Financial Section and Corporate Data

I Financial Section

II Corporate Data

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets:			
Cash and due from banks (Notes 3 and 25)	¥ 592,840	¥ 585,218	$ 5,261,279
Call loans and bills bought (Note 25)	34,166	34,716	303,218
Monetary claims bought	11,927	11,799	105,855
Trading securities	504	154	4,475
Money held in trust (Note 5)	2,878	1,500	25,546
Securities (Notes 4, 10, 15 and 25)	2,807,154	3,168,152	24,912,626
Loans and bills discounted (Notes 7, 11 and 25)	4,598,410	4,347,459	40,809,464
Foreign exchanges (Note 8)	3,957	3,972	35,125
Lease receivables and investment assets (Note 22)	10,043	9,454	89,130
Other assets (Note 10)	17,948	19,808	159,286
Tangible fixed assets (Note 9)	81,926	83,652	727,069
Buildings	30,238	31,097	268,360
Land (Note 12)	43,771	43,927	388,455
Construction in progress	886	314	7,867
Other tangible fixed assets	7,029	8,312	62,386
Intangible fixed assets	2,896	2,943	25,707
Software	2,591	2,635	22,998
Other intangible fixed assets	305	307	2,708
Deferred tax assets (Note 24)	1,591	1,772	14,124
Customers' liabilities for acceptances and guarantees (Note 15)	15,284	14,985	135,648
Allowance for possible loan losses	(27,114)	(30,288)	(240,631)
Total Assets	¥8,154,418	¥8,255,301	$72,367,927
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 13 and 25)	¥7,190,731	¥7,184,121	$63,815,512
Call money	35,832	20,428	318,000
Payables under securities lending transactions (Note 10)	24,238	39,685	215,106
Borrowed money (Notes 10 and 14)	39,052	54,808	346,578
Foreign exchanges (Note 8)	215	147	1,911
Other liabilities	61,541	84,064	546,166
Liability for employees' retirement benefits (Note 23)	37,452	28,874	332,383
Liability for reimbursement of deposit losses	350	309	3,106
Liability for contingent losses	1,159	1,130	10,285
Deferred tax liabilities (Note 24)	95,505	130,903	847,578
Deferred tax liabilities for land revaluation (Note 12)	0	30	6
Acceptances and guarantees (Note 15)	15,284	14,985	135,648
Total liabilities	7,501,364	7,559,490	66,572,283
Equity (Notes 16, 17 and 29):			
Common stock, authorized, 1,000,000 thousand shares; issued, 379,203 thousand shares in 2016 and 2015	42,103	42,103	373,657
Capital surplus	30,301	30,301	268,918
Stock acquisition rights	518	515	4,602
Retained earnings	307,315	290,491	2,727,331
Treasury stock — at cost, 1,210 thousand shares in 2016 and 1,319 thousand shares in 2015	(1,121)	(1,208)	(9,955)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 6)	274,404	328,898	2,435,250
Deferred losses on derivatives under hedge accounting	(2,684)	(2,195)	(23,826)
Land revaluation surplus (Note 12)	1	63	15
Defined retirement benefit plans	(5,556)	(207)	(49,307)
Total	645,282	688,762	5,726,685
Noncontrolling interests	7,770	7,047	68,958
Total equity	653,053	695,810	5,795,644
Total Liabilities and Equity	¥8,154,418	¥8,255,301	$72,367,927

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Income:			
Interest income:			
Interest on loans and discounts	¥ 49,291	¥ 51,574	$ 437,448
Interest and dividends on securities	26,171	25,804	232,263
Other interest income	720	492	6,391
Fees and commissions	19,092	19,058	169,438
Other operating income (Note 18)	11,837	9,229	105,055
Other income (Note 19)	5,725	8,810	50,807
Total income	112,838	114,969	1,001,404
Expenses:			
Interest expenses:			
Interest on deposits	3,748	3,676	33,263
Interest on borrowed money	647	692	5,743
Interest on bonds		39	
Other interest expenses	1,303	1,112	11,564
Fees and commissions	6,393	6,298	56,742
Other operating expenses (Note 20)	4,266	4,770	37,863
General and administrative expenses	58,919	60,671	522,889
Other expenses (Note 21)	3,601	1,742	31,964
Total expenses	78,879	79,004	700,031
Income Before Income Taxes	33,958	35,965	301,373
Income Taxes (Note 24):			
Current	9,793	9,396	86,915
Deferred	2,041	4,511	18,118
Net Income	22,123	22,056	196,339
Net Income Attributable to Noncontrolling Interests	801	779	7,109
Net Income Attributable to Owners of the Parent	¥ 21,322	¥ 21,276	$ 189,230

	Yen		U.S. dollars
	2016	2015	2016
Per Share Information (Notes 2. r and 28):			
Basic net income	¥56.41	¥56.30	$0.50
Diluted net income	56.31	56.19	0.49
Cash dividends applicable to the year	12.00	12.00	0.10

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net Income	¥ 22,123	¥ 22,056	$ 196,339
Other Comprehensive (Loss) Income (Note 27)	(60,406)	134,704	(536,090)
Unrealized (losses) gains on available-for-sale securities	(54,569)	136,269	(484,283)
Deferred losses on derivatives under hedge accounting	(489)	(248)	(4,341)
Land revaluation surplus	0	3	0
Defined retirement benefit plans	(5,348)	(1,319)	(47,465)
Comprehensive (Loss) Income	¥(38,283)	¥156,760	$(339,750)
Total Comprehensive (Loss) Income Attributable to:			
Owners of the parent	¥(39,009)	¥155,887	$(346,197)
Noncontrolling interests	726	873	6,447

