ANNUAL REPORT 2017

Year ended March 31, 2017

NANTO BANK

ANNUAL REPORT 2017

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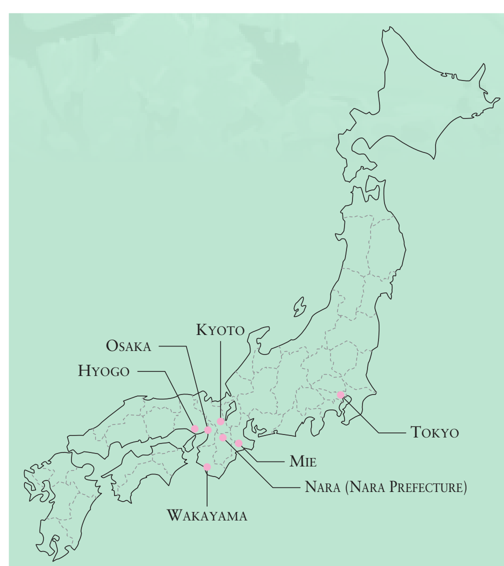
PROFILE

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, 2017, Nanto Bank had deposits of ¥4,737.3 billion, loans of ¥3,252.2 billion and total assets of ¥5,815.0 billion.

Nanto Bank's domestic network of 139 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

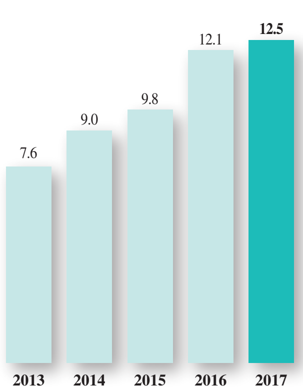
1. Pursue sound and efficient management
2. Provide superior comprehensive financial services
3. Contribute to regional prosperity
4. Strive to become a highly reliable, friendly and attractive bank

Consolidated Financial Highlights

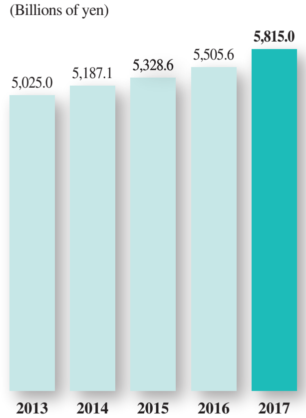
	Millions of yen					Thousands of U.S. dollars
	2017	2016	2015	2014	2013	2017
For the year:						
Total income	¥ 81,230	¥ 76,417	¥ 81,869	¥ 82,717	¥ 88,875	$ 724,039
Total expenses	64,450	61,586	63,857	62,923	77,661	574,471
Income before income taxes	16,779	14,831	18,012	19,794	11,214	149,558
Net income	12,508	12,159	9,874	9,079	7,621	111,489
At year-end:						
Total assets	5,815,095	5,505,607	5,328,661	5,187,191	5,025,037	51,832,560
Loans and bills discounted	3,252,218	3,188,341	3,079,175	2,972,159	2,898,844	28,988,483
Securities	1,686,575	1,797,411	1,693,517	1,907,331	1,840,741	15,033,202
Deposits and negotiable certificates of deposit	4,765,789	4,766,330	4,754,414	4,662,888	4,514,604	42,479,623
Total liabilities	5,563,956	5,253,894	5,077,342	4,966,542	4,809,291	49,594,045
Non-controlling interests	—	—	7,935	7,336	6,658	—
Total net assets	251,139	251,712	251,318	220,648	215,745	2,238,515
Common stock	29,249	29,249	29,249	29,249	29,249	260,709
Per share data:	Yen					U.S. dollars
Net income	¥ 466.05	¥ 453.22	¥ 36.81	¥ 33.78	¥ 28.01	$ 4.15
Stockholders' equity	9,353.18	9,376.62	906.92	794.95	774.46	83.36
Capital adequacy ratio (%)	9.42	9.36	9.72	10.51	10.66	

Note: U.S. dollar amounts are included solely for the convenience of readers and are calculated at the exchange rate of ¥112.19 to US$1.00, the rate prevailing on March 31, 2017.

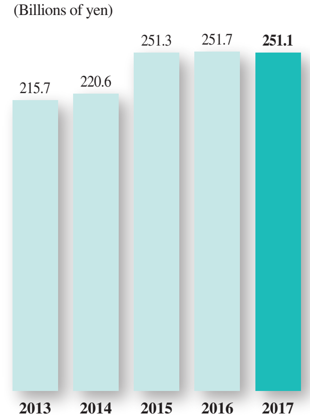
Net Income
(Billions of yen)



Total Assets
(Billions of yen)



Total Net Assets
(Billions of yen)



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

The purpose of this Annual Report 2017 is to disclose our performance in fiscal 2016 (the year ended March 31, 2017) and our initiatives conducted during the fiscal year. We would appreciate it if you would read through the report.

The future outlook for the global economy is characterized by uncertainty as a result of factors including geopolitical risks related to the Middle East and North Korea and political trends in Europe and the US, while the Japanese economy remained at a standstill due to the influence of the global economy, despite the moderate recovery trend.

Looking at the regional economy centered around Nara Prefecture, while there were bright signs in some areas of tourism including progress in attracting hotels and an increase in foreign tourists, overall the situation continued to fluctuate as there were matters of concern such as sluggish personal consumption and a decrease in the working population.

Under these circumstances, we started the Bank's medium-term management plan titled "Vitality Creation Plan II – Changing and Taking on Challenges" (April 2017 to March 2020) from April to realize the management vision of a "Vitality Creating Bank" which creates vitality in the community and itself. In the new medium-term management plan, we have set the three years as a period in which to strive to change to a robust structure in consideration of the changing financial climate. For the plan's final year, coinciding with our 85th anniversary, we will endeavor to achieve good results in terms of earnings and financial position. Under the plan, we will work to create regional economic vitality, deliver customer-centric services, improve productivity and profitability through reviewing operations and upgrade the management and controls framework.

By devoting ourselves even more in the future to improve the quality of human resources, sales, and clerical operations and delivering high-quality services that are truly needed, we aim to contribute to the sustainable development of the regional economy and continue growing together with the community.

We look forward to the continued understanding and support of all of our stakeholders.

Aiming to be the Number One Bank in Service as a "Vitality Creating Bank"

Our Economic and Financial Environment

The future outlook for the global economy is characterized by uncertainty as a result of factors including geopolitical risks related to the Middle East and North Korea and political trends in Europe and the US, while the Japanese economy remained at a standstill due to the influence of the global economy, despite the moderate recovery trend.

Looking at the regional economy centered around Nara Prefecture, while there were bright signs in some areas of tourism, including progress in attracting hotels and an increase in foreign tourists, overall the situation continued to fluctuate as there were matters of concern such as sluggish personal consumption and a decrease in the working population.

It is also believed that conditions in the operating environment for financial institutions will remain 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.

New Medium-Term Management Plan "Vitality Creation Plan II – Changing and Taking on Challenges"

In this economic and financial environment, we started the Bank's medium-term management plan titled "Vitality Creation Plan II – Changing and Taking on Challenges" (April 2017 to March 2020) from April to realize the management vision of a "Vitality Creating Bank" which creates vitality in the community and itself. In the new medium-term management plan, we have set the three years as a period in which to strive to change to a robust structure in consideration of the changing financial climate. For the plan's final year, coinciding with our 85th anniversary, we will endeavor to achieve good results in terms of earnings and financial position. Under the plan, we will work to create regional economic vitality, deliver customer-centric services, improve productivity and profitability through reviewing operations and upgrade the management and controls framework.

Creating Regional Economic Vitality

As the regional economy has undergone further changes in social and economic structures, including population decline, lower fertility and an aging population leading to a contraction in the scale of the economy, regional societies need to promote regional creation through joint efforts.

Under these circumstances, each local municipality has currently reached the implementation stage of "Comprehensive Strategies for Local Community, People and Job Creation," and we have been promoting the signing of cooperative agreements with the 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 as a financial institution.

Specific projects include the "Nara-machi Empty House and Machiya Visit Tour" that matches owners of *machiya* (traditional houses) and businesses in order to solve the issue of the effective use of *machiya* in Nara City, which was the first such effort by a financial institution and joint participation with the Nanto Economic Research Institute in the "Regional Personnel Department Strategy Formulation Project" of the Ministry of Internal Affairs and Communications in Tenri City.

In addition, as an independent project by the Bank for the development of regional industry, we made a second investment in the Nara Prefecture Tourism Revitalization Fund in March of this year after implementing in the previous fiscal year the third NANTO Success Road business plan commercialization support project to support customers that want to establish or develop new businesses. Thanks to these efforts, a total of 25 plans have been adopted, 11 of which have led to commercialization. Headquarters representatives will continue to provide support toward achieving prompt commercialization while working together with external organizations.

Since its foundation, we have endeavored to conduct business closely rooted in the region as a bank that grows together with the region. Under the new medium-term management plan, while prioritizing the basic stance of creating regional economic vitality, we will continue to do our utmost together with our customers and the community in response to challenges in the region and link such efforts to our growth.

Delivering Customer-centric Services

The needs of customers are changing at an unprecedented speed and becoming more diverse and sophisticated in line with the social and economic situation. In order to gain the continued support of customers in these circumstances, we would like to deliver optimal services truly desired by customers by constantly responding to these changes.

Based on this stance, under the new medium-term management plan, we will aim to further instill and entrench a spirit of customer satisfaction (CS) and thoroughly ensure operation management from a customer-oriented approach in an aim to be the "Number One Bank in Service."

By delivering customer-centered services, we would like to establish new business models in line with the times as a regional financial institution.

Improving Productivity and Profitability through Reviewing Operations

Under the new medium-term management plan, we will strongly pursue the Four Reforms as core strategies: specifically, awareness reform, sales reform, clerical operations reform, and expenses reform.

First, in terms of sales, we are currently reviewing the branch and sales framework in consideration of market characteristics. We are aiming to achieve a balance between improvements in customer convenience and efficiency through efforts including the consolidation and conversion into sub-branches and changes in bank counter business hours of some branches as well as new construction and relocation of branches and the introduction of mobile ATM vehicles. In addition, we will work to bolster points-of-contact with customers and deliver high-quality services through means such as the augmenting of sales representatives and enhancing their specialties and the introduction of money advisors (MAs) who specialize in asset management consultation at bank counters.

Next, in terms of initiatives for each department, for individual customers, we aim to serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages. In an effort to strengthen our securities business and inheritance business that serve as the pillars of our retail sales, we expanded the handling of financial product mediation services to all sales branches, excluding agencies, and became the first regional bank in the Kinki region to acquire a license for trust services along with banking services in December of last year. We also started handing products including will trusts and will substituting trusts from April of this year. In the non-face-to-face channel, we started accepting Internet applications for life insurance in January of this year, and we introduced a new mobile app in March that makes it possible to open an ordinary savings account and apply for a card loan using a smartphone. Going forward, we will work to strengthen new financial services through further channel diversification and the utilization of FinTech in order to improve customer convenience.

