follows:

a. Outline of stock options

Beneficiaries qualifying for stock option rights are entitled to acquire common stock upon the exercise of their rights. The following table summarizes the number of shares upon exercise of the stock option rights granted by the Bank outstanding at March 31, 2016:

Stock options	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period	Vesting conditions	Target of service period
2010 Stock Options	15 directors of the Bank	Common stock 94,400 shares	July 29, 2010	¥1 ($0.00)	From July 30, 2010 to July 29, 2040	Not defined	Not defined
2011 Stock Options	14 directors of the Bank	Common stock 109,400 shares	July 29, 2011	¥1 ($0.00)	From July 30, 2011 to July 29, 2041	Not defined	Not defined
2012 Stock Options	15 directors of the Bank	Common stock 136,200 shares	July 27, 2012	¥1 ($0.00)	From July 28, 2012 to July 27, 2042	Not defined	Not defined
2013 Stock Options	15 directors of the Bank	Common stock 119,500 shares	July 26, 2013	¥1 ($0.00)	From July 27, 2013 to July 26, 2043	Not defined	Not defined
2014 Stock Options	14 directors (excluding outside directors) of the Bank	Common stock 99,700 shares	July 25, 2014	¥1 ($0.00)	From July 26, 2014 to July 25, 2044	Not defined	Not defined
2015 Stock Options	13 directors (excluding outside directors) of the Bank	Common stock 84,000 shares	July 24, 2015	¥1 ($0.00)	From July 25, 2015 to July 24, 2045	Not defined	Not defined

b. Stock option activity:

1) Number of stock options

	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
	Number of shares					
Non-vested						
March 31, 2015 –Outstanding	—	—	—	—	24,925	—
Granted	—	—	—	—	—	84,000
Forfeited	—	—	—	—	—	1,300
Vested	—	—	—	—	24,925	63,000
March 31, 2016 –Outstanding	—	—	—	—	—	19,700
Vested						
March 31, 2015 –Outstanding	54,100	71,100	92,400	100,600	74,775	—
Vested	—	—	—	—	24,925	63,000
Exercised	18,100	24,400	29,000	25,600	24,700	—
Forfeited	—	—	—	—	—	—
March 31, 2016 –Outstanding	36,000	46,700	63,400	75,000	75,000	63,000

2) Price information

	Yen						U.S. dollars					
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Average stock price at exercise date	434	434	434	434	434	—	3.85	3.85	3.85	3.85	3.85	—
Fair value price at grant date	441	386	303	372	401	397	3.91	3.42	2.68	3.30	3.55	3.52

(c) Assumptions used to measure the fair value of stock options

The assumptions used to measure the fair value of the stock options granted in the fiscal year ended March 31, 2016 were as follows:

1) The Black-Scholes option pricing model was used as a measurement method.

2) Assumptions used for the Black-Scholes option pricing model:

1. Volatility of stock price: 26.64%, calculated using the market price of the Bank's stock from January 2011 to July 2015.
2. Estimated remaining outstanding period: 4.5 years, which was the average remaining tenure of directors at the date of issue, determined by the average time from appointment to retirement and time from appointment to the date of issue.
3. Estimated dividend: ¥6 per share, which was calculated based on the actual amount of dividends for the fiscal year ended March 31, 2015.
4. Risk-free interest rate: 0.09%, determined using the yield of national bonds equivalent to the estimated remaining outstanding period.

(d) Estimation method for the total number of vested stock option rights

The total number of stock option rights issued is deemed to reflect the actual number of stock option rights expired due to difficulties in estimating reasonably the number of stock option rights that will expire in the future.

21. INCOME TAXES

The Group is subject to a number of taxes based on the income such as corporation tax, inhabitant tax and enterprise tax, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 32.8 % and 35.4% for the fiscal years ended March 31, 2016 and 2015, respectively.

Significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Excess bad debt expense	**¥ 7,825**	¥ 8,461	**$ 69,444**
Liability for retirement benefits	**8,340**	5,540	**74,014**
Depreciation	**759**	814	**6,735**
Write-down of land	**1,031**	3,713	**9,149**
Loss on impairment of fixed assets	**1,304**	1,605	**11,572**
Valuation loss on securities	**3,708**	4,140	**32,907**
Tax loss carryforwards	**68**	97	**603**
Net deferred loss on hedging instruments	**273**	326	**2,422**
Other	**1,915**	2,088	**16,995**
Subtotal deferred tax assets:	**25,227**	26,787	**223,881**
Valuation allowance	**(9,251)**	(12,631)	**(82,099)**
Total deferred tax assets	**15,976**	14,156	**141,782**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(20,934)**	(22,602)	**(185,782)**
Other	**(78)**	(45)	**(692)**
Total deferred tax liabilities	**(21,012)**	(22,647)	**(186,474)**
Net deferred tax assets (liabilities)	**¥ (5,035)**	¥ (8,491)	**$ (44,684)**

Note: Net deferred tax assets (liabilities) as of March 31, 2016 and 2015 are included in the following accounts in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets	**¥ 1,314**	¥ 1,386	**$11,661**
Deferred tax liabilities	**6,349**	9,878	**56,345**

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2016 and 2015:

	2016	2015
Statutory tax rate	**32.8%**	35.4%
Valuation allowance	**(20.0)%**	1.3%
Non-deductible expenses	**0.4%**	0.3%
Non-taxable income	**(0.7)%**	(2.6)%
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**3.4%**	6.4%
Other	**0.1%**	1.0%
Effective tax rate	**15.9%**	41.9%

For the year 2015

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) was promulgated on March 31, 2015, and as a result, income tax rate, etc. was reduced effective for the fiscal years beginning on or after April 1, 2015. As a result, the effective statutory tax rate used to measure the Group's deferred tax assets and liabilities was changed from 35.4% to 32.8% for the temporary differences expected to be realized or settled for the fiscal year beginning April 1, 2015, and to 32.0% for the fiscal years beginning on or after April 1, 2016. The effect of the change in the effective statutory tax rate as of and for the fiscal year ended March 31, 2015 was to decrease deferred tax assets, deferred tax liabilities, deferred gains or losses on hedges, and accumulated adjustments for retirement benefits by ¥42 million, ¥1,187 million, ¥25 million and ¥56 million, respectively, and increase valuation difference on available-for-sale securities and deferred income taxes by ¥2,392 million and ¥1,166 million, respectively, from the amounts that would have been reported without the change.

For the year 2016

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted at the Diet on March 29, 2016, and as a result, income tax rate, etc. was reduced effective for the fiscal years beginning on or after April 1, 2016. As a result, the effective statutory tax rate used to measure the Group's deferred tax assets and liabilities was changed from 32.0% to 30.6% for the temporary differences expected to be realized or settled for the fiscal years beginning on April 1, 2016 and 2017, and to 30.4% for the fiscal years beginning on or after April 1, 2018. The effect of the change in the effective statutory tax rate as of and for the fiscal year ended March 31, 2016 was to decrease deferred tax assets, deferred tax liabilities, deferred gains or losses on hedges, and accumulated adjustments for retirement benefits by ¥6 million ($53 thousand), ¥376 million ($3,336 thousand), ¥12 million ($106 thousand) and ¥197 million ($1,748 thousand), respectively, and increase valuation difference on available-for-sale securities and deferred income taxes by ¥1,095 million ($9,717 thousand) and ¥515 million ($4,570 thousand), respectively, from the amounts that would have been reported without the change.

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22. BUSINESS COMBINATIONS

For the year 2015
Not applicable.