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2016

	Thousands	Millions of yen											
							Accumulated other comprehensive income						
	Outstanding number of shares of common Stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at March 31, 2014 (April 1, 2014, as previously reported)	377,887	¥42,103	¥30,301	¥453	¥275,845	¥(1,204)	¥192,722	¥(1,946)	¥ 87	¥ 1,112	¥539,474	¥6,176	¥545,651
Cumulative effect of accounting change					(2,108)						(2,108)		(2,108)
Balance at April 1, 2014 (as restated)	377,887	42,103	30,301	453	273,736	(1,204)	192,722	(1,946)	87	1,112	537,366	6,176	543,543
Net income attributable to owners of the parent					21,276						21,276		21,276
Cash dividends, ¥12.00 per share					(4,534)						(4,534)		(4,534)
Purchases of treasury stock	(3)					(66)					(66)		(66)
Disposals of treasury stock					(14)	62					47		47
Disposals of land revaluation surplus					27						27		27
Net change in the year				62			136,175	(248)	(23)	(1,319)	134,646	870	135,517
Balance at March 31, 2015	377,884	¥42,103	¥30,301	¥515	¥290,491	¥(1,208)	¥328,898	¥(2,195)	¥ 63	¥ (207)	¥688,762	¥7,047	¥695,810
Net income attributable to owners of the parent					21,322						21,322		21,322
Cash dividends, ¥12.00 per share					(4,535)						(4,535)		(4,535)
Purchases of treasury stock						(43)					(43)		(43)
Disposals of treasury stock	108				(24)	130					105		105
Disposals of land revaluation surplus					61						61		61
Net change in the year				2			(54,494)	(489)	(61)	(5,348)	(60,391)	722	(59,668)
Balance at March 31, 2016	377,992	¥42,103	¥30,301	¥518	¥307,315	¥(1,121)	¥274,404	¥(2,684)	¥ 1	¥(5,556)	¥645,282	¥7,770	¥653,053

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at March 31, 2015	$373,657	$268,918	$4,578	$2,578,019	$(10,725)	$2,918,872	$(19,485)	$ 564	$ (1,842)	$6,112,557	$62,546	$6,175,103
Net income attributable to owners of the parent				189,230						189,230		189,230
Cash dividends, $0.10 per share				(40,249)						(40,249)		(40,249)
Purchases of treasury stock					(389)					(389)		(389)
Disposals of treasury stock				(218)	1,159					940		940
Disposals of land revaluation surplus				549						549		549
Net change in the year			23			(483,622)	(4,341)	(549)	(47,465)	(535,953)	6,411	(529,542)
Balance at March 31, 2016	$373,657	$268,918	$4,602	$2,727,331	$ (9,955)	$2,435,250	$(23,826)	$ 15	$(49,307)	$5,726,685	$68,958	$5,795,644

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Operating Activities:			
Income before income taxes	¥ 33,958	¥ 35,965	$ 301,373
Depreciation	5,093	5,634	45,202
Decrease in allowance for possible loan losses	(3,174)	(8,657)	(28,173)
Increase in liability for employees' retirement benefits	876	521	7,779
Increase in liability for reimbursement of deposit losses	41	1	363
Increase in liability for contingent losses	29	410	257
Interest income	(76,183)	(77,871)	(676,103)
Interest expense	5,698	5,521	50,571
Gains on securities	(5,955)	(6,845)	(52,854)
Losses (gains) on money held in trust	120	(65)	1,070
Foreign exchange losses (gains)	4,888	(14,266)	43,385
Losses on sales of fixed assets	129	312	1,148
Net (increase) decrease in trading securities	(350)	15	(3,107)
Net increase in loans	(250,950)	(130,824)	(2,227,111)
Net increase (decrease) in deposits	124,016	(17,515)	1,100,603
Net (decrease) increase in negotiable certificates of deposit	(117,405)	233,599	(1,041,938)
Net decrease in borrowed money (excluding subordinated loans)	(15,756)	(12,614)	(139,834)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	59	(719)	532
Net decrease in call loans and bills bought	421	93,361	3,739
Net increase (decrease) in call money	15,403	(31,805)	136,699
Net decrease in payables under securities lending transactions	(15,447)	(13,913)	(137,092)
Net decrease (increase) in foreign exchanges (assets)	14	(275)	129
Net increase (decrease) in foreign exchanges (liabilities)	67	(128)	600
Net increase in lease receivables and investment assets	(588)	(498)	(5,222)
Interest and dividends received (cash basis)	81,421	85,176	722,592
Interest paid (cash basis)	(5,769)	(5,867)	(51,200)
Other, net	(4,144)	3,524	(36,782)
Subtotal	(223,485)	142,172	(1,983,368)
Income taxes — paid	(10,406)	(7,820)	(92,357)
Net cash (used in) provided by operating activities	(233,892)	134,352	(2,075,726)
Investing Activities:			
Purchases of securities	(925,355)	(1,299,780)	(8,212,246)
Proceeds from sales of securities	657,026	1,134,919	5,830,908
Proceeds from redemption of securities	519,353	409,629	4,609,105
Increase in money held in trust	(1,500)		(13,312)
Purchases of tangible fixed assets	(3,058)	(2,601)	(27,142)
Proceeds from sales of tangible fixed assets	559	60	4,961
Purchases of intangible fixed assets	(893)	(600)	(7,930)
Proceeds from sales of intangible fixed assets	0		8
Other, net	(8)	(71)	(76)
Net cash provided by investing activities	246,124	241,554	2,184,275
Financing Activities:			
Repayments of subordinated loans		(3,000)	
Payments for redemption of bonds and convertible bonds		(15,000)	
Dividends paid by the Bank	(4,535)	(4,534)	(40,249)
Dividends paid by subsidiaries to noncontrolling shareholders	(4)	(2)	(35)
Net cash used in financing activities	(4,539)	(22,537)	(40,284)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(9)	20	(87)
Net Increase In Cash and Cash Equivalents	7,682	353,389	68,177
Cash And Cash Equivalents at Beginning of Year	582,668	229,279	5,171,004
Cash And Cash Equivalents at End of Year (Note 3)	¥ 590,351	¥ 582,668	$ 5,239,182