Next, for corporate customers, we aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage.

We will continue to actively support business creation and development of new businesses through the business plan commercialization support project, the utilization of the dedicated NANTO Commercialization Support Fund 80 financing program and the NANTO CVC Limited Liability Investment Partnership (known as: NANTO CVC Fund) newly formed in June of this year, among other projects.

In addition, we will strengthen business matching and overseas business support and do our utmost to support business expansion for customers through means such as continuing to hold the NANTO Manufacturing Active Company Matching Fair and the NANTO Food and Goods Business Panel, as well as the holding of business panels and business seminars throughout Asia.

Furthermore, we will continue to offer financing through the NANTO Vitality Creation Support Fund program that provides funds based on business feasibility assessments that assess factors including technological capabilities, growth and sustainability and provide business succession support and M&A advisory services through headquarters with specialized knowledge.

As more advanced skills and know-how are required than in the past to support the needs of customers in both the personal department and corporate department, our sales branches, specialized personnel at headquarters and the Nanto Bank Group will devote their full efforts while working closely together with external organizations in order to offer optimal solutions for customers.

Next, in terms of clerical operations, we will improve productivity through a fundamental overhaul of sales branch and headquarters clerical operations as we transform ourselves into an efficient organization. At sales branches, we will work to further improve the efficiency of clerical operations from the perspective of abolition, simplification, machine usage/labor saving and concentration and establish branch operations systems that are simple and convenient for customers to use by means such as further utilizing tablet terminals. In addition, we will reduce the number of administrative personnel at sales branches while at the same time increasing the number of sales personnel that provide consulting services to customers.

We will work to vitalize our human resources and organization by fostering the spirit of taking on challenges among the bankers, bolstering the human resource development system and realizing a work-life balance. 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 work to assign appropriate human resources to appropriate positions, develop systems to reduce overtime work and support the diversification of working styles, develop the capability of young bank employees at an early stage and strengthen the capabilities of part-time workers.

In addition, in order to develop employees who are capable of thinking and acting for themselves, we have adopted the *kaizen* (improvement) and 5S approaches of manufacturers and will work to create an improvement culture and ethos that are unique to the Bank.

Furthermore, in terms of expenses, we will transform the existing expenses structure and improve productivity and profitability by achieving reforms in awareness, sales, clerical operations and expenses under the new medium-term management plan and raising the quality of sales clerical operations, and human resources quality to a higher level.

Upgrading the Management and Controls Framework

We will continue to work to make our business management structure more advanced in order to firmly support the business model we are aiming for under the new medium-term management plan and further improve the level of trust from customers.

Firstly, as compliance is fundamental for banks to faithfully carry out their social responsibilities and public missions, in order to earn the constant trust of our stakeholders, we are committed to instilling greater awareness of compliance among all executives and employees as we enhance the efforts to build a more effective compliance framework.

Next, in terms of internal audits, the Internal Audit Division was changed into an organization structure under the direct control of the Board of Directors in April of this year, and a dedicated director for the Internal Audit Division was assigned in June to strengthen the internal audit structure.

In addition, we will continue to invest management resources and develop a more advanced risk management structure in order to strengthen credit risk management and market risk management in response to the diversification of investments in securities.

In Partnership with the Community

As recently announced, a public share offering was conducted in June, and a capital increase through a third-party allotment of shares was conducted in July. Thanks to these efforts, we managed to procure approximately ¥17.0 billion in capital.

The Bank has grown together with the community and its stakeholders up until now, and it hopes to contribute to the growth of the region going forward by responding to demands for funds even more actively.

Since the management environment surrounding regional banks has gotten more difficult, we will strive for a responsive management capable of meeting the challenges. Moreover, all our executives and employees will provide high-quality services in order to contribute to the development of the regional economy and live up to the expectations of our stakeholders.

We look forward to your continued support.

President Takashi Hashimoto

T. Hashimoto

Medium-Term Management Plan

Start of the New Medium-Term Management Plan on April 1

The Bank embraces a management vision up to its 90th anniversary, aiming to become a bank which creates vitality in itself and the community as “Vitality Creating Bank.” In order to achieve this management vision, the medium-term management plan titled “Vitality Creation Plan II – Changing and Taking on Challenges” was started in April of this year. This plan has set forth the three core strategies of regional revitalization, pursuit of the Four Reforms and upgrading of management and controls. In particular, for the pursuit of the Four Reforms, ten strategies have been set for awareness reform, sales reform, clerical operations reform and expenses reform upon which we will strongly pursue business model reform.

Management vision

“Vitality Creating Bank” (Term: 2014 to 2024)

We aim to become a bank that creates vitality in itself and the community through i) delivering high-quality financial and consultation functions as a regional financial institution and ii) cultivating a corporate culture full of dreams and pride.

Medium-term management plan

“Vitality Creation Plan II – Changing and Taking on Challenges” (Term: April 2017 to March 2020)

We have set the three years as a period in which to strive to change to a robust structure in consideration of the changing financial climate. For the plan’s final year, coinciding with our 85th anniversary, we will endeavor to achieve good results in terms of earnings and financial position.

(Positioning of the new medium-term management plan)

Basic philosophy

Create regional economic vitality

Make utmost efforts to revitalize our salestarget areas in pursuit of co-creation with communities

Improve productivity and profitability through reviewing operations

Improve productivity and profitability through enhancing the quality of sales, clerical operations and human resources based on the Four Reforms (to awareness, sales, clerical operations and expenses)

Deliver customer-centric services

Deliver optimum and sophisticated services by promptly meeting the increasingly diverse needs of customers

Upgrade the management and controls framework

Bolster risk controls and earnings management, thus building a management and controls framework capable of responding to the changing environment in a flexible manner

Priority strategies and initiatives policy

			(Initiatives policy)
1) Regional revitalization			Create regional vitality by playing a leading role in community, people and job areas
2) Pursuit of the Four Reforms	Awareness reform	Human resources and organizational strategy	Vitalize our human resources and organization by fostering the spirit of taking on challenges among the bankers, bolstering the human resource development system and realizing a work-life balance
	Sales reform	Platform and market strategy	Revise the framework of our branches and sales, bolster points-of-contact with customers and deliver high-quality services
		Retail business strategy	Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages
		Corporate business strategy	Aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage
		Osaka strategy	Raise the Bank's presence by actively allocating or reallocating our corporate resources based on branch continuity
		Municipality strategy	Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them
		Market investment strategy	Expand profits by diversifying our investment methods while taking risks appropriately
		Group strategy	Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities
	Clerical operations reform	Clerical operations strategy	Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one
	Expenses reform	Expenses strategy	Revise expenses as a whole to transform our expense structure
3) Upgrading of management and controls			Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers

Target metrics

	Fiscal 2016 Result	Fiscal 2019 Target
OHR	74.45%	Less than 70%
Non-interest income ratio	10.40%	At least 20%
Capital adequacy ratio	9.19%	Approx. 10%
ROA	0.24%	At least 0.3%
ROE	4.88%	At least 5%

Calculation formals is more common plural form for the metrics

- OHR : Expenses/Core business gross profit
- Non-interest income ratio : (Fees and commissions + Other operating income (excluding gains/losses on bonds (JGBs, etc.))/Core gross business profit
- Capital adequacy ratio : Core capital/Risk assets
- ROA : Core net business profit/Total assets
- ROE : Net income/Net assets

Capital procurement

The Bank announced a "New Share Issuance and Secondary Offering of Shares" on May 2017, and as a result, it was able to raise capital of ¥15.0 billion through a public share offering in June and ¥2.2 billion in a third-party allotment of shares (secondary offering through an overallotment) in July.

The Bank will continue to do its utmost to provide funds for SMEs and other businesses in order to contribute to the creation of regional economic vitality and to grow together with its customers.

Compliance

Compliance refers to strict observance of ethics and social norms as well as laws, regulations, government ordinances and the Bank's regulations. Compliance 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 a Code of Conduct for all officers and employees to follow to gain the trust of all our stakeholders, including local communities, our customers and our 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 organizational 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 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

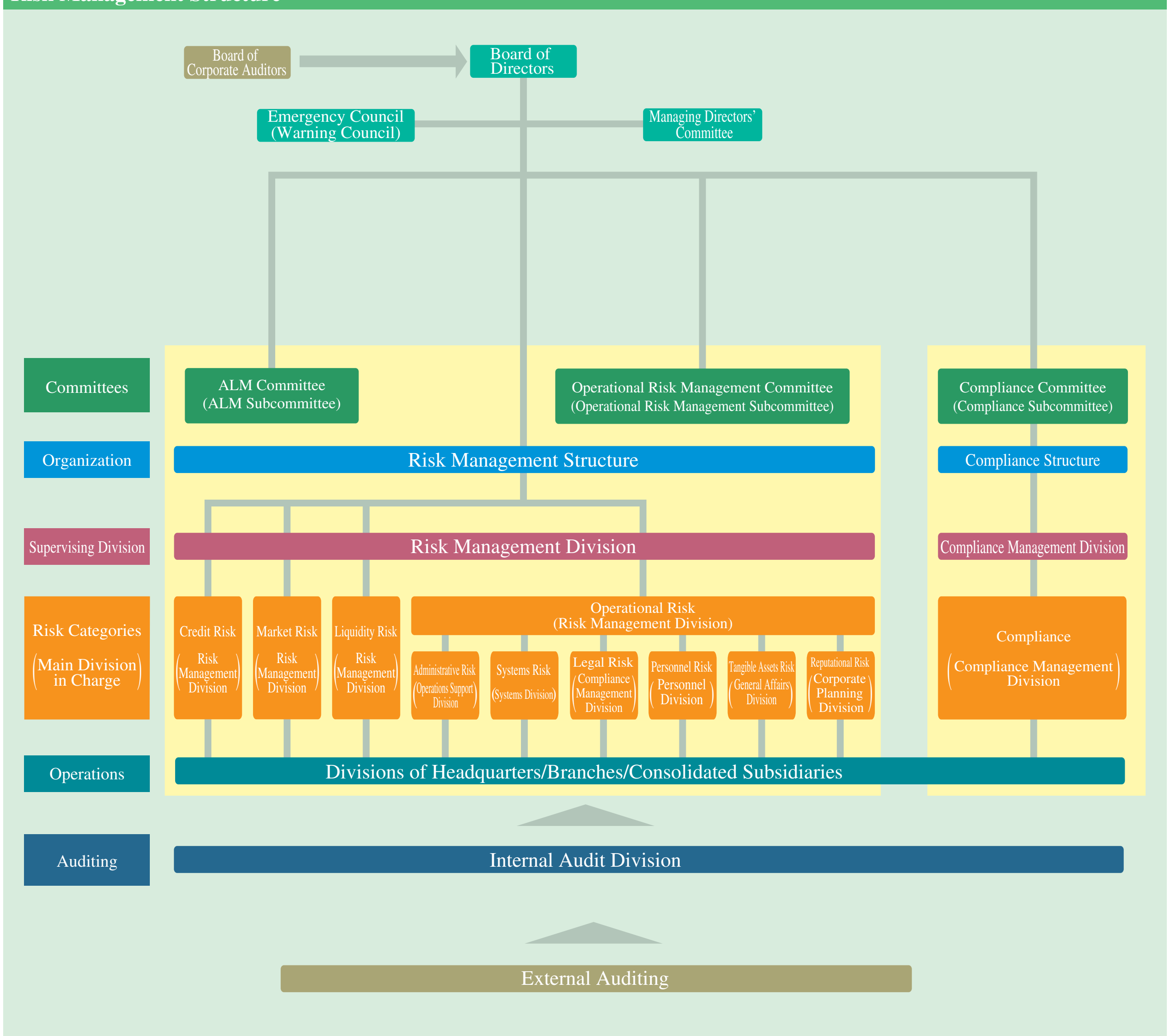
To cope with the various risks that the Bank faces in its banking business, the Bank has established specific units for each category of risk. The Bank also incorporates the Risk Management Division responsible for risk management coordination in order to gain a precise understanding of the nature and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

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 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 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 implementing this internal capital management structure.