For the year 2016
Transactions under Common Control
Additional Acquisition of Subsidiaries' Shares
(1) Overview of the transactions
a. Company names and business descriptions subject to the business combination

Company Names Subject to the Business Combination	Business Descriptions
Nanto Credit Guarantee Co., Ltd.	Other (Credit guarantee)
Nanto Lease Co., Ltd.	Leasing
Nanto Computer Service Co., Ltd.	Other (Computer software development and services)
Nanto Investment Management Co., Ltd.	Other (Investment advisory services)
Nanto DC Card Co., Ltd.	Other (Credit card business)
Nanto Card Services Co., Ltd.	Other (Credit card business)

b. Effective date of the business combination
September 30, 2015

c. Legal form of the business combination
The transactions were classified as share acquisitions from non-controlling stockholders.

d. Company names following the business combination
The companies' names have not been changed following the business combination.

e. Other matters
The Bank raised the ownership ratio of its subsidiaries to 100% through acquiring their shares held by non-controlling stockholders for the purposes of encouraging to "strengthen the Group's capabilities", which is placed as one of key strategies of the Bank's medium-term management plan called "Vitality Creation Plan" that covers the three-year period from April 2014 to March 2017.

(2) Overview of accounting procedures implemented
The transactions were accounted for as transactions with non-controlling stockholders, which are classified as transactions under common control, based on the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(3) Additional acquisition of shares in subsidiaries

Acquisition cost and consideration paid	Millions of yen	Thousands of U.S. dollars
Consideration paid for acquisition: Cash and due from banks	**¥ 967**	**$ 8,581**
Acquisition cost	**¥ 967**	**$ 8,581**

(4) Changes in the portion held by the Bank in connection with the transactions with non-controlling interests
a. Main reasons for changes in capital surplus
Additional acquisition of subsidiaries' shares

b. Increase in capital surplus due to transactions with non-controlling interests
¥7,261 million ($64,439 thousand)

23. SEGMENT AND RELATED INFORMATION

(1) Overview of the reportable segments
The Bank's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments within the Group. The Group's main operations are banking services. The Bank also provides securities services and operates credit guarantee business and leasing and credit card businesses. The Group has divided its business operations into the two reportable segments of "Banking and Securities" and "Leasing." Banking and Securities includes banking and the securities business, and Leasing includes leasing.

(2) Basis of measurement for reported segment profit (loss), segment assets, segment liabilities and other material items
The accounting method used for reportable business segments is presented in accordance with Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." The reportable segment profit figures are based on operating profit. Income arising from intersegment transactions is based on arm's length prices.

As described in Note 2 (q), "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Changes in accounting policies," effective from the fiscal year ended March 31, 2015, with respect to the application of Retirement Benefits Standard and Retirement Benefits Guidance, the Group has applied the Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance. Accordingly, the Group has revised the methods used to calculate projected benefit obligations and service cost and has also revised those of the business segments in the same manner.

As a result, segment profit in the "Banking and Securities" for the fiscal year ended March 31, 2015 increased by ¥69 million and segment liabilities in the "Banking and Securities" at the beginning of the fiscal year ended March 31, 2015 increased by ¥584 million , from the amounts that would have been reported without the change.

(3) Information about reported segment profit (loss), segment assets, segment liabilities and other material items
Segment information for the fiscal years ended March 31, 2016 and 2015 is summarized as follows:

	Millions of yen						
	2016						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 68,256	¥ 5,633	¥ 73,890	¥ 1,894	¥ 75,784	¥ 72	¥ 75,856
Intersegment income	304	936	1,240	2,217	3,458	(3,458)	—
Total	68,560	6,569	75,130	4,112	79,243	(3,386)	75,856
Segment profit	13,101	189	13,290	1,068	14,359	(11)	14,347
Segment assets	5,494,616	21,912	5,516,528	17,564	5,534,093	(28,485)	5,505,607
Segment liabilities	5,244,740	19,008	5,263,749	8,649	5,272,398	(18,503)	5,253,894
Other item:							
Depreciation	3,725	156	3,881	85	3,967	39	4,006
Interest income	53,424	2	53,427	46	53,473	(97)	53,376
Interest expense	3,796	137	3,934	15	3,949	(154)	3,795
Extraordinary gain	560	51	612	645	1,257	(696)	560
Extraordinary loss	76	0	76	0	77	—	77
Tax expense	1,878	78	1,957	351	2,308	59	2,367
Increase in tangible and intangible fixed assets	3,239	192	3,431	83	3,515	(54)	3,461