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2016

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2016 and 2015 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollar.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥112.68 to $1, the approximate rate of exchange at March 31, 2016. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. *Consolidation* — The consolidated financial statements as of March 31, 2016 include the accounts of the Bank and its significant 7 subsidiaries (together, the "Group"). Consolidation of the two remaining unconsolidated subsidiaries and the affiliated company not accounted for by equity method would not have a material effect on the accompanying consolidated financial statements. Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and an affiliated company not accounted for by equity method are accounted for on a cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. *Business Combinations* — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Presentation of the consolidated balance sheet — In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(b) Presentation of the consolidated statement of income — In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

The above accounting standards and guidance for (a) presentation of the consolidated balance sheet and (b) presentation of the consolidated statement of income, are effective for the beginning of annual periods beginning on or after April 1, 2015, and shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance. The applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

c. *Cash Equivalents* — For purposes of the consolidated statements of cash flows, the Group considers deposits with the Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

d. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and

(2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

f. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

g. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired by the Bank after April 1, 1998, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

h. *Long-Lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective tangible fixed assets.

i. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

j. *Allowance for Possible Loan Losses* — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as legal bankruptcy or virtual bankruptcy, a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as possible bankruptcy, which are currently neither legally nor virtually bankrupt but are likely to become bankrupt, and for claims to debtors which had restructured loans, allowances are provided at the amounts deemed necessary based on an overall solvency assessment performed after deducting amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceed a pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.

For other claims, an allowance is provided based on historical loan loss experience.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

k. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank provides for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts that would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 23).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥2,108 million, while the impact of the change on noncontrolling interests as of April 1, 2014, was insignificant.

l. Liability for Reimbursement of Deposit Losses — A liability for reimbursement of deposits which was derecognized as a liability is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. Liability for Contingent Losses — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

n. Foreign Currency Transactions — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

o. Stock Options — In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

p. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

With regard to finance lease transactions entered into prior to April 1, 2008, that were not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets at the transaction date.

The Group applied the revised accounting standard effective April 1, 2008.

q. *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. *Per Share Information* — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

s. *New Accounting Pronouncements*

Tax Effect Accounting — On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks	¥592,840	¥585,218	$5,261,279
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(2,489)	(2,549)	(22,097)
Cash and cash equivalents	¥590,351	¥582,668	$5,239,182

4. Securities

Securities at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japanese government bonds	¥ 943,278	¥1,122,344	$ 8,371,308
Japanese local government bonds	364,174	345,722	3,231,934
Japanese corporate bonds	794,913	839,669	7,054,608
Japanese corporate stocks	517,558	603,258	4,593,172
Other securities	187,229	257,158	1,661,603
Total	¥2,807,154	¥3,168,152	$24,912,626

Securities include investments in unconsolidated subsidiaries of ¥651 million ($5,786 thousand) and ¥160 million at March 31, 2016 and 2015, respectively.

Held-to-maturity debt securities at March 31, 2016 and 2015, were as follows:

	Millions of yen									
	2016					2015				
	Carrying amount	Fair value	Net unrealized gains	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese government bonds	¥2,000	¥2,001	¥1	¥1		¥4,102	¥4,107	¥5	¥5	

	Thousands of U.S. dollars				
	2016				
	Carrying amount	Fair value	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese government bonds	$17,752	$17,761	$9	$9	

The cost and aggregate fair value of available-for-sale securities at March 31, 2016 and 2015 were as follows:

	Millions of yen									
	2016					2015				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 176,086	¥ 514,176	¥338,090	¥340,680	¥2,590	¥ 174,524	¥ 599,969	¥425,445	¥425,546	¥101
Japanese government bonds	911,878	941,278	29,400	29,400		1,096,873	1,118,241	21,368	21,368	0
Japanese local government bonds	354,326	364,174	9,847	9,858	11	338,195	345,722	7,526	7,560	33
Japanese corporate bonds	786,704	794,913	8,209	8,265	56	833,139	839,669	6,529	6,678	149
Japanese bonds — total	2,052,909	2,100,366	47,456	47,523	67	2,268,208	2,303,633	35,424	35,607	183
Foreign bonds	126,546	127,855	1,309	1,369	59	162,909	164,677	1,767	1,790	23
Other	51,749	57,735	5,985	6,687	701	72,017	91,517	19,500	19,617	117
Other — total	178,295	185,591	7,295	8,056	761	234,927	256,194	21,267	21,408	140
Total	¥2,407,292	¥2,800,134	¥392,842	¥396,261	¥3,418	¥2,677,660	¥3,159,798	¥482,137	¥482,562	¥424

	Thousands of U.S. dollars				
	2016				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,562,712	$ 4,563,160	$3,000,447	$3,023,436	$22,988
Japanese government bonds	8,092,639	8,353,555	260,916	260,916	
Japanese local government bonds	3,144,541	3,231,934	87,392	87,492	99
Japanese corporate bonds	6,981,756	7,054,608	72,852	73,351	499
Japanese bonds — total	18,218,937	18,640,098	421,161	421,760	598
Foreign bonds	1,123,056	1,134,679	11,623	12,154	530
Other	459,262	512,383	53,121	59,345	6,223
Other — total	1,582,318	1,647,063	64,744	71,499	6,754
Total	$21,363,968	$24,850,322	$3,486,353	$3,516,695	$30,341

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2016 and 2015.