Managing Credit Risk

Credit risk is the risk of the value of assets decreasing or disappearing due to factors such as deterioration in the financial condition of a borrower and the incurring of loss as a result.

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 ratings consistent with the borrower classifications used in the 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 thoroughly 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 assets held by financial institutions in order to determine the accurate status of the institution's assets. It is an important method of credit risk management and a preliminary procedure to accurately assess 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 the 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 the 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

Market risk is the risk of fluctuations in the value of assets and liabilities or profits of the Bank due to fluctuations in interest rates, exchange rates, stock prices, etc., and the incurring of losses as a result.

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 operations staff members make efforts to generate 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 into account 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 for contingency events.

• Managing Liquidity Risk

Liquidity risk, also known as fund-raising risk, is defined as the risk of loss due to an obstacle in raising the required funds either because of a mismatch between the use and procurement of funds or an 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 the 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 all 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 plans 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 and 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 such as security codes and others.

Risk Management

In addition, the Nanto Bank CSIRT*, which operates horizontally across the Bank's organizational structure, was created in March 2016 in response to the growing threat of cyber-attacks, among other issues, in an effort to strengthen systems for promptly responding to cyber-attacks through means such as implementing various security measures and conducting cyber-attack response drills.

*CSIRT: Computer Security Incident Response Team

● Managing Legal Risk

The term "legal risk" refers to the risk of incurring loss or damage arising from violations 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 Division.

● Managing Personnel Risk

Personnel risk refers to the risk of loss and damage the Bank can suffer 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 of 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 for the PDCA cycle to function effectively in an aim for self-improvement while each division, branch, etc., that conducts operations management and risk management departments conduct mutual oversight for each risk.

The Internal Audit Division, an internal auditing department, promotes risk management and strives to ensure the soundness of management and the appropriateness of business by ascertaining the risk occurrence situation for each operation and verifying the situation of the PDCA cycle function 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 properly respond to the occurrence and materialization of crises related to business operations such as natural disasters, including large-scale earthquakes, systems malfunctions or virulent strains of influenza or 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 continuously improve it through measures including risk management training provided every year.

Board of Directors, Executive Officers and Corporate Auditors

(As of July 1, 2017)

Yasuo Ueno
Chairman

Takashi Hashimoto
President
(Representative Director)

Yoshihiko Kita
Director
Senior Managing Executive Officer
(Representative Director)

Naoki Minowa
Director
Senior Managing Executive Officer
(Representative Director)

Toru Hagihara
Director
Managing Executive Officer

Shigeyori Kawai
Director
Managing Executive Officer
(Business Planning & Promotion Headquarters)

Chairman
Yasuo Ueno

President
Takashi Hashimoto

Director and Senior Managing Executive Officers
Yoshihiko Kita
Naoki Minowa

Director and Managing Executive Officers
Toru Hagihara
Shigeyori Kawai
(Business Planning & Promotion Headquarters)

Director and Executive Officer
Kazuomi Nakamuro
(Internal Audit Division)

Directors
Hiroshi Nakagawa
Matazaemon Kitamura

Managing Executive Officers
Kiyohide Sawamura
(Osaka Regional Headquarters)
Keizo Nishikawa
(Tokyo Branch)

Executive Officers
Satoru Wada
(Credit Analysis Division)
Kazuya Yokotani
(Corporate Planning Division)
Tomomi Onishi
(Financial Investment Division)
Kozo Togawa
(Osaka Chuo Office)
Kazunobu Nishikawa
(Head Office)
Takahiro Konaka
(Operations Support Division)
Takeshi Sugiura
(Sakurai Branch)

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, 2017 and 2016

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Assets:			
Cash and due from banks (Notes 17 and 19)	**¥ 736,472**	¥ 410,198	**$ 6,564,506**
Call loans and bills bought (Note 19)	**11,776**	—	**104,964**
Debt purchased (Note 19)	**4,304**	3,527	**38,363**
Trading account securities (Notes 19 and 20)	**10**	362	**89**
Money held in trust (Notes 19 and 20)	**31,000**	22,000	**276,316**
Securities (Notes 5, 7, 10, 19 and 20)	**1,686,575**	1,797,411	**15,033,202**
Loans and bills discounted (Notes 6, 8 and 19)	**3,252,218**	3,188,341	**28,988,483**
Foreign exchanges (Note 6)	**5,031**	3,754	**44,843**
Lease receivables and lease investment assets	**13,863**	13,226	**123,567**
Other assets (Note 7)	**43,178**	33,834	**384,864**
Tangible fixed assets (Note 9)	**41,268**	40,566	**367,840**
Buildings	**12,013**	11,401	**107,077**
Land	**25,582**	25,359	**228,023**
Construction in progress	**315**	304	**2,807**
Other tangible fixed assets	**3,357**	3,500	**29,922**
Intangible fixed assets	**4,755**	4,697	**42,383**
Software	**4,202**	4,145	**37,454**
Other intangible fixed assets (Note 7)	**552**	552	**4,920**
Deferred tax assets (Note 24)	**1,307**	1,314	**11,649**
Customers' liabilities for acceptances and guarantees	**8,995**	10,191	**80,176**
Reserve for possible loan losses (Note 19)	**(25,662)**	(23,818)	**(228,736)**
Total assets	**¥5,815,095**	¥5,505,607	**$51,832,560**
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 7 and 19)	**4,737,336**	4,719,323	**42,226,009**
Negotiable certificates of deposit (Note 19)	**28,453**	47,007	**253,614**
Payables under repurchase agreements (Notes 7 and 19)	**29,203**	—	**260,299**
Payables under securities lending transactions (Notes 7 and 19)	**504,092**	233,648	**4,493,199**
Borrowed money (Notes 7, 19 and 30)	**205,308**	189,724	**1,830,002**
Foreign exchanges	**136**	202	**1,212**
Other liabilities (Note 30)	**23,419**	19,182	**208,744**
Liability for retirement benefits (Note 22)	**25,115**	27,248	**223,861**
Reserve for reimbursement of deposits	**192**	164	**1,711**
Reserve for contingent losses	**965**	851	**8,601**
Deferred tax liabilities (Note 24)	**737**	6,349	**6,569**
Acceptances and guarantees	**8,995**	10,191	**80,176**
Total liabilities	**¥5,563,956**	¥5,253,894	**$49,594,045**
Net assets (Note 3):			
Common stock: Authorized 64,000 thousand shares in 2017 and 640,000 thousand shares in 2016 Issued 27,275 thousand shares in 2017 and 272,756 thousand shares in 2016	**29,249**	29,249	**260,709**
Capital surplus	**26,075**	26,075	**232,418**
Retained earnings	**161,245**	150,620	**1,437,249**
Less treasury stock: Issued 437 thousand shares in 2017 and 4,454 thousand shares in 2016	**(1,828)**	(1,864)	**(16,293)**
Total stockholders' equity	**214,742**	204,080	**1,914,092**
Valuation difference on available-for-sale securities (Note 20)	**43,526**	57,072	**387,966**
Deferred gains or losses on hedges (Note 21)	**(409)**	(620)	**(3,645)**
Accumulated adjustments for retirement benefits (Note 22)	**(6,831)**	(8,956)	**(60,887)**
Total accumulated other comprehensive income	**36,284**	47,496	**323,415**
Stock acquisition rights	**112**	136	**998**
Total net assets	**251,139**	251,712	**2,238,515**
Total liabilities and net assets	**¥5,815,095**	¥5,505,607	**$51,832,560**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income:			
Interest income:			
Interest on loans and bills discounted	**¥32,372**	¥34,734	**$288,546**
Interest and dividends on securities	**19,824**	17,927	**176,700**
Other interest income	**618**	714	**5,508**
Fees and commissions	**17,176**	17,804	**153,097**
Other operating income (Note 11)	**6,360**	1,092	**56,689**
Other income (Note 12)	**4,878**	4,143	**43,479**
Total income	**81,230**	76,417	**724,039**
Expenses:			
Interest expense:			
Interest on deposits	**1,201**	2,405	**10,705**
Interest on borrowings and rediscounts	**475**	351	**4,233**
Interest on payables under securities lending transactions	**1,725**	733	**15,375**
Other interest expense	**335**	303	**2,986**
Fees and commissions	**8,807**	8,834	**78,500**
Other operating expenses (Note 13)	**3,483**	1,483	**31,045**
General and administrative expenses (Note 14)	**43,355**	45,139	**386,442**
Other expenses (Note 15)	**5,066**	2,334	**45,155**
Total expenses	**64,450**	61,586	**574,471**
Income before income taxes	**16,779**	14,831	**149,558**
Income taxes (Note 24):			
Current	**4,624**	898	**41,215**
Deferred	**(353)**	1,469	**(3,146)**
Total income taxes	**4,270**	2,367	**38,060**
Net income	**12,508**	12,463	**111,489**
Net income attributable to non-controlling interests	**—**	303	**—**
Net income attributable to owners of parent	**¥12,508**	¥12,159	**$111,489**
	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 28):			
Net income - basic	**¥466.05**	¥453.22	**$4.15**
Net income - diluted	**465.51**	452.60	**4.14**
Dividends	**70.00**	70.00	**0.62**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income	**¥ 12,508**	¥ 12,463	**$ 111,489**
Other comprehensive income (Note 16):			
Valuation difference on available-for-sale securities	**(13,546)**	(1,753)	**(120,741)**
Deferred gains or losses on hedges	**210**	47	**1,871**
Adjustments for retirement benefits (Note 22)	**2,124**	(7,676)	**18,932**
Total other comprehensive income	**(11,211)**	(9,382)	**(99,928)**
Total comprehensive income for the year	**¥ 1,297**	¥ 3,080	**$ 11,560**
Total comprehensive income attributable to:			
Owners of parent	**¥ 1,297**	¥ 2,784	**$ 11,560**
Non-controlling interests	**—**	295	**—**