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of ¥72 million is mainly the recovery of written off claims included in "other."
(2) Adjustment of segment profit of negative ¥11 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥28,485 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥18,503 million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of ¥39 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥97 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥154 million is the elimination of intersegment transactions.
(8) Adjustment of extraordinary gain of negative ¥696 million is the elimination of intersegment transactions.
(9) Adjustment of tax expense of ¥59 million is the elimination of intersegment transactions.
(10) Adjustment of increase in tangible and intangible fixed assets of negative ¥54 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

Consolidated Financial Statements

Millions of yen

	2015						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 73,453	¥ 6,238	¥ 79,692	¥ 1,881	¥ 81,574	¥ 98	¥ 81,672
Intersegment income	338	849	1,187	2,247	3,435	(3,435)	—
Total	73,792	7,087	80,880	4,128	85,009	(3,337)	81,672
Segment profit	16,379	332	16,711	1,201	17,912	(52)	17,860
Segment assets	5,317,675	21,856	5,339,531	17,314	5,356,845	(28,184)	5,328,661
Segment liabilities	5,076,096	18,883	5,094,979	8,631	5,103,611	(26,268)	5,077,342
Other item:							
Depreciation	4,158	212	4,370	86	4,457	69	4,526
Interest income	54,892	1	54,893	53	54,947	(111)	54,835
Interest expense	3,764	171	3,935	11	3,947	(180)	3,766
Extraordinary gain	279	—	279	—	279	(82)	197
Extraordinary loss	45	0	45	0	46	—	46
Tax expense	6,861	219	7,080	486	7,566	(14)	7,552
Increase in tangible and intangible fixed assets	3,371	7	3,379	48	3,427	37	3,464

Notes: 1. Ordinary income (“Total income” less extraordinary gain included in “Other income” in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. “Other” includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of ¥98 million is mainly the recovery of written off claims included in “other.”
(2) Adjustment of segment profit of negative ¥52 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥28,184 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥26,268 million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of ¥69 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥111 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥180 million is the elimination of intersegment transactions.
(8) Adjustment of extraordinary gain of negative ¥82 million is the elimination of intersegment transactions.
(9) Adjustment of tax expense of negative ¥14 million is the elimination of intersegment transactions.
(10) Adjustment of increase in tangible and intangible fixed assets of ¥37 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent “Total expenses” less extraordinary loss included in “Other expenses” in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to “Income before income taxes” through the addition/deduction of extraordinary gain/loss, net.

Thousands of U.S. dollars

	2016						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	**$ 605,750**	**$ 49,991**	**$ 655,750**	**$ 16,808**	**$ 672,559**	**$ 638**	**$ 673,198**
Intersegment income	**2,697**	**8,306**	**11,004**	**19,675**	**30,688**	**(30,688)**	**—**
Total	**608,448**	**58,297**	**666,755**	**36,492**	**703,257**	**(30,049)**	**673,198**
Segment profit	**116,267**	**1,677**	**117,944**	**9,478**	**127,431**	**(97)**	**127,325**
Segment assets	**48,763,010**	**194,462**	**48,957,472**	**155,875**	**49,113,356**	**(252,795)**	**48,860,552**
Segment liabilities	**46,545,438**	**168,690**	**46,714,137**	**76,757**	**46,790,894**	**(164,208)**	**46,626,677**
Other item:							
Depreciation	**33,058**	**1,384**	**34,442**	**754**	**35,205**	**346**	**35,552**
Interest income	**474,121**	**17**	**474,148**	**408**	**474,556**	**(860)**	**473,695**
Interest expense	**33,688**	**1,215**	**34,913**	**133**	**35,046**	**(1,366)**	**33,679**
Extraordinary gain	**4,969**	**452**	**5,431**	**5,724**	**11,155**	**(6,176)**	**4,969**
Extraordinary loss	**674**	**0**	**674**	**0**	**683**	**—**	**683**
Tax expense	**16,666**	**692**	**17,367**	**3,115**	**20,482**	**523**	**21,006**
Increase in tangible and intangible fixed assets	**28,745**	**1,703**	**30,449**	**736**	**31,194**	**(479)**	**30,715**