Available-for-sale securities sold during the fiscal year:

	Millions of yen					
	2016			2015		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:						
Equity securities	¥ 36,841	¥2,010	¥1,924	¥ 24,968	¥4,158	¥ 93
Debt securities	477,785	3,022	23	1,064,119	2,532	1,146
Other securities	139,788	3,371	348	35,515	1,409	72
Total	¥654,414	¥8,404	¥2,296	¥1,124,603	¥8,100	¥1,311

	Thousands of U.S. dollars		
	2016		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 326,954	$17,838	$17,078
Debt securities	4,240,194	26,825	209
Other securities	1,240,576	29,923	3,093
Total	$5,807,725	$74,587	$20,381

The classification of securities was not changed in the years ended March 31, 2016 and 2015.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥153 million ($1,365 thousand) and ¥110 million, respectively, for the years ended March 31, 2016 and 2015.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank's self-assessment guidelines.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) For securities issued by obligors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

"Legal bankruptcy" refers to issuers who have already gone bankrupt from a legal and/or formal perspective. "Virtual bankruptcy" refers to issuers who have not yet gone legally or formerly bankrupt but who are substantially bankrupt because they are in serious financial difficulties and the possibility of restructuring is remote. "Possible bankruptcy" refers to issuers who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future. "Caution" refers to debtors who require close attention because there are problems with their borrowings. "Normal" refers to issuers other than those classified as "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy" and "caution" mentioned above.

5. Money Held In Trust

(1) Money held in trust classified as trading:

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		2016	
	Carrying Amount	Unrealized gains (losses) included in earnings	Carrying Amount	Unrealized gains (losses) included in earnings	Carrying Amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥2,878		¥1,500		$25,546	

(2) No money held in trust was classified as held-to-maturity at March 31, 2016 and 2015.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2016 and 2015.

6. Net Unrealized Gains/Losses on Available-for-sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized gains on available-for-sale securities	¥ 392,842	¥ 482,137	$ 3,486,353
Deferred tax liabilities	(118,307)	(153,074)	(1,049,943)
Net unrealized gains on valuation (before adjustment)	274,534	329,063	2,436,410
Noncontrolling interests	(130)	(164)	(1,159)
Net unrealized gains on valuation	¥ 274,404	¥ 328,898	$ 2,435,250

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bills discounted	¥ 25,774	¥ 27,785	$ 228,738
Loans on bills	102,204	116,248	907,036
Loans on deeds	4,032,012	3,750,870	35,782,854
Overdrafts	438,419	452,555	3,890,835
Total	¥4,598,410	¥4,347,459	$40,809,464

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥27,180 million ($241,214 thousand) and ¥29,092 million at March 31, 2016 and 2015, respectively.

Loans and bills discounted at March 31, 2016 and 2015, included the following loans:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans in legal bankruptcy	¥ 4,820	¥ 3,883	$ 42,778
Nonaccrual loans	82,698	95,329	733,927
Restructured loans	590	909	5,236
Total	¥88,109	¥100,122	$781,941

Loans in legal bankruptcy are loans in which interest accrual is discontinued (excluding the portion recognized as bad debt), based on management's judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors.

Nonaccrual loans are loans in which interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payments to debtors in financial difficulty to assist them in their recovery.

Past due loans (three months or more) are excluded loans that are classified as loans in legal bankruptcy and nonaccrual loans.

Restructured loans are loans on which the Bank grants concessions (e.g., reductions of the stated interest rate, deferrals of interest payments, extensions of maturity dates, waivers of the face amount, or other measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans, and accruing loans contractually past due by three months or more are excluded.

8. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets:			
Due from foreign correspondents	¥2,079	¥2,247	$18,451
Foreign bills of exchange purchased	1,406	1,306	12,484
Foreign bills of exchange receivable	472	418	4,189
Total	¥3,957	¥3,972	$35,125
Liabilities:			
Foreign bills of exchange sold	¥ 215	¥ 147	$ 1,911
Total	¥ 215	¥ 147	$ 1,911

9. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2016 and 2015, amounted to ¥76,846 million ($681,987 thousand) and ¥75,811 million, respectively.

10. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Securities	¥39,069	¥70,328	$346,727

Collateralized liabilities:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deposits	¥14,315	¥28,216	$127,050
Payables under securities lending transactions	24,238	39,685	215,106
Borrowed money	6,384	22,032	56,662

In addition, securities totaling ¥368,741 million ($3,272,467 thousand) and ¥371,882 million at March 31, 2016 and 2015, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Other assets include surety deposits of ¥1,685 million ($14,962 thousand) and ¥1,579 million at March 31, 2016 and 2015, respectively.

11. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2016 and 2015, such commitments amounted to ¥1,329,641 million ($11,800,153 thousand) and ¥1,338,434 million, respectively, of which ¥1,280,639 million ($11,365,277 thousand) and ¥1,282,597 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, there is a deterioration in the customer's creditworthiness, or other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, at the execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

12. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2016 and 2015, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥1,645 million ($14,601 thousand) and by ¥2,446 million, respectively.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

13. Deposits

Deposits at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current deposits	¥ 269,128	¥ 262,449	$ 2,388,430
Ordinary deposits	3,297,992	3,189,125	29,268,657
Savings deposits	83,265	84,847	738,959
Deposits at notice	18,983	19,860	168,476
Time deposits	2,498,446	2,475,607	22,172,934
Other deposits	226,408	238,319	2,009,308
Subtotal	6,394,225	6,270,209	56,746,766
Negotiable certificates of deposit	796,506	913,911	7,068,746
Total	¥7,190,731	¥7,184,121	$63,815,512

14. Borrowed Money

Borrowed money at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Subordinated loans	¥32,000	¥32,000	$283,990
Borrowing from banks and other	7,052	22,808	62,588
Total	¥39,052	¥54,808	$346,578

At March 31, 2016 and 2015, the weighted average interest rates applicable to borrowed money were 1.69% and 1.19%, respectively.

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

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 6,978	$ 61,931
2018	20	177
2019	10	88
2020	44	390
2021		
2022 and thereafter	32,000	283,990
Total	¥39,052	$346,578

15. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥17,445 million ($154,823 thousand) as of March 31, 2016.

16. Equity

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. *Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

17. Stock Options

Stock-based compensation expenses were ¥108 million ($963 thousand) and ¥109 million for the years ended March 31, 2016 and 2015, respectively.

The stock options outstanding as of March 31, 2016, are as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock option	12 directors and 6 executive officers of the Bank	87,100 shares	July 29, 2008	¥1 ($0.01)	From July 30, 2008, to July 29, 2038
2009 Stock option	12 directors and 5 executive officers of the Bank	111,900 shares	July 29, 2009	¥1 ($0.01)	From July 30, 2009, to July 29, 2039
2010 Stock option	12 directors and 7 executive officers of the Bank	143,700 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010, to July 29, 2040
2011 Stock option	12 directors and 8 executive officers of the Bank	149,800 shares	August 1, 2011	¥1 ($0.01)	From August 2, 2011, to August 1, 2041
2012 Stock option	13 directors and 10 executive officers of the Bank	164,800 shares	July 30, 2012	¥1 ($0.01)	From July 31, 2012, to July 30, 2042
2013 Stock option	13 directors and 8 executive officers of the Bank	144,400 shares	July 30, 2013	¥1 ($0.01)	From July 31, 2013, to July 30, 2043
2014 Stock option	13 directors and 10 executive officers of the Bank	124,400 shares	July 30, 2014	¥1 ($0.01)	From July 31, 2014, to July 30, 2044
2015 Stock option	10 directors and 14 executive officers of the Bank	75,100 shares	July 30, 2015	¥1 ($0.01)	From July 31, 2015, to July 30, 2045

The stock option activity is as follows:

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option
Year Ended March 31, 2015								
Non-vested								
March 31, 2014 — Outstanding						144,400		
Granted							124,400	
Canceled							(2,600)	
Vested						(144,400)		
March 31, 2015 — Outstanding							121,800	
Vested								
March 31, 2014 — Outstanding	64,200	84,000	113,700	119,000	155,200			
Vested						144,400		
Exercised	(5,100)	(6,600)	(10,200)	(10,400)	(18,600)	(17,200)		
Canceled								
March 31, 2015 — Outstanding	59,100	77,400	103,500	108,600	136,600	127,200		
Year Ended March 31, 2016								
Non-vested								
March 31, 2015 — Outstanding							124,400	
Granted								75,100
Canceled							(2,600)	
Vested							(121,800)	
March 31, 2016 — Outstanding								75,100
Vested								
March 31, 2015 — Outstanding	59,100	77,400	103,500	108,600	136,600	127,200		
Vested							121,800	
Exercised	(10,200)	(13,200)	(19,700)	(22,700)	(24,200)	(22,400)	(29,400)	
Canceled								
March 31, 2016 — Outstanding	48,900	64,200	83,800	85,900	112,400	104,800	92,400	
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥1,414 ($12)	¥1,414 ($12)	¥1,414 ($12)	¥1,414 ($12)	¥1,414 ($12)	¥1,414 ($12)	¥1,414 ($12)	
Fair value price at grant date	¥978 ($8)	¥805 ($7)	¥686 ($6)	¥678 ($6)	¥526 ($4)	¥762 ($6)	¥902 ($8)	¥1,439 ($12)

The fair value of stock options granted in 2016 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	32.5%
Estimated remaining outstanding period:	Two years and 3 months
Estimated dividend:	¥12 per share
Risk free interest rate:	0.01%

18. Other Operating Income

Other operating income for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gains on foreign exchange transactions — net	¥ 606	¥ 645	$ 5,380
Gains on trading securities	5	3	44
Gains on sales of bonds	6,394	3,942	56,748
Gains on sales of derivatives	449	614	3,987
Other	4,382	4,023	38,893
Total	¥11,837	¥9,229	$105,055

19. Other Income

Other income for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Recovery of loans previously charged off	¥ 1	¥ 2	$ 12
Gains on sales of stocks and other securities	2,012	4,342	17,859
Gains on invests in money held in trust		65	
Reversal of allowance for possible loan losses	1,146	1,865	10,174
Gains on sales of tangible fixed assets	148	10	1,317
Other	2,416	2,523	21,443
Total	¥5,725	¥8,810	$50,807