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, 2017 and 2016

		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, 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 April 1, 2016	272,756	¥29,249	¥26,075	¥150,620	¥(1,864)	¥57,072	¥(620)	¥(8,956)	¥136	—	¥251,712
Reverse stock split	(245,480)	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(1,878)	—	—	—	—	—	—	(1,878)
Net income attributable to owners of parent	—	—	—	12,508	—	—	—	—	—	—	12,508
Purchase of treasury stock	—	—	—	—	(19)	—	—	—	—	—	(19)
Disposition of treasury stock	—	—	(4)	—	55	—	—	—	—	—	50
Transfer from retained earnings to capital surplus	—	—	4	(4)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	—	(13,546)	210	2,124	(23)	—	(11,235)
Balance at March 31, 2017 (Note 3)	**27,275**	**¥29,249**	**¥26,075**	**¥161,245**	**¥(1,828)**	**¥43,526**	**¥(409)**	**¥(6,831)**	**¥112**	**—**	**¥251,139**

	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, 2016	$260,709	$232,418	$1,342,543	$(16,614)	$508,708	$(5,526)	$(79,828)	$1,212	—	$2,243,622
Cash dividends	—	—	(16,739)	—	—	—	—	—	—	(16,739)
Net income attributable to owners of parent	—	—	111,489	—	—	—	—	—	—	111,489
Purchase of treasury stock	—	—	—	(169)	—	—	—	—	—	(169)
Disposition of treasury stock	—	(35)	—	490	—	—	—	—	—	445
Transfer from retained earnings to capital surplus	—	35	(35)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	(120,741)	1,871	18,932	(205)	—	(100,142)
Balance at March 31, 2017 (Note 3)	**$260,709**	**$232,418**	**$1,437,249**	**$(16,293)**	**$387,966**	**$(3,645)**	**$(60,887)**	**$998**	**—**	**$2,238,515**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities			
Income before income taxes	**¥ 16,779**	¥ 14,831	**$ 149,558**
Depreciation	**3,714**	4,006	**33,104**
Increase (decrease) in reserve for possible loan losses	**1,843**	(2,676)	**16,427**
Increase (decrease) in liability for retirement benefits	**925**	1,509	**8,244**
Increase (decrease) in reserve for reimbursement of deposits	**27**	33	**240**
Increase (decrease) in reserve for contingent losses	**113**	(94)	**1,007**
Interest income	**(52,815)**	(53,376)	**(470,763)**
Interest expense	**3,738**	3,795	**33,318**
Loss (gain) on investment securities	**(6,208)**	(2,353)	**(55,334)**
Loss (gain) on money held in trust	**(86)**	35	**(766)**
Foreign exchange losses (gains)	**1,858**	25,042	**16,561**
Losses (gains) on sales of fixed assets	**130**	(483)	**1,158**
Loss on reduction of non-current assets	**68**	—	**606**
State subsidy	**(68)**	—	**(606)**
Net decrease (increase) in loans and bills discounted	**(63,877)**	(109,166)	**(569,364)**
Net increase (decrease) in deposits	**18,013**	28,257	**160,557**
Net increase (decrease) in negotiable certificates of deposit	**(18,553)**	(16,342)	**(165,371)**
Net increase (decrease) in borrowed money	**15,583**	73,602	**138,898**
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	**147**	(343)	**1,310**
Net decrease (increase) in call loans and bills bought	**(12,554)**	1,569	**(111,899)**
Net increase (decrease) in call money	**29,203**	—	**260,299**
Net increase (decrease) in payables under securities lending transactions	**270,444**	98,793	**2,410,589**
Net decrease (increase) in foreign exchange assets	**(1,277)**	2,163	**(11,382)**
Net increase (decrease) in foreign exchange liabilities	**(65)**	(197)	**(579)**
Net decrease (increase) in lease receivables and lease investment assets	**(734)**	506	**(6,542)**
Interest received	**55,007**	56,550	**490,302**
Interest paid	**(4,237)**	(3,930)	**(37,766)**
Other	**(5,582)**	(25,912)	**(49,754)**
Subtotal	**251,539**	95,820	**2,242,080**
Income taxes paid	**(1,247)**	(943)	**(11,115)**
Income taxes refunded	**23**	—	**205**
Net cash provided by operating activities	**250,315**	94,877	**2,231,170**
Cash flows from investing activities			
Purchases of securities	**(406,747)**	(528,866)	**(3,625,519)**
Proceeds from sales of securities	**281,217**	140,152	**2,506,613**
Proceeds from maturities of securities	**216,930**	255,828	**1,933,594**
Increase in money held in trust	**(10,031)**	(196)	**(89,410)**
Decrease in money held in trust	**1,117**	160	**9,956**
Purchase of tangible fixed assets	**(2,873)**	(2,179)	**(25,608)**
Proceeds from sales of tangible fixed assets	**—**	1,200	**—**
Purchase of intangible fixed assets	**(1,594)**	(1,281)	**(14,208)**
Proceeds from state subsidy	**68**	—	**606**
Other	**(84)**	(95)	**(748)**
Net cash provided by (used in) investing activities	**78,001**	(135,277)	**695,258**
Cash flows from financing activities			
Dividends paid	**(1,879)**	(1,745)	**(16,748)**
Dividends paid to non-controlling stockholders	**—**	(1)	**—**
Purchase of treasury stock	**(19)**	(8)	**(169)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**—**	(967)	**—**
Other	**1**	0	**8**
Net cash used in financing activities	**(1,897)**	(2,722)	**(16,908)**
Effect of exchange rate changes on cash and cash equivalents	**1**	9	**8**
Net increase (decrease) in cash and cash equivalents	**326,421**	(43,113)	**2,909,537**
Cash and cash equivalents at beginning of year	**407,527**	450,641	**3,632,471**
Cash and cash equivalents at end of year (Note 17)	**¥733,948**	¥407,527	**$6,542,009**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

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, 2017, which was ¥112.19 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, 2017 (ten in 2016).

The Bank has one (one in 2016) 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 2016) not accounted for by the equity method, namely, Nanto Sixth Industry Support Investment Limited Partnership, and one (one in 2016) 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, 2017 and 2016 and income before income taxes calculated as if the accounting treatments 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 ¥0 million ($0 thousand) in 2017 and ¥1 million in 2016.

In order to hedge risk arising from the volatility of exchange rates for available-for-sale securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting on the condition that the hedged available-for-sale 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 facilities attached to buildings and structures acquired on or before March 31, 2016 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 (except for leased 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 is deducted directly from those claims in principle. At March 31, 2017 and 2016, the deducted amounts were ¥6,224 million ($55,477 thousand) and ¥7,755 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 2017

Due to amendments to the Japanese Corporation Tax Act, the Bank and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" ("Practical Issue Task Force No. 32, June 17, 2016 (hereinafter, "PITF No. 32")) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining-balance method to the straight-line method.

The impact on income before income taxes for the fiscal year ended March 31, 2017 was immaterial.

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 and capital surplus as of the end of the current fiscal year increased by ¥7,261 million.

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.

The effects on per share information are explained in Note 28, "PER SHARE INFORMATION."

r. Additional information

The Bank and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26")) from the current fiscal year.

3. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2017 and 2016 were as follows:

	2017			(Thousands of shares)	Remarks
	April 1, 2016	Increase	Decrease	March 31, 2017	
Shares issued					
Common stock	**272,756**	**—**	**245,480**	**27,275**	**Notes 1 & 2**
Total	**272,756**	**—**	**245,480**	**27,275**	
Treasury stock					
Common stock	**4,454**	**12**	**4,030**	**437**	**Notes 1, 3 & 4**
Total	**4,454**	**12**	**4,030**	**437**	

Notes: 1. On October 1, 2016, the Bank implemented a one-for-ten reverse stock split.
2. The decrease in common stock of shares issued of 245,480 thousand shares is due to the reverse stock split.
3. The increase in common stock of treasury stock of 12 thousand shares comprises an increase of 8 thousand shares due to the purchase of shares of less than one unit executed before the reverse stock split, an increase of 1 thousand shares due to the purchase of shares of less than one unit after the reverse stock split and an increase of 2 thousand shares due to the purchase of fractional shares less than one unit allotted in the reverse stock split.
4. The decrease in common stock of treasury stock of 4,030 thousand shares comprises a decrease of 129 thousand shares due to the execution of stock options, a decrease of 1 thousand shares due to sales of shares of less than one unit before the reverse stock split, a decrease of 0 thousand shares due to sales of shares of less than one unit after the reverse stock split, a decrease of 3,898 thousand shares due to the reverse stock split and a decrease of 0 thousand shares due to the disposition of shares of less than one unit in the reverse stock split.

	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.

(2) Matters concerning Stock Acquisition Rights

For the fiscal year ended March 31, 2017

Classification	Breakdown	Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares: April 1, 2016	Increase	Decrease	March 31, 2017	Balance at end of current fiscal year (Millions of yen)	(Thousands of U.S. dollars)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥112	$998
	Total	—	—	—	—	¥112	$998

For the fiscal year ended March 31, 2016

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

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2017

Resolution	Type of shares	Aggregate amount 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 ($8,369)	¥3.50 ($0.03)	March 31, 2016	June 30, 2016
Board of Directors' meeting held on November 11, 2016	Common stock	¥939 ($8,369)	¥3.50 ($0.03)	September 30, 2016	December 5, 2016

Dividends paid in the fiscal year ended March 31, 2016

Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
	Millions of yen, except per share amount				
Annual stockholders' meeting held on June 26, 2015	Common stock	¥804	¥3.00	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 13, 2015	Common stock	¥939	¥3.50	September 30, 2015	December 7, 2015

(b) Dividends to be paid in the fiscal year ending March 31, 2018

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, 2017	Common stock	¥939 ($8,369)	Retained earnings	¥35.00 ($0.31)	March 31, 2017	June 30, 2017

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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Shares or investments in capital	**¥32**	¥12	**$285**

6. NONPERFORMING LOANS

Nonperforming loans at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Loans to bankrupt borrowers	**¥ 1,105**	¥ 1,457	**$ 9,849**
Past due loans	**55,588**	62,239	**495,480**
Past due loans (three months or more)	**322**	169	**2,870**
Restructured loans	**11,235**	9,914	**100,142**
Total	**¥68,252**	¥73,781	**$608,360**

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 ¥18,007 million ($160,504 thousand) and ¥20,050 million at March 31, 2017 and 2016, respectively.

7. PLEDGED ASSETS

At March 31, 2017 and 2016, securities of ¥842,875 million ($7,512,924 thousand) and ¥550,250 million, respectively, and other assets of ¥1,978 million ($17,630 thousand) and ¥183 million, respectively, were pledged as collateral for deposits of ¥44,652 million ($398,003 thousand) and ¥61,136 million, respectively, payables under repurchase agreements of ¥29,203 million ($260,299) and nil, respectively, payables under securities lending transactions of ¥504,092 million ($4,493,199 thousand) and ¥233,648 million, respectively, and borrowed money of ¥196,612 million ($1,752,491 thousand) and ¥181,342 million, respectively.