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of $638 thousand is mainly the recovery of written off claims included in "other."
(2) Adjustment of segment profit of negative $97 thousand is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative $252,795 thousand is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative $164,208 thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of $346 thousand is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative $860 thousand is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative $1,366 thousand is the elimination of intersegment transactions.
(8) Adjustment of extraordinary gain of negative $6,176 thousand is the elimination of intersegment transactions.
(9) Adjustment of tax expense of $523 thousand is the elimination of intersegment transactions.
(10) Adjustment of increase in tangible and intangible fixed assets of negative $479 thousand is the elimination of intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

(4) Information about services

Millions of yen

	2016				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	**¥34,788**	**¥20,645**	**¥5,633**	**¥14,788**	**¥75,856**

Millions of yen

	2015				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥36,486	¥24,114	¥6,238	¥14,832	¥81,672

Thousands of U.S. dollars

	2016				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	**$308,732**	**$183,217**	**$49,991**	**$131,238**	**$673,198**

Note: Ordinary income ("Total income" less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.

(5) Information about geographic areas

a. Ordinary income

The ratio of ordinary income from outside customers within Japan to the total ordinary income in the consolidated statements of income exceeded 90% for both fiscal years ended March 31, 2016 and 2015; therefore, no information about geographic areas is required to be disclosed.

b. Tangible fixed assets

The ratio of tangible fixed assets located in Japan to the total tangible fixed assets in the consolidated balance sheets exceeded 90% for both fiscal years ended March 31, 2016 and 2015; therefore, no information about geographic areas is required to be disclosed.

(6) Information about major customers

Ordinary income from a specific customer exceeding 10% of the total consolidated ordinary income did not exist for either fiscal year ended March 31, 2016 or 2015. Therefore, information about major customers is not required to be disclosed.

(7) Information on loss on impairment of fixed assets for each reportable segment

There is no loss on impairment of fixed assets for the fiscal year ended March 31, 2016.

	Millions of yen				
	2015				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Loss on impairment	¥11	—	¥11	—	¥11

(8) Information on amortization of goodwill and its remaining balance for each reportable segment

There is no information to be reported on amortization of goodwill and its remaining balance.

(9) Information on gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill.

24. RELATED PARTY TRANSACTIONS

For the fiscal year ended March 31, 2016, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Transaction amount (thousands of U.S. dollars)	Accounting title	Year-end balance (millions of yen)	Year-end balance (thousands of U.S. dollars)
Relatives of officers of the Bank	Atsuto Hashimoto	—	—	Public officer	—	Eldest son of Masaaki Hashimoto (Corporate Auditor) Loans	Lending of money*2 Interest receivable	20 0	177 0	Loans —	19 —	168 —
A company in which majority voting rights are held by relatives of officers of the Bank	Nikken Blast Kogyo Co., Ltd. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	90 1	798 8	Loans —	145 —	1,286 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as collateral for loan transactions.
3. Relatives of Naoki Minowa (Managing Director of the Bank) have 62.5% of voting rights of this company directly.
4. Hiroki Matsuoka retired from the position of Director of the Bank on June 26, 2015. The Bank has loans to his son-in-law, Tetsuya Matsubara, in the amount of ¥28 million ($248 thousand) as of that day.

For the fiscal year ended March 31, 2015, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)
Relatives of officers of the Bank	Tetsuya Matsubara	—	—	Public officer	—	Son-in-law of Hiroki Matsuoka (Senior Managing Director) Loans	Lending of money*2 Interest receivable	— 0	Loans —	28 —
	Shigeichi Kawai	—	—	Forestry	—	Father of Shigeyori Kawai (Director) Loans	Repayments of loans *3 Interest receivable	244 1	— —	— —
A company in which majority voting rights are held by relatives of officers of the Bank	Nikken Blast Kogyo Co., Ltd. *4	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 0	Loans —	89 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as collateral for loan transactions.
3. Lump-sum repayments were made on December 17, 2014.
4. Relatives of Naoki Minowa (Corporate Auditor of the Bank) have 62.5% of voting rights of this company directly.