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Losses on sales of bonds	¥ 372	¥1,218	$ 3,302
Other	3,894	3,551	34,561
Total	¥4,266	¥4,770	$37,863

21. Other Expenses

Other expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Charge-off claims	¥ 26	¥ 57	$ 237
Losses on sales of stocks and other securities	1,924	93	17,078
Losses on devaluation of stocks and other securities	154	127	1,371
Losses on invests in money held in trust	120		1,070
Losses on sales of tangible fixed assets	277	322	2,466
Other	1,097	1,141	9,738
Total	¥3,601	¥1,742	$31,964

22. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥ 259	¥ 115	$ 2,303
Due after one year	1,830	1,420	16,244
Total	¥2,089	¥1,535	$18,547

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gross leased investment assets	¥10,638	¥ 9,840	$94,413
Estimated residual values	12	8	108
Unearned interest income	(1,078)	(1,037)	(9,570)
Leased investment assets	¥ 9,572	¥ 8,811	$84,951

Maturities of lease receivables and investment assets for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	2016	2016	2016	2016
2017	¥189	$1,680	¥ 3,174	$28,169
2018	147	1,305	2,754	24,443
2019	89	794	2,192	19,460
2020	36	326	1,405	12,471
2021	8	77	724	6,429
2022 and thereafter	9	85	387	3,439
Total	¥481	$4,271	¥10,638	$94,413

The minimum future rentals to be received under noncancelable operating leases at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥5	¥5	$47
Due after one year	4	1	39
Total	¥9	¥6	$86

23. Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)		¥44,079	
Cumulative effect of accounting change		3,275	
Balance at beginning of year (as restated)	¥52,498	47,354	$465,904
Current service cost	2,057	1,768	18,256
Interest cost	524	709	4,651
Actuarial gains (losses)	6,981	4,612	61,962
Benefits paid	(2,193)	(1,948)	(19,467)
Others	0	0	6
Balance at end of year	¥59,868	¥52,498	$531,314

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥23,623	¥21,036	$209,649
Expected return on plan assets	472	315	4,192
Actuarial gains (losses)	(845)	2,704	(7,505)
Contributions from the employer	759	1,024	6,739
Benefits paid	(1,594)	(1,458)	(14,152)
Others	0	0	6
Balance at end of year	¥22,415	¥23,623	$198,931

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 49,660	¥ 43,238	$ 440,719
Plan assets	(22,415)	(23,623)	(198,931)
	27,244	19,615	241,788
Unfunded defined benefit obligation	10,208	9,259	90,595
Net liability arising from defined benefit obligation	¥ 37,452	¥ 28,874	$ 332,383

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liability for retirement benefits	¥37,452	¥28,874	$332,383
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥37,452	¥28,874	$332,383

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥2,057	¥1,768	$18,256
Interest cost	524	709	4,651
Expected return on plan assets	(472)	(315)	(4,192)
Recognized actuarial gains	126	(125)	1,119
Net periodic benefit costs	¥2,234	¥2,036	$19,834

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial losses	¥(7,701)	¥(2,034)	$(68,343)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized prior service cost			
Unrecognized actuarial gains	¥8,008	¥306	$71,069

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2016	2015
Debt investments	45%	43%
Equity investments	40	44
Cash and cash equivalents	6	6
Others	9	7
Total	100%	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets was determined considering the long-term rates of return which were expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.5%	1.0%
Expected rate of return on plan assets	2.0	1.5
Expected salary increase rate	3.9	3.9

24. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.0% and 35.6%, respectively, for the years ended March 31, 2016 and 2015.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for possible loan losses	¥ 6,801	¥ 8,203	$ 60,360
Liability for employees' retirement benefits	11,477	9,329	101,859
Devaluation of stocks and other securities	3,039	3,237	26,975
Depreciation	346	398	3,079
Other	5,846	6,111	51,884
Less valuation allowance	(3,063)	(3,250)	(27,190)
Total	¥ 24,448	¥ 24,030	$ 216,969
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥118,307	¥153,103	$1,049,943
Other	54	57	480
Total	¥118,361	¥153,161	$1,050,424
Net deferred tax assets	¥ 1,591	¥ 1,772	$ 14,124
Net deferred tax liabilities	95,505	130,903	847,578

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2016 and 2015, was as follows:

	2016	2015
Normal effective statutory tax rate	33.0%	35.6%
Expenses not deductible for income tax purposes	0.3	0.2
Income not taxable for income tax purposes	(1.6)	(3.7)
Per capita inhabitants tax	0.3	0.3
Increase in valuation allowance for deferred tax assets	(0.0)	0.2
Effect of reduction of income tax rates on deferred tax assets	3.3	5.8
Others	(0.5)	0.2
Actual effective tax rate	34.8%	38.6%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, from approximately 32.2% to 30.8% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of this change was to decrease deferred tax assets by ¥29 million ($257 thousand) and to decrease deferred tax liability by ¥5,170 million ($45,882 thousand) in the consolidated balance sheet as of March 31, 2016. Also, other comprehensive income for unrealized gain on available-for-sale securities increased by ¥6,330 million ($56,176 thousand), remeasurements of defined benefit plans decreased by ¥131 million ($1,162 thousand) and income taxes-deferred increased by ¥995 million ($8,830 thousand) in the consolidated statement of income for the year ended March 31, 2016.