Securities of ¥9,203 million ($82,030 thousand) and ¥70,827 million and other assets of ¥14,000 million ($124,788 thousand) and nil were pledged for transaction guarantees at March 31, 2017 and 2016, respectively.

Unexpired lease contract claims of ¥3,754 million ($33,461 thousand) and ¥4,516 million were pledged as collateral for borrowed money of ¥3,117 million ($27,783 thousand) and ¥3,497 million at March 31, 2017 and 2016, respectively.

At March 31, 2017 and 2016, other assets included initial margins of futures markets of ¥ 328 million ($2,923 thousand) and ¥122 million, respectively, and security deposits of ¥1,057 million ($9,421 thousand) and ¥1,090 million, respectively, and other intangible fixed assets included key money of ¥552 million ($4,920 thousand) and ¥552 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, 2017 and 2016 were ¥972,010 million ($8,663,962 thousand) and ¥931,177 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, 2017 and 2016 were ¥948,278 million ($8,452,428 thousand) and ¥907,347 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 ¥44,346 million ($395,275 thousand) and ¥44,784 million at March 31, 2017 and 2016, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥783 million ($6,979 thousand) and ¥718 million at March 31, 2017 and 2016, respectively. For the years ended March 31, 2017 and 2016, the capital gain offset from acquisition costs was ¥68 million ($606 thousand) and nil, respectively.

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 ¥8,302 million ($73,999 thousand) and ¥4,753 million at March 31, 2017 and 2016, respectively.

11. OTHER OPERATING INCOME

For the fiscal years ended March 31, 2017 and 2016, other operating income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gains on sales of bonds	¥6,132	¥ 823	$54,657
Other	227	268	2,023
Total	¥6,360	¥1,092	$56,689

12. OTHER INCOME

For the fiscal years ended March 31, 2017 and 2016, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gains on sales of stocks and other securities	¥2,505	¥1,846	$22,328
Recovery of written-off claims	978	369	8,717
State subsidy	68	—	606
Gains on sales of fixed assets	—	560	—
Other	1,325	1,370	11,810
Total	¥4,877	¥4,143	$43,470

13. OTHER OPERATING EXPENSES

For the fiscal years ended March 31, 2017 and 2016, other operating expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Losses on sales of bonds	¥2,159	¥ 0	$19,244
Other	1,323	1,483	11,792
Total	¥3,483	¥1,483	$31,045

14. GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal years ended March 31, 2017 and 2016, general and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Salaries and allowances	¥19,363	¥22,478	$172,591
Retirement benefit costs	3,969	2,484	35,377
Other	20,021	20,176	178,456
Total	¥43,355	¥45,139	$386,442

15. OTHER EXPENSES

For the fiscal year ended March 31, 2017 and 2016, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Write-offs of loans	¥1,045	¥ 933	$ 9,314
Provision for possible loan losses	2,584	362	23,032
Other	1,435	1,038	12,790
Total	¥5,066	¥2,334	$45,155

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Losses incurred during the year	¥(13,617)	¥ (1,068)	$(121,374)
Reclassification adjustments to net income	(6,208)	(2,353)	(55,334)
Amount before tax effect	(19,826)	(3,421)	(176,718)
Tax effect	6,279	1,668	55,967
Valuation difference on available-for-sale securities	(13,546)	(1,753)	(120,741)
Deferred gains or losses on hedges			
Gains (losses) incurred during the year	94	(202)	837
Reclassification adjustments to net income	209	302	1,862
Amount before tax effect	303	100	2,700
Tax effect	(92)	(52)	(820)
Deferred gains or losses on hedges	210	47	1,871
Adjustments for retirement benefits:			
Gains (losses) incurred during the year	880	(11,721)	7,843
Reclassification adjustments to net income	2,178	735	19,413
Amount before tax effect	3,059	(10,986)	27,266
Tax effect	(934)	3,309	(8,325)
Adjustments for retirement benefits	2,124	(7,676)	18,932
Total other comprehensive income	¥(11,211)	¥ (9,382)	$ (99,928)

17. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2017 and 2016 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
	2017	2016	2017
Cash and due from banks on the consolidated balance sheets	¥736,472	¥410,198	$6,564,506
Current deposits due from banks	(1,768)	(1,978)	(15,758)
Time deposits due from banks	(600)	(615)	(5,348)
Other due from banks	(154)	(77)	(1,372)
Cash and cash equivalents on the consolidated statements of cash flows	¥733,948	¥407,527	$6,542,009

18. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 87	¥ 125	$ 775
Due after one year	923	1,067	8,227
Total	¥1,011	¥1,192	$9,011

As lessor:

There was no applicable matter to be noted regarding future minimum lease payments under operating leases which were not cancelable at March 31, 2017 and 2016.

19. 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 Corporate Business Division plays a part in investments for the purpose of business alliances and capital affiliation. Continuous monitoring of market

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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, 2017, the Group's total market risk (decrease in estimated economic value) was ¥59,428 million ($529,708 thousand) (¥53,513 million in 2016). In addition, the Group conducted back tests comparing actual income with the VaR calculated by 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, 2017 and 2016.

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		
	2017		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 736,472	¥ 736,472	¥ —
Call loans and bills bought	11,776	11,776	—
Debt purchased	4,304	4,304	—
Trading account securities			
Trading securities	10	10	—
Money held in trust	31,000	31,000	—
Securities			
Held-to-maturity debt securities	8,302	8,338	35
Available-for-sale securities	1,675,414	1,675,414	—
Loans and bills discounted	3,252,218		
Reserve for possible loan losses (*1)	(25,045)		
	3,227,173	3,250,545	23,372
Total assets	¥5,694,453	¥5,717,861	¥23,408
Deposits	¥4,737,336	¥4,737,624	¥ 288
Negotiable certificates of deposit	28,453	28,453	—
Payables under repurchase agreements	29,203	29,203	—
Payables under securities lending transactions	504,092	504,092	—
Borrowed money	205,308	205,205	(103)
Total liabilities	¥5,504,394	¥5,504,579	¥ 185
Derivative transactions (*2)			
Hedge accounting not applied	(2,049)	(2,049)	—
Hedge accounting applied	(448)	(448)	—
Total derivative transactions	¥ (2,497)	¥ (2,497)	¥ —

	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	¥ —

	Thousands of U.S. dollars		
	2017		
	Carrying amount	Fair value	Difference
Cash and due from banks	**$ 6,564,506**	**$ 6,564,506**	**$ —**
Call loans and bills bought	**104,964**	**104,964**	**—**
Debt purchased	**38,363**	**38,363**	**—**
Trading account securities			
Trading securities	**89**	**89**	**—**
Money held in trust	**276,316**	**276,316**	**—**
Securities			
Held-to-maturity debt securities	**73,999**	**74,320**	**311**
Available-for-sale securities	**14,933,719**	**14,933,719**	**—**
Loans and bills discounted	**28,988,483**		
Reserve for possible loan losses (*1)	**(223,237)**		
	28,765,246	**28,973,571**	**208,325**
Total assets	**$50,757,224**	**$50,965,870**	**$208,646**
Deposits	**42,226,009**	**42,228,576**	**2,567**
Negotiable certificates of deposits	**253,614**	**253,614**	**—**
Payables under repurchase agreements	**260,299**	**260,299**	**—**
Payables under securities lending transactions	**4,493,199**	**4,493,199**	**—**
Borrowed money	**1,830,002**	**1,829,084**	**(918)**
Total liabilities	**$49,063,142**	**$49,064,791**	**$ 1,648**
Derivative transactions (*2)			
Hedge accounting not applied	**(18,263)**	**(18,263)**	**—**
Hedge accounting applied	**(3,993)**	**(3,993)**	**—**
Total derivative transactions	**$ (22,256)**	**$ (22,256)**	**$ —**

(*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.

Call loans and bills bought and 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 repurchase agreements
The carrying amount is presented as the fair value as the fair value is deemed to approximate the carrying amount since the interest rate is the floating interest rate which reflects the market interest rate due to the short-term nature.

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 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
	2017	2016	2017
Unlisted equity securities (*1) (*2)	**¥1,642**	¥1,642	**$14,635**
Investment in partnerships (*3)	**1,215**	151	**10,829**
Total	**¥2,857**	¥1,793	**$25,465**

(*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) No impairment loss was recognized for the fiscal year ended March 31, 2017. The Bank recognized impairment loss of ¥0 million on unlisted equity securities for the fiscal year ended March 31, 2016.
(*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					
	2017					
	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	**¥ 689,396**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Call loans and bills bought	**11,776**	**—**	**—**	**—**	**—**	**—**
Debt purchased	**4,304**	**—**	**—**	**—**	**—**	**—**
Securities	**133,658**	**294,172**	**378,809**	**160,294**	**274,337**	**97,354**
Held-to-maturity debt securities	**1,724**	**2,918**	**2,943**	**716**	**—**	**—**
Bonds	**1,724**	**2,918**	**2,943**	**716**	**—**	**—**
Available-for-sale securities with contractual maturities	**131,934**	**291,253**	**375,866**	**159,578**	**274,337**	**97,354**
Japanese government bonds	**54,000**	**206,500**	**215,000**	**61,500**	**60,000**	**—**
Japanese local government bonds	**7,069**	**31,970**	**32,975**	**28,430**	**73,556**	**4,412**
Corporate bonds	**12,904**	**11,204**	**31,740**	**42,862**	**26,451**	**56,906**
Other	**57,960**	**41,579**	**96,150**	**26,785**	**114,330**	**36,036**
Loans and bills discounted (*)	**496,025**	**625,936**	**437,952**	**315,922**	**364,039**	**691,686**
Total	**¥1,335,161**	**¥920,108**	**¥816,762**	**¥476,216**	**¥638,377**	**¥789,041**

	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

	Thousands of U.S. dollars					
	2017					
	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	**$ 6,144,897**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans and bills bought	**104,964**	**—**	**—**	**—**	**—**	**—**
Debt purchased	**38,363**	**—**	**—**	**—**	**—**	**—**
Securities	**1,191,353**	**2,622,087**	**3,376,495**	**1,428,772**	**2,445,289**	**867,760**
Held-to-maturity debt securities	**15,366**	**26,009**	**26,232**	**6,382**	**—**	**—**
Bonds	**15,366**	**26,009**	**26,232**	**6,382**	**—**	**—**
Available-for-sale securities with contractual maturities	**1,175,987**	**2,596,069**	**3,350,262**	**1,422,390**	**2,445,289**	**867,760**
Japanese government bonds	**481,326**	**1,840,627**	**1,916,391**	**548,177**	**534,807**	**—**
Japanese local government bonds	**63,009**	**284,963**	**293,921**	**253,409**	**655,637**	**39,326**
Corporate bonds	**115,019**	**99,866**	**282,912**	**382,048**	**235,769**	**507,228**
Other	**516,623**	**370,612**	**857,028**	**238,746**	**1,019,074**	**321,205**
Loans and bills discounted (*)	**4,421,294**	**5,579,249**	**3,903,663**	**2,815,955**	**3,244,843**	**6,165,308**
Total	**$11,900,891**	**$8,201,337**	**$7,280,167**	**$4,244,727**	**$5,690,141**	**$7,033,077**

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid, and amounting to ¥47,255 million ($421,205 thousand) and ¥63,415 million at March 31, 2017 and 2016, respectively, are not included.
Loans whose payment term is not determined amounting to ¥273,399 million ($2,436,928 thousand) and ¥309,789 million at March 31, 2017 and 2016, respectively, are not included.