25. PER SHARE INFORMATION

Net assets per share at March 31, 2016 and 2015 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2016	**2015**	**2016**
Net assets per share	**¥937.66**	¥906.92	**$8.32**
Net income per share - basic	**45.32**	36.81	**0.40**
Net income per share - diluted	**45.26**	36.76	**0.40**

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2015**	**2016**
(Net assets per share)			
Net assets	**¥251,712**	¥251,318	**$2,233,865**
Amounts to be deducted from net assets:	**136**	8,082	**1,206**
Stock acquisition rights	**(136)**	(146)	**(1,206)**
Non-controlling interests	**(—)**	(7,935)	**(—)**
Net assets attributed to common stock	**251,576**	243,236	**2,232,658**
Outstanding number of shares of common stock at end of year (unit: thousand shares)	**268,301**	268,200	**—**
(Basic and diluted net income per share)			
Net income attributable to owners of parent	**¥ 12,159**	¥ 9,874	**$ 107,907**
Net income attributable to common stockholders of parent	**12,159**	9,874	**107,907**
Average outstanding number of shares during the year (unit: thousands of shares)	**268,282**	268,201	**—**
Adjustment to net income attributable to owners of parent	**—**	—	**—**
Increase in number of shares of common stock:	**366**	382	**—**
Stock acquisition rights	**(366)**	(382)	**—**
Convertible securities not diluting net income per share	**—**	—	**—**

For the year 2015

As described in Note 2 (q), "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Changes in accounting policies," effective from the fiscal year ended March 31, 2015, with respect to the application of Retirement Benefits Standard and Retirement Benefits Guidance, the Group has applied Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance in accordance with Paragraph 37 of Retirement Benefits Standard.

As a result, net assets per share decreased by ¥1.40 at the beginning of the fiscal year ended March 31, 2015 while basic and diluted net income per share increased by ¥0.17 for the fiscal year ended March 31, 2015.

For the year 2016

As described in Note 2 (q), "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Changes in accounting policies," effective from the fiscal year ended March 31, 2016, with respect to the application of the Business Combination Accounting Standards, the Group has applied the provisional treatments in Paragraph 58-2(4) of Statement No. 21, Paragraph 44-5 (4) of Statement No.22 and Paragraph 57-4 (4) of Statement No.7.

As a result, basic and diluted net income per share decreased by ¥27.06 ($0.24) and ¥27.02 ($0.23), respectively, for the fiscal year ended March 31, 2016.

There were no effects on net assets per share.

26. SUBSEQUENT EVENTS

For the year 2015

Not applicable.

For the year 2016

The Bank resolved to submit a proposal of a reverse stock split at the annual stockholders' meeting held on June 29, 2016, at the meeting of the Board of Directors held on May 16, 2016, and this proposal was approved at the stockholders' meeting. The details of the reverse stock split were as follows:

a. Purpose of the reverse stock split

The Japanese stock exchanges are making efforts to unify a share trading unit of common stock of domestic listed companies into 100 shares for improving the investors' convenience and the deadline for transferring to a 100-share unit has been decided to be October 1, 2018.

Taking such efforts into consideration, the Bank resolved to change the share trading unit from 1,000 shares to 100 shares at the meeting of the Board of Directors held on May 16, 2016.

In addition, following this change, the Bank will implement a one-for-ten reverse stock split to maintain the price per share trading unit at the level considered to be desirable by the Japanese stock exchanges, namely, ¥50,000 or more but less than ¥500,000, and to have existing stockholders hold the Bank's shares stably and not to change the number of voting rights.

b. Ratio and time of the reverse stock split

Effective October 1, 2016, the shares held by stockholders registered or recorded in the final stockholders registry on September 30, 2016 will be consolidated at the rate of one share for ten shares.

c. Decrease in number of shares due to the reverse stock split

Total number of issued shares before the reverse stock split (as of March 31, 2016)	**272,756,564 shares**
Decrease in number of shares due to the reverse stock split	**245,480,908 shares**
Total number of issued shares after the reverse stock split	**27,275,656 shares**

Note: "Decrease in number of shares due to the reverse stock split" and "Total number of issued shares after the reverse stock split" are theoretical values computed based on total number of issued shares before the reverse stock split and the ratio of the reverse stock split.