25. Financial instruments and related disclosures

In March, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Basic policy for financial instruments

The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, interest rate caps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2016. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans, time deposits and currency-denominated available-for-sale securities.

③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of nonperforming loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit-risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for possible loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. In managing credit for specific borrowers, the Bank has established a Credit Examination Division independent from business divisions, and the Bank is implementing strict credit screening. Obligor's ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank's stance on market risk has been set out in the Market Risk Guidelines and the Bank is taking steps to strengthen market risk management. The Securities & International Division, which is responsible for conducting market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. Regarding quantitative analysis of the risk associated with the Bank's investment in securities, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and submits a report on risk valuations at the monthly asset liability management ("ALM") meeting.

For stocks, the Bank measures its positions and profit and loss on a daily basis and reports these to management in line with the risk management policy on stocks. A semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities held by the Group, the results of which are subject to audit by the Internal Audit Division and the independent auditor. In addition, the Bank established the ALM Office within the Risk Management Office in the Risk Management Division to unify the management of market risk (including risk for deposits and loans), credit risk, and other risks, and to adequately control risks within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks," "Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2016 and 2015 was ¥15.8 billion ($140 million) and ¥14.7 billion.

VaR by risk type at March 31, 2016 and 2015, was as follows:

	Billions of yen		Millions of U.S. dollars
	2016	2015	2016
Interest rate fluctuation risk	¥10.3	¥ 7.6	$ 91
Market price fluctuation risk (*)	5.4	7.0	47
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥15.8	¥14.7	$140

(*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

③ Liquidity risk management

The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes market prices, as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments

Accounts that had immaterial amounts on the consolidated balance sheet were not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined were not included in the following table (see (b)).

	Millions of yen		
March 31, 2016	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 592,840	¥ 592,840	
Securities:			
Held-to-maturity bonds	2,000	2,001	¥ 1
Available-for-sale securities	2,800,134	2,800,134	
Loans and bills discounted	4,598,410		
Allowance for possible loan losses (*1)	(25,870)		
	4,572,540	4,613,664	41,124
Total	¥7,967,515	¥8,008,641	¥41,125
Deposits (other than negotiable certificates of deposit)	¥6,394,225	¥6,395,600	¥ 1,375
Negotiable certificates of deposit	796,506	796,519	12
Total	¥7,190,731	¥7,192,119	¥ 1,387
Derivatives (*2):			
Hedge accounting not applied	¥ 1,249	¥ 1,249	
Hedge accounting applied	(2,237)	(2,237)	
Total	¥ (988)	¥ (988)	

	Millions of yen		
March 31, 2015	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 585,218	¥ 585,218	
Securities:			
Held-to-maturity bonds	4,102	4,107	¥ 5
Available-for-sale securities	3,159,798	3,159,798	
Loans and bills discounted	4,347,459		
Allowance for possible loan losses (*1)	(28,852)		
	4,318,606	4,348,653	30,046
Total	¥8,067,726	¥8,097,777	¥30,051
Deposits (other than negotiable certificates of deposit)	¥6,270,209	¥6,270,813	¥ 603
Negotiable certificates of deposit	913,911	913,915	3
Total	¥7,184,121	¥7,184,728	¥ 607
Derivatives (*2):			
Hedge accounting not applied	¥ 800	¥ 800	
Hedge accounting applied	(6,518)	(6,518)	
Total	¥ (5,717)	¥ (5,717)	

March 31, 2016	Thousands of U.S. dollars Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	$ 5,261,279	$ 5,261,279	
Securities:			
Held-to-maturity bonds	17,752	17,761	$ 9
Available-for-sale securities	24,850,322	24,850,322	
Loans and bills discounted	40,809,464		
Allowance for possible loan losses (*1)	(229,592)		
	40,579,872	40,944,841	364,968
Total	$70,709,227	$71,074,205	$364,977
Deposits (other than negotiable certificates of deposit)	$56,746,766	$56,758,968	$ 12,202
Negotiable certificates of deposit	7,068,746	7,068,858	112
Total	$63,815,512	$63,827,827	$ 12,314
Derivatives (*2):			
Hedge accountings not applied	$ 11,085	$ 11,085	
Hedge accountings applied	(19,856)	(19,856)	
Total	$ (8,770)	$ (8,770)	

(*1) General and specific allowances for possible loan losses corresponding to "Loans and bills discounted" were deducted.

(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

Call loans and bills bought

The carrying amount is presented as the fair value since fair value approximates such carrying amount because of their short maturities (within one year).

Securities

The fair value of stocks is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings, and terms of the bonds. Information on securities by classification is included in Note 4.

Loans and bills discounted

For floating rate loans, the carrying amount is presented as the fair value as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed-rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings, and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value since the fair value is expected to approximate the carrying amount based on the estimated loan periods, interest rates, and other conditions.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flow discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

Derivatives

Fair value information for derivatives is included in Note 26.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

The following instruments are not included in "Securities: Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Non-listed stocks (*1) (*2)	¥3,381	¥3,288	$30,011
Investments in venture funds (*3)	1,638	963	14,539
Total	¥5,020	¥4,252	$44,551

(*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

(*2) With respect to non-listed stocks, losses on devaluation of ¥0 million ($6 thousand) and ¥17 million were recorded for the years ended March 31, 2016 and 2015, respectively.

(*3) The fair values of investments in venture funds cannot be reliably determined, so they are not subject to fair value disclosure.