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

	Millions of yen 2017					
	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 (*)	**¥4,199,138**	**¥468,473**	**¥ 69,723**	**¥ —**	**¥—**	**¥—**
Negotiable certificates of deposits	**28,453**	**—**	**—**	**—**	**—**	**—**
Payables under repurchase agreements	**—**	**—**	**29,203**	**—**	**—**	**—**
Payables under securities lending transactions	**504,092**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**39,011**	**89,662**	**76,487**	**108**	**37**	**—**
Total	**¥4,770,696**	**¥558,136**	**¥175,414**	**¥108**	**¥37**	**¥—**

	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	¥—

	Thousands of U.S. dollars 2017					
	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 (*)	**$37,428,808**	**$4,175,710**	**$ 621,472**	**$ —**	**$ —**	**$—**
Negotiable certificates of deposits	**253,614**	**—**	**—**	**—**	**—**	**—**
Payables under repurchase agreements		**—**	**260,299**	**—**	**—**	**—**
Payables under securities lending transactions	**4,493,199**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**347,722**	**799,197**	**681,763**	**962**	**329**	**—**
Total	**$42,523,362**	**$4,974,917**	**$1,563,543**	**$962**	**$329**	**$—**

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

20. 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, 2017 and 2016 was as follows:

(a) Trading securities

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Amount of net unrealized gains (losses) included in the statements of income	**¥(2)**	¥2	**$(17)**

(b) Held-to-maturity debt securities

	Millions of yen 2017		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	**¥5,941**	**¥5,983**	**¥42**
Subtotal	**¥5,941**	**¥5,983**	**¥42**
Fair value not exceeding carrying amount:			
Corporate bonds	**¥2,361**	**¥2,354**	**¥(6)**
Subtotal	**¥2,361**	**¥2,354**	**¥(6)**
Total	**¥8,302**	**¥8,338**	**¥35**

	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

	Thousands of U.S. dollars		
	2017		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	**$52,954**	**$53,329**	**$374**
Subtotal	**$52,954**	**$53,329**	**$374**
Fair value not exceeding carrying amount:			
Corporate bonds	**$21,044**	**$20,982**	**$ (53)**
Subtotal	**$21,044**	**$20,982**	**$ (53)**
Total	**$73,999**	**$74,320**	**$311**

(c) Available-for-sale securities

	Millions of yen		
	2017		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**¥ 94,094**	**¥ 48,818**	**¥ 45,275**
Bonds	**912,199**	**888,650**	**23,548**
Japanese government bonds	**593,497**	**578,736**	**14,760**
Japanese local government bonds	**175,079**	**169,303**	**5,776**
Japanese corporate bonds	**143,621**	**140,610**	**3,010**
Others	**211,525**	**206,654**	**4,871**
Foreign securities included	**184,037**	**180,403**	**3,633**
Subtotal	**¥1,217,818**	**¥1,144,123**	**¥ 73,695**
Carrying amount not exceeding acquisition cost:			
Stocks	**¥ 4,840**	**¥ 5,126**	**¥ (286)**
Bonds	**70,193**	**70,778**	**(584)**
Japanese government bonds	**20,102**	**20,139**	**(37)**
Japanese local government bonds	**8,921**	**9,094**	**(172)**
Japanese corporate bonds	**41,169**	**41,545**	**(375)**
Others	**383,560**	**398,205**	**(14,644)**
Foreign securities included	**191,234**	**198,383**	**(7,149)**
Subtotal	**¥ 458,595**	**¥ 474,109**	**¥(15,514)**
Total	**¥1,676,414**	**¥1,618,233**	**¥ 58,180**

	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

	Thousands of U.S. dollars		
	2017		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**$ 838,702**	**$ 435,136**	**$ 403,556**
Bonds	**8,130,840**	**7,920,937**	**209,893**
Japanese government bonds	**5,290,106**	**5,158,534**	**131,562**
Japanese local government bonds	**1,560,557**	**1,509,073**	**51,484**
Japanese corporate bonds	**1,280,158**	**1,253,320**	**26,829**
Others	**1,885,417**	**1,842,000**	**43,417**
Foreign securities included	**1,640,404**	**1,608,013**	**32,382**
Subtotal	**$10,854,960**	**$10,198,083**	**$ 656,876**
Carrying amount not exceeding acquisition cost:			
Stocks	**$ 43,141**	**$ 45,690**	**$ (2,549)**
Bonds	**625,661**	**630,876**	**(5,205)**
Japanese government bonds	**179,178**	**179,507**	**(329)**
Japanese local government bonds	**79,516**	**81,058**	**(1,533)**
Japanese corporate bonds	**366,957**	**370,309**	**(3,342)**
Others	**3,418,843**	**3,549,380**	**(130,528)**
Foreign securities included	**1,704,554**	**1,768,277**	**(63,722)**
Subtotal	**$ 4,087,663**	**$ 4,225,947**	**$(138,283)**
Total	**$14,942,633**	**$14,424,039**	**$ 518,584**

(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2017 and 2016

Not applicable.

(3) Available-for-sale securities sold for the fiscal years ended March 31, 2017 and 2016

	Millions of yen		
	2017		
	Sales amount	Gains on sales	Losses on sales
Stocks	**¥ 10,750**	**¥2,140**	**¥ 269**
Bonds	**15,359**	**116**	**0**
Japanese government bonds	**15,120**	**116**	**—**
Japanese local government bonds	**239**	**—**	**0**
Others	**240,999**	**6,381**	**2,159**
Foreign securities included	**239,506**	**5,881**	**2,159**
Total	**¥267,109**	**¥8,638**	**¥2,429**

	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

	Thousands of U.S. dollars		
	2017		
	Sales amount	Gains on sales	Losses on sales
Stocks	**$ 95,819**	**$19,074**	**$ 2,397**
Bonds	**136,901**	**1,033**	**0**
Japanese government bonds	**134,771**	**1,033**	**—**
Japanese local government bonds	**2,130**	**—**	**0**
Others	**2,148,132**	**56,876**	**19,244**
Foreign securities included	**2,134,824**	**52,420**	**19,244**
Total	**$2,380,862**	**$76,994**	**$21,650**

(4) Information on money held in trust at March 31, 2017 and 2016 was as follows:

Money held in trust

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Carrying amount (fair value)	**¥31,000**	¥22,000	**$276,316**
Amount of net unrealized gains (losses) included in the statements of income	**22**	48	**196**

(5) The components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference	**¥ 58,180**	¥ 78,006	**$ 518,584**
Deferred tax liabilities	**(14,654)**	(20,934)	**(130,617)**
Amounts equivalent to difference on available-for-sale securities	**¥ 43,526**	¥ 57,072	**$ 387,966**
Non-controlling interests adjustment	**—**	—	**—**
Valuation difference on available-for-sale securities	**¥ 43,526**	¥ 57,072	**$ 387,966**

(6) Securities reclassified for the fiscal years ended March 31, 2017 and 2016

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. No impairment loss was recognized for the fiscal year ended March 31, 2017. Impairment loss recognized on equity securities was ¥158 million for the fiscal year ended March 31, 2016.

21. 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, 2017 and 2016 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			
		2017			
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	**¥ 257**	**¥ —**	**¥ 2**	**¥ 2**
	Receive floating rate/pay fixed rate	**4,272**	**3,768**	**(204)**	**(204)**
	Receive floating rate/pay floating rate	**—**	**—**	**—**	**—**
	Interest rate options				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
	Other				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
Total		**¥ —**	**¥ —**	**¥(201)**	**¥(201)**

		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)

Category	Transaction type	Thousands of U.S. dollars 2017 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	**$ 2,290**	**$ —**	**$ 17**	**$ 17**
	Receive floating rate/pay fixed rate	**38,078**	**33,585**	**(1,818)**	**(1,818)**
	Receive floating rate/pay floating rate	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		**$ —**	**$ —**	**$(1,791)**	**$(1,791)**

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, 2017 and 2016, "Receive floating rate/pay fixed rate" of interest rate swaps includes the contract amount of ¥4,014 million ($35,778 thousand) and ¥4,528 million, fair value of ¥(202) million ($(1,800) thousand) and ¥(299) million, and unrealized gains (losses) of ¥(202) million ($(1,800) thousand) and ¥(299) million, respectively, for which the application of hedge accounting was cancelled since they have not met the requirement of hedge accounting. Unrealized gains (losses) on "Receive floating rate/pay fixed rate" of ¥(195) million ($(1,738) thousand) and ¥(245) million were deferred over the hedge period due to the cancellation, respectively.

(b) Currency related transactions

Category	Transaction type	Millions of yen 2017 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	**¥393,351**	**¥255,457**	**¥(1,843)**	**¥(1,843)**
	Forward foreign exchange contracts				
	Sold	**2,722**	—	**(4)**	**(4)**
	Bought	**202**	—	**0**	**0**
	Currency options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		**¥ —**	**¥ —**	**¥(1,847)**	**¥(1,847)**

		Millions of yen			
		2016			
Category	Transaction type	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

		Thousands of U.S. dollars			
		2017			
Category	Transaction type	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	**$3,506,114**	**$2,277,003**	**$(16,427)**	**$(16,427)**
	Forward foreign exchange contracts				
	Sold	**24,262**	**—**	**(35)**	**(35)**
	Bought	**1,800**	**—**	**0**	**0**
	Currency options				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
	Other				
	Sold	**—**	**—**	**—**	**—**
	Bought	**—**	**—**	**—**	**—**
Total		**$ —**	**$ —**	**$(16,463)**	**$(16,463)**

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, 2017 and 2016 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		
			2017		
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		**¥13,405**	**¥7,670**	**¥(448)**
	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		—	**¥ —**	**¥ —**	**¥(448)**

			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)

			Thousands of U.S. dollars		
			2017		
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		**$119,484**	**$68,366**	**$(3,993)**
	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		—	**$ —**	**$ —**	**$(3,993)**

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.

(b) Currency related transactions
None

(c) Stock related transactions
None

(d) Bond related transactions
None

22. 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.