d. Effects on per share information

Net assets per share at March 31, 2016 and 2015 and net income per share for the fiscal years then ended, which are computed assuming the reverse stock split was implemented on April 1, 2014, were as follows:

	yen		U.S. dollars
	2016	2015	2016
Net assets per share	**¥9,376.62**	¥9,069.20	**$83.21**
Net income per share - basic	**453.22**	368.15	**4.02**
Net income per share - diluted	**452.60**	367.63	**4.01**

27. BORROWED MONEY, BONDS PAYABLE AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Borrowed money Due from April 2016 through May 2025 Average interest rate: 0.25% p.a.	**¥189,724**	¥116,122	**$1,683,741**

Annual maturities of borrowed money as of March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
2017	**¥ 84,112**	**$ 746,467**
2018	**2,355**	**20,899**
2019	**21,745**	**192,980**
2020	**80,955**	**718,450**
2021	**430**	**3,816**
2022 and thereafter	**127**	**1,127**
Total	**¥189,724**	**$1,683,741**

b. The details of bonds payable as of March 31, 2016 and 2015 were as follows:

Not applicable.

c. Lease obligations

Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets.

Annual maturities of lease obligation as of March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
2017	**¥0**	**$0**
Total	**¥0**	**$0**

Average interest rates are omitted since the interest equivalent amount included in total lease charges is allocated over the related period using the straight-line method.

d. Other

The Group has not issued commercial paper by way of promissory notes for funding for operating activities.

Independent Auditors' Report

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Nanto Bank., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Nanto Bank., Ltd. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

September 21, 2016
Osaka, Japan

Capital Management

Consolidated Capital Adequacy Ratio

As of March 31, 2016 and 2015

Millions of yen

	2016	2015
(1) Capital adequacy ratio ((2)/(3))	9.36%	9.72%
(2) Capital	¥ 206,945	¥ 204,318
(3) Risk-weighted assets	2,209,741	2,101,774
(4) Requisite capital	88,389	84,070

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Nonconsolidated Capital Adequacy Ratio

As of March 31, 2016 and 2015

Millions of yen

	2016	2015
(1) Capital adequacy ratio ((2)/(3))	9.11%	9.29%
(2) Capital	¥ 198,913	¥ 193,405
(3) Risk-weighted assets	2,181,192	2,080,814
(4) Requisite capital	87,247	83,232

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Organization, Group Network

(As of July 1, 2016)

ORGANIZATION

- STOCKHOLDERS' MEETING
- BOARD OF DIRECTORS
  - MANAGING DIRECTORS' COMMITTEE
    - Chairman
    - President
      - Senior Managing Directors
      - Managing Directors
      - Directors
- BOARD OF CORPORATE AUDITORS
  - Corporate Auditors
    - Corporate Auditors' Office

HEADQUARTERS

- General Secretariat
- Corporate Planning Division
- Compliance Management Division
- Risk Management Division
- Business Planning & Promotion Headquarters
  - General Business Division
  - Corporate Business Division
  - Personal Business Division
  - Public Institutions & Regional Vitality Creation Division
  - Osaka Regional Headquarter
- Credit Analysis Division
- Financial Investment Division
- Operations Control Division
- Operations Division
- Internal Audit Division
- Personnel Division
- General Affairs Division

DOMESTIC OFFICES

NANTO BANK GROUP

(As of July 1, 2016)

The Nanto Group, which consists of the Nanto Bank and its 10 consolidated subsidiaries, offers financial services related to credit guarantees and leasing as well as its primary business, banking services.

THE NANTO BANK, LTD.

- Banking
  - Head Office and 109 Branches
  - 25 Sub-branches
  - 3 Agencies (Nanto Bank Agency Co., Ltd.'s business offices)
  - 2 Representative Offices (Hong Kong and Shanghai)
- Credit Guarantees
  - Nanto Credit Guarantee Co., Ltd.
- Leasing
  - Nanto Lease Co., Ltd.
- Computer Software Development and Services
  - Nanto Computer Service Co., Ltd.
- Credit Card Business
  - Nanto DC Card Co., Ltd.
  - Nanto Card Services Co., Ltd.
- Other Operations
  - Nanto Estate Co., Ltd.
  - Nanto Business Service Co., Ltd.
  - Nanto Investment Management Co., Ltd.
  - Nanto Staff Service Co., Ltd.
  - Nangin Agency Co., Ltd.