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 using the method in which the necessary amounts to be paid for retirement benefits on a voluntary basis is regarded as the retirement benefit obligations.

(2) Defined benefit plans

(a) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	¥65,416	¥55,877	$583,082
Service cost	2,095	1,652	18,673
Interest cost	455	871	4,055
Actuarial loss (gain)	116	9,599	1,033
Benefits paid	(2,683)	(2,585)	(23,914)
Balance at the end of the fiscal year	¥65,400	¥65,416	$582,939

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

(b) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	¥38,167	¥41,124	$340,199
Expected return on plan assets	759	775	6,765
Actuarial gain (loss)	997	(2,122)	8,886
Contributions paid by the employer	2,235	10	19,921
Benefits paid	(1,874)	(1,620)	(16,703)
Balance at the end of the fiscal year	¥40,284	¥38,167	$359,069

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		Thousands of U.S. dollars
	2017	2016	2017
Funded projected benefit obligations	¥ 54,408	¥ 54,422	$ 484,963
Plan assets	(40,284)	(38,167)	(359,069)
	14,124	16,254	125,893
Unfunded projected benefit obligations	10,991	10,994	97,967
Net liability (asset) for retirement benefits recorded on the consolidated balance sheet	¥ 25,115	¥ 27,248	$ 223,861
Liability for retirement benefits	¥ 25,115	¥ 27,248	$ 223,861
Asset for retirement benefits	—	—	—
Net liability (asset) for retirement benefits recorded on the consolidated balance sheet	¥ 25,115	¥ 27,248	$ 223,861

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

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥2,095	¥1,652	$18,673
Interest cost	455	871	4,055
Expected return on plan assets	(759)	(775)	(6,765)
Net actuarial loss amortization	2,178	735	19,413
Total retirement benefit costs	¥3,969	¥2,484	$35,377

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		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gain (loss)	¥3,059	¥(10,986)	$27,266
Total	¥3,059	¥(10,986)	$27,266

(f) Accumulated adjustments for retirement benefits

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial gain (loss)	¥(9,820)	¥(12,879)	$(87,530)
Total	¥(9,820)	¥(12,879)	$(87,530)

(g) Plan assets

1) Plan assets comprise:

	2017	2016
Bonds	17.1%	19.1%
Stocks	31.3%	33.4%
Cash and deposits	4.7%	2.9%
Life insurance general accounts	33.5%	34.3%
Other	13.4%	10.3%
Total	100%	100%

Note: Total plan assets include retirement benefit trusts which were set up for a corporate pension fund plan (nil and 0.2% of total plan assets at March 31, 2017 and 2016, 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, 2017 and 2016 were as follows:

	2017	2016
Discount rate	0.70%	0.70%
Long-term expected rate of return	2.00%	2.00%
Estimated rate of increase in salary	3.90%	3.90%

23. STOCK OPTIONS

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
General and administrative expenses	¥25	¥35	$222

(b) Stock options outstanding at March 31, 2017 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, 2017:

Stock options	Persons granted	Number of options granted (Note)	Date of grant	Exercise price	Exercise period	Vesting conditions	Target of service period
2010 Stock Options	15 directors of the Bank	Common stock 9,440 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 10,940 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 13,620 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 11,950 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 9,970 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 8,400 shares	July 24, 2015	¥1 ($0.00)	From July 25, 2015 to July 24, 2045	Not defined	Not defined
2016 Stock Options	7 directors (excluding outside directors) of the Bank	Common stock 6,560 shares	July 29, 2016	¥1 ($0.00)	From July 30, 2016 to July 29, 2046	Not defined	Not defined

Note: The number of stock options has been converted to the number of shares after the one-for-ten reverse stock split implemented on October 1, 2016.

b. Stock option activity:

1) Number of stock options

	Number of shares						
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Non-vested							
March 31, 2016 – Outstanding	—	—	—	—	—	1,970	—
Granted	—	—	—	—	—		6,560
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	1,970	4,920
March 31, 2017 – Outstanding	—	—	—	—	—	—	1,640
Vested							
March 31, 2016 – Outstanding	3,600	4,670	6,340	7,500	7,500	6,300	—
Vested	—	—	—	—		1,970	4,920
Exercised	1,070	1,340	1,600	2,670	3,260	3,020	—
Forfeited	—	—	—	—	—	—	—
March 31, 2017 – Outstanding	2,530	3,330	4,740	4,830	4,240	5,250	4,920

Note: The number of stock options has been converted to the number of shares after the one-for-ten reverse stock split implemented on October 1, 2016.

2) Price information

	Yen						
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise date	3,260	3,260	3,260	3,167	3,195	3,209	—
Fair value price at grant date	4,410	3,860	3,030	3,720	4,010	3,970	3,660

	U.S. dollars Yen						
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average stock price at exercise date	29.05	29.05	29.05	28.22	28.47	28.60	—
Fair value price at grant date	39.30	34.40	27.00	33.15	35.74	35.38	32.62

Note: "Average stock price at exercise date" and "Fair value price at grant date" has been converted to the price after the one-for-ten reverse stock split implemented on October 1, 2016.

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(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, 2017 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: 27.95% calculated using the market price of the Bank's stock from November 2010 to July 2016.
   2. Estimated remaining outstanding period: 5.7 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: ¥7 per share, which was calculated based on the actual amount of dividends for the fiscal year ended March 31, 2016.
   4. Risk-free interest rate: (0.37)%, 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.

24. 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 30.6 % and 32.8% for the fiscal years ended March 31, 2017 and 2016, respectively.

Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Deferred tax assets:			
Excess bad debt expense	**¥ 7,293**	¥ 7,825	**$ 65,005**
Liability for retirement benefits	**7,651**	8,340	**68,196**
Depreciation	**817**	759	**7,282**
Write-down of land	**1,031**	1,031	**9,189**
Loss on impairment of fixed assets	**1,247**	1,304	**11,115**
Valuation loss on securities	**3,375**	3,708	**30,082**
Tax loss carryforwards	**46**	68	**410**
Net deferred loss on hedging instruments	**180**	273	**1,604**
Other	**1,852**	1,915	**16,507**
Subtotal deferred tax assets:	**23,496**	25,227	**209,430**
Valuation allowance	**(8,226)**	(9,251)	**(73,322)**
Total deferred tax assets	**15,270**	15,976	**136,108**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(14,654)**	(20,934)	**(130,617)**
Other	**(45)**	(78)	**(401)**
Total deferred tax liabilities	**(14,700)**	(21,012)	**(131,027)**
Net deferred tax assets (liabilities)	**¥ 570**	¥ (5,035)	**$ 5,080**

Note: Net deferred tax assets (liabilities) as of March 31, 2017 and 2016 are included in the following accounts in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Deferred tax assets	**¥ 1,307**	¥ 1,314	**$11,649**
Deferred tax liabilities	**737**	6,349	**6,569**

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, 2017 and 2016:

	2017	**2016**
Statutory tax rate	**30.6%**	32.8%
Valuation allowance	**(6.0)%**	(20.0)%
Non-deductible expenses	**0.2%**	0.4%
Non-taxable income	**(0.6)%**	(0.7)%
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**—%**	3.4%
Other	**1.3%**	0.1%
Effective tax rate	**25.4%**	15.9%

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, ¥376 million, ¥12 million and ¥197 million, respectively, and increase valuation difference on available-for-sale securities and deferred income taxes by ¥1,095 million and ¥515 million, respectively, from the amounts that would have been reported without the change.

25. BUSINESS COMBINATIONS

For the year 2017
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
Consideration paid for acquisition: Cash and due from banks	**¥967**
Acquisition cost	**¥967**

(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

26. 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.

(3) Information about reported segment profit (loss), segment assets, segment liabilities and other material items

Segment information for the fiscal years ended March 31, 2017 and 2016 is summarized as follows:

	Millions of yen						
	2017						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	**¥ 73,379**	**¥ 5,537**	**¥ 78,917**	**¥ 2,073**	**¥ 80,990**	**¥ 170**	**¥ 81,161**
Intersegment income	**830**	**970**	**1,800**	**2,074**	**3,875**	**(3,875)**	**—**
Total	**74,210**	**6,507**	**80,718**	**4,147**	**84,866**	**(3,704)**	**81,161**
Segment profit	**16,059**	**421**	**16,480**	**1,002**	**17,483**	**(574)**	**16,909**
Segment assets	**5,802,932**	**23,468**	**5,826,401**	**18,042**	**5,844,443**	**(29,348)**	**5,815,095**
Segment liabilities	**5,556,156**	**19,272**	**5,575,428**	**9,005**	**5,584,434**	**(20,477)**	**5,563,956**
Other item:							
Depreciation	**3,453**	**118**	**3,572**	**86**	**3,658**	**55**	**3,714**
Interest income	**53,401**	**2**	**53,403**	**36**	**53,440**	**(625)**	**52,815**
Interest expense	**3,745**	**109**	**3,855**	**14**	**3,870**	**(132)**	**3,738**
Extraordinary gain	**—**	**—**	**—**	**68**	**68**	**—**	**68**
Extraordinary loss	**118**	**0**	**118**	**80**	**199**	**—**	**199**
Tax expense	**3,824**	**108**	**3,933**	**366**	**4,300**	**(29)**	**4,270**
Increase in tangible and intangible fixed assets	**4,187**	**136**	**4,324**	**196**	**4,520**	**(52)**	**4,468**

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 ¥170 million is mainly the recovery of written off claims included in "Leasing."
(2) Adjustment of segment profit of negative ¥574 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥29,348 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥20,477 million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of ¥55 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥625 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥132 million is the elimination of intersegment transactions.
(8) Adjustment of tax expense of negative ¥29 million is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative ¥52 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

	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.

	Thousands of U.S. dollars						
	2017						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	**$ 654,060**	**$ 49,353**	**$ 703,422**	**$ 18,477**	**$ 721,900**	**$ 1,515**	**$ 723,424**
Intersegment income	**7,398**	**8,646**	**16,044**	**18,486**	**34,539**	**(34,539)**	**—**
Total	**661,467**	**57,999**	**719,475**	**36,964**	**756,448**	**(33,015)**	**723,424**
Segment profit	**143,141**	**3,752**	**146,893**	**8,931**	**155,833**	**(5,116)**	**150,717**
Segment assets	**51,724,146**	**209,180**	**51,933,336**	**160,816**	**52,094,152**	**(261,591)**	**51,832,560**
Segment liabilities	**49,524,520**	**171,780**	**49,696,300**	**80,265**	**49,776,575**	**(182,520)**	**49,594,045**
Other item:							
Depreciation	**30,778**	**1,051**	**31,838**	**766**	**32,605**	**490**	**33,104**
Interest income	**475,987**	**17**	**476,004**	**320**	**476,334**	**(5,570)**	**470,763**
Interest expense	**33,380**	**971**	**34,361**	**124**	**34,495**	**(1,176)**	**33,318**
Extraordinary gain	**—**	**—**	**—**	**606**	**606**	**—**	**606**
Extraordinary loss	**1,051**	**0**	**1,051**	**713**	**1,773**	**—**	**1,773**
Tax expense	**34,085**	**962**	**35,056**	**3,262**	**38,327**	**(258)**	**38,060**
Increase in tangible and intangible fixed assets	**37,320**	**1,212**	**38,541**	**1,747**	**40,288**	**(463)**	**39,825**

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 $1,515 thousand is mainly the recovery of written off claims included in "Leasing."
(2) Adjustment of segment profit of negative $5,116 thousand is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative $261,591 thousand is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative $182,520 thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of $490 thousand is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative $5,570 thousand is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative $1,176 thousand is the elimination of intersegment transactions.
(8) Adjustment of tax expense of negative $258 thousand is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative $463 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				
	2017				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	**¥32,434**	**¥29,166**	**¥5,537**	**¥14,022**	**¥81,161**

	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

	Thousands of U.S. dollars				
	2017				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	**$289,098**	**$259,969**	**$49,353**	**$124,984**	**$723,424**

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, 2017 and 2016; 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, 2017 and 2016; 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, 2017 or 2016. 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 years ended March 31, 2017 and 2016.

(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.

27. RELATED PARTY TRANSACTIONS

For the fiscal year ended March 31, 2017, 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	 0	 0	Loans —	18 —	160 —
	Masato Ibi	—	—	Office worker	—	Son-in-law of Satoru Wada (Executive Officer) Loans	Lending of money*2 Interest receivable	 0	 0	Loans —	27 —	240 —
A company in which majority of voting rights are held by relatives of officers of the Bank	NIKKEN BLAST CO., LTD. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 0	— 0	Loans —	105 —	935 —
	Kitamura Forestry Co., Ltd. *4	Osaka City Osaka	32	Forestry	Direct 1.55	Loans	Lending of money Interest receivable	90 2	802 17	Loans —	200 —	1,782 —
	Sawamura Co., Ltd. *5	Ikoma City Nara	10	Real estate	—	Loans	Lending of money Interest receivable	10 0	89 0	Loans —	13 —	115 —

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. Matazaemon Kitamura who took office as a Director of the Bank on June 29, 2016 and his relatives have 6% and 94% of voting rights, respectively, of this company directly. The above table presents the transactions during the period from June 29, 2016 through March 31, 2017.
5. Kiyohide Sawamura (Managing Executive Officer of the Bank) and his relatives each have 49.25% of voting rights.

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)	Accounting title	Year-end balance (millions of yen)
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	Loans —	19 —
A company in which majority of voting rights are held by relatives of officers of the Bank	NIKKEN BLAST CO., LTD. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	90 1	Loans —	145 —

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 as of that day.

28. PER SHARE INFORMATION

Net assets per share at March 31, 2017 and 2016 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	**¥9,353.18**	¥9,376.62	**$83.36**
Net income per share – basic	**466.05**	453.22	**4.15**
Net income per share – diluted	**465.51**	452.60	**4.14**

Note: The Bank implemented a one-for-ten reverse stock split on October 1, 2016. Net assets per share, basic net income per share and diluted net income per share are computed based on the assumption that the reverse stock split was implemented at the beginning of the fiscal year ended March 31, 2016.

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
(Net assets per share)			
Net assets	**¥251,139**	¥251,712	**$2,238,515**
Amounts to be deducted from net assets:	**112**	136	**998**
Stock acquisition rights	**(112)**	(136)	**(998)**
Net assets attributed to common stock	**251,026**	251,576	**2,237,507**
Outstanding number of shares of common stock at end of year (unit: thousands of shares)	**26,838**	26,830	**—**
(Basic and diluted net income per share)			
Net income attributable to owners of parent	**¥ 12,508**	¥ 12,159	**$ 111,489**
Net income attributable to common stockholders of parent	**12,508**	12,159	**111,489**
Average outstanding number of shares during the year (unit: thousands of shares)	**26,838**	26,828	**—**
Adjustment to net income attributable to owners of parent	**—**	—	**—**
Increase in number of shares of common stock:	**31**	36	**—**
Stock acquisition rights	**(31)**	(36)	**—**
Convertible securities not diluting net income per share	**—**	—	**—**

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 and ¥27.02, respectively, for the fiscal year ended March 31, 2016.

There were no effects on net assets per share.

29. SUBSEQUENT EVENTS

The Bank has implemented an issuance of new shares and a secondary offering of the shares of the Bank pursuant to a resolution at the meeting of the Board of Directors held on May 23, 2017 concerning the issuance of new shares by public offering and third-party allocation and secondary offering of the shares of the Bank. The overview is as follows:

1. Issuance of new shares by public offering (general offering)
   - a. Type and number of shares to be issued: Common stock of the Bank 5,000,000 shares
   - b. Issue price: ¥3,147 ($28.05) per share
   - c. Total issue price: ¥15,735 million ($140,253 thousand)
   - d. Amount to be paid-in: ¥3,017.20 ($26.89) per share
   - e. Total amount to be paid-in ¥15,086 million ($134,468 thousand)
   - f. Amounts of common stock and additional paid-in capital to be increased:
     - Common stock to be increased: ¥7,543 million ($67,234 thousand)
     - Additional paid-in capital to be increased: ¥7,543 million ($67,234 thousand)
   - g. Subscription period: June 1, 2017 through June 2, 2017
   - h. Date of payment: June 7, 2017
2. Secondary offering of the shares of the Bank (secondary offering by overallotment)
   - a. Type and number of shares to be offered: Common stock of the Bank 750,000 shares
   - b. Entity who engages in secondary offering: Nomura Securities Co., Ltd. (hereinafter “Nomura”)
   - c. Secondary offering price: ¥3,147 ($28.05) per share
   - d. Total amount of secondary offering: ¥2,360 million ($21,035 thousand)
   - e. Method of secondary offering: Nomura will implement secondary offering of 750,000 shares of common stock of the Bank borrowed from the Bank’s shareholders as a result of taking into consideration demand status of public offering.
   - f. Subscription period: June 1, 2017 through June 2, 2017
   - g. Date of delivery: June 8, 2017

3. Issuance of new shares by third-party allocation designated to Nomura

a. Type and number of shares to be issued:	Common stock of the Bank 750,000 shares
b. Amount to be paid-in:	¥3,017.20 ($26.89) per share
c. Total amount to be paid-in:	¥2,262 million ($20,162 thousand)
d. Amounts of common stock and additional paid-in capital to be increased:	
Common stock to be increased:	¥1,131 million ($10,081 thousand)
Additional paid-in capital to be increased:	¥1,131 million ($10,081 thousand)
e. Date of subscription:	July 3, 2017
f. Date of payment:	July 4, 2017

4. Use of funds

The Bank plans to appropriate the funds obtained by this public offering and third-party share issuance to working capital such as loans for the small- and medium- sized companies by the end of March 2018 to stimulate the capital demand leading to the regional growth and positively provide the funds toward regional vitalization which is one of the strategic priorities of the medium-term management plan of the Bank.

30. BORROWED MONEY, BONDS PAYABLE AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Borrowed money			
Due from April 2017 through May 2025			
Average interest rate: 0.25% p.a.	**¥205,308**	¥189,724	**$1,830,002**

Annual maturities of borrowed money as of March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
2018	**¥ 39,011**	**$ 347,722**
2019	**3,013**	**26,856**
2020	**86,648**	**772,332**
2021	**76,098**	**678,295**
2022	**388**	**3,458**
2023 and thereafter	**146**	**1,301**
Total	**¥205,308**	**$1,830,002**

b. The details of bonds payable as of March 31, 2017 and 2016 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, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
2018	**¥0**	**$0**
2019	**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, 2017 and 2016, and the consolidated income statements, 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, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 29 to the consolidated financial statements, which details how the Bank has implemented an issuance of new shares and a secondary offering of the shares of the Bank pursuant to a resolution at the meeting of the Board of Directors held on May 23, 2017 concerning the issuance of new shares by public offering and third-party allocation and secondary offering of the shares of the Bank.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 12, 2017
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Capital Management

Consolidated Capital Adequacy Ratio

As of March 31, 2017 and 2016

Millions of yen

	2017	2016
(1) Capital adequacy ratio ((2)/(3))	**9.42%**	9.36%
(2) Capital	**¥ 219,303**	¥ 206,945
(3) Risk-weighted assets	**2,327,732**	2,209,741
(4) Requisite capital	**93,109**	88,389

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, 2017 and 2016

Millions of yen

	2017	2016
(1) Capital adequacy ratio ((2)/(3))	**9.19%**	9.11%
(2) Capital	**¥ 211,545**	¥ 198,913
(3) Risk-weighted assets	**2,300,789**	2,181,192
(4) Requisite capital	**92,031**	87,247

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 3, 2017)

ORGANIZATION

- STOCKHOLDERS' MEETING
- BOARD OF DIRECTORS
  - MANAGING DIRECTORS' COMMITTEE
    - Chairman
    - President
      - 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
  - Business Support Division
  - Corporate Business Division
  - Personal Business Division
  - Private Banking Division
  - Public Institutions & Regional Vitality Creation Division
  - Osaka Regional Headquarter
- Credit Analysis Division
- Financial Investment Division
- Operations Support Division
- Systems Division
- Personnel Division
- General Affairs Division
- Internal Audit Division

• DOMESTIC OFFICES

NANTO BANK GROUP

(As of July 3, 2017)

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 108 Branches
  - 27 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 3, 2017)

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	500	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

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Pudong New Area, Shanghai, China
Phone: 86-21-6841-2771

CORPORATE DATA (As of March 31, 2017)

Authorized shares:	64,000,000
Outstanding shares:	27,275 thousand
Stated capital:	29,249 million
Number of stockholders:	9,373
Date of incorporation:	June 1934
Domestic network:	139 offices
Overseas network:	2 representative offices
Number of employees:	2,615
Ordinary stockholders' meeting:	June 29, 2017
Stock listings:	Tokyo Stock Exchange

MAJOR STOCKHOLDERS (As of March 31, 2017)

	Number of shares (thousands)	Percentage (%)
Nippon Life Insurance Co. (standing proxy: The Master Trust Bank of Japan, Ltd.)	1,053	3.86
Meiji Yasuda Life Insurance Co. (standing proxy: Trust & Custody Services Bank, Ltd.)	1,043	3.82
Japan Trustee Services Bank, Ltd. (trust account)	1,001	3.67
The Nanto Bank Employees' Stockholders Association	774	2.83
Sumitomo Life Insurance Co. (standing proxy: Japan Trustee Services Bank, Ltd.)	662	2.42
Japan Trustee Services Bank, Ltd (trust account 9)	540	1.98
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	508	1.86
DMG MORI Co., Ltd.	476	1.74
The Master Trust Bank of Japan, Ltd. (trust account)	451	1.65
Kitamura Forestry Co., Ltd.	418	1.53
Total	6,929	25.40

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