Companies indicated with a pink square are consolidated subsidiaries.

Affiliates and Subsidiaries, Bank Data

(As of July 1, 2016)

Outline of Consolidated Subsidiaries

Subsidiaries	Address	Established	Capital (millions of yen)	Direct holdings of the Bank (%)	Indirect holdings through subsidiaries (%)	Business line
Nanto Estate Co., Ltd.	16, Hashimoto-cho Nara City, Nara, Japan	November 8, 1969	¥30	100%	—	Leasing and management of real estate
Nanto Business Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	June 1, 1984	10	100	—	Centralized processing of clerical operations for the Bank
Nanto Credit Guarantee Co., Ltd.	1-1, Shimo-Sanjo-cho Nara City, Nara, Japan	October 9, 1984	10	100	—	Credit guarantee
Nanto Lease Co., Ltd.	52-1, Omori-cho Nara City, Nara, Japan	December 22, 1984	50	100	—	Leasing
Nanto Computer Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	July 1, 1986	10	100	—	Computer software development and services
Nanto Investment Management Co., Ltd.	297-2, Omiya-cho 4-chome Nara City, Nara, Japan	November 21, 1986	120	100	—	Investment advisory services
Nanto DC Card Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	October 12, 1990	50	100	—	Credit card business
Nanto Card Services Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	December 10, 1990	50	100	—	Credit card business
Nanto Staff Service Co., Ltd.	297-2, Omiya-cho 4-chome Nara City, Nara, Japan	March 18, 1991	20	100	—	Dispatch of temporary staff
Nangin Agency Co., Ltd.	297-2, Omiya-cho 4-chome Nara City, Nara, Japan	October 6, 2009	50	100	—	Bank agency services

HEAD OFFICE

16, Hashimoto-cho
Nara City, Nara 630-8677, Japan
Phone: (0742) 22-1131
URL: http://www.nantobank.co.jp/

HONG KONG REPRESENTATIVE OFFICE

ROOM 1709,
17/F, HUTCHISON HOUSE,
10 HARCOURT ROAD,
HONG KONG
Phone: 852-2868-9932

SHANGHAI REPRESENTATIVE OFFICE

16F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road,
Pudong New Area, Shanghai, China
Phone: 86-21-6841-2771

CORPORATE DATA (As of March 31, 2016)

Authorized shares:	640,000,000
Outstanding shares:	272,756 thousand
Stated capital:	29,249 million
Number of stockholders:	10,244
Date of incorporation:	June 1934
Domestic network:	138 offices
Overseas network:	2 representative offices
Number of employees:	2,669
Ordinary stockholders' meeting:	June 29, 2016
Stock listings:	Tokyo Stock Exchange

MAJOR STOCKHOLDERS (As of March 31, 2016)

	Number of shares (thousands)	Percentage (%)
Nippon Life Insurance Co.	10,531	3.86
Japan Trustee Services Bank, Ltd. (trust account)	9,682	3.54
Meiji Yasuda Life Insurance Co. (standing proxy: Trust & Custody Services Bank, Ltd.)	8,430	3.09
The Nanto Bank Employees' Stockholders Association	7,761	2.84
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,083	2.59
Sumitomo Life Insurance Co. (standing proxy: Japan Trustee Services Bank, Ltd.)	6,620	2.42
DMG MORI Co., Ltd.	4,766	1.74
Japan Trustee Services Bank, Ltd (trust account 9)	4,749	1.74
Kitamura Forestry Co., Ltd.	4,183	1.53
DAIWA GAS Co., Ltd	4,019	1.47
Total	67,826	24.86

THE NANTO BANK, LTD.
16, Hashimoto-cho, Nara City, Nara 630-8677, Japan
Phone: (0742)22-1131