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
March 31, 2016	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 515,837					
Securities:						
Held-to-maturity bonds	2,000					
Available-for-sale	272,856	¥ 517,118	¥ 748,206	¥364,303	¥256,802	¥ 12,140
Loans and bills discounted (*)	1,085,456	808,583	718,073	421,039	542,778	917,590
Total	¥1,876,150	¥1,325,701	¥1,466,280	¥785,343	¥799,581	¥929,730

	Millions of yen					
March 31, 2015	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 506,605					
Securities:						
Held-to-maturity bonds	2,100	¥ 2,000				
Available-for-sale	416,991	612,752	¥ 579,858	¥517,872	¥256,222	¥ 35,417
Loans and bills discounted (*)	1,064,226	811,783	607,439	408,397	454,369	882,947
Total	¥1,989,923	¥1,426,535	¥1,187,298	¥926,270	¥710,592	¥918,364

	Thousands of U.S. dollars					
March 31, 2016	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	$ 4,577,896					
Securities:						
Held-to-maturity bonds	17,749					
Available-for-sale	2,421,519	$ 4,589,262	$ 6,640,100	$3,233,084	$2,279,045	$ 107,739
Loans and bills discounted (*)	9,633,085	7,175,929	6,372,681	3,736,597	4,816,994	8,143,330
Total	$16,650,251	$11,765,192	$13,012,781	$6,969,682	$7,096,040	$8,251,069

(*) At March 31, 2016 and 2015, loans and bills discounted of ¥87,519 million ($776,705 thousand) and ¥99,213 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, are not included in the table. At March 31, 2016 and 2015, loans and bills discounted of ¥17,368 million ($154,139 thousand) and ¥19,081 million, respectively, that do not have fixed maturities are not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of yen					
March 31, 2016	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥5,961,381	¥397,404	¥35,438			
Negotiable certificates of deposit	796,506					
Borrowed money	6,978	30	44	¥16,000	¥16,000	
Total	¥6,764,866	¥397,434	¥35,482	¥16,000	¥16,000	

	Millions of yen					
March 31, 2015	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥5,840,743	¥388,521	¥40,944			
Negotiable certificates of deposit	910,550	3,361				
Borrowed money	22,222	520	66	¥3,000	¥29,000	
Total	¥6,773,516	¥392,403	¥41,011	¥3,000	¥29,000	

	Thousands of U.S. dollars					
March 31, 2016	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	$52,905,411	$3,526,845	$314,508			
Negotiable certificates of deposit	7,068,746					
Borrowed money	61,931	266	390	$141,995	$141,995	
Total	$60,036,089	$3,527,111	$314,899	$141,995	$141,995	

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

26. Derivatives

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements, and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

	Millions of yen			
	2016			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥91,348	¥86,432	¥ 2,037	¥ 2,037
Receive floating and pay fixed	91,348	86,432	(1,027)	(1,027)
Other:				
Sold	¥ 58	¥ 58		¥ 11
Bought	58	58		(7)
Total			¥ 1,010	¥ 1,014

	Millions of yen			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥84,656	¥77,960	¥1,213	¥1,213
Receive floating and pay fixed	84,656	77,960	(309)	(309)
Other:				
Sold	¥ 82	¥ 82	¥ 0	¥ 11
Bought	82	82	0	(7)
Total			¥ 903	¥ 907

	Thousands of U.S. dollars			
	2016			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$810,691	$767,061	$18,080	$18,080
Receive floating and pay fixed	810,691	767,061	(9,114)	(9,114)
Other:				
Sold	$ 522	$ 522		$ 105
Bought	522	522		(66)
Total			$ 8,965	$ 9,003

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows or option-pricing models.

(2) Currency-related Transactions

	Millions of yen			
	2016			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥36,969	¥3,112	¥ (19)	¥ (19)
Bought	61,727	2,884	258	258
Currency options:				
Sold	¥20,345	¥6,085	¥(573)	¥ 57
Bought	20,345	6,085	573	92
Total			¥ 238	¥388

	Millions of yen			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥48,837	¥4,999	¥(2,539)	¥(2,539)
Bought	47,103	4,732	2,436	2,436
Currency options:				
Sold	¥17,532	¥7,716	¥ (619)	¥ 226
Bought	17,532	7,716	619	(70)
Total			¥ (102)	¥ 54

	Thousands of U.S. dollars			
	2016			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$328,095	$27,620	$ (175)	$ (175)
Bought	547,812	25,600	2,296	2,296
Currency options:				
Sold	$180,557	$54,007	$(5,089)	$ 507
Bought	180,557	54,007	5,089	816
Total			$ 2,120	$3,443

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related Transactions

	Millions of yen		
	2016		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥79,642	¥79,401	¥(3,824)

	Millions of yen		
	2015		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥81,005	¥81,005	¥(3,174)

	Thousands of U.S. dollars		
	2016		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$706,802	$704,660	$(33,940)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.
2. The fair values of the above derivatives were principally based on quoted market prices, such as those from Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans and time deposits.

(2) Currency-related Transactions

	Millions of yen		
	2016		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥22,536		¥1,587

	Millions of yen		
	2015		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥36,051		¥(3,344)

	Thousands of U.S. dollars		
	2016		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	$200,000		$14,084

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Audit Committee Report No. 25.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were currency-denominated available-for-sale securities.

27. Other Comprehensive (Loss) Income

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized (losses) gains on available-for-sale securities:			
Gains (losses) arising during the year	¥(83,341)	¥192,775	$(739,628)
Reclassification adjustments to profit or loss	(5,954)	(6,678)	(52,841)
Amount before income tax effect	(89,295)	186,097	(792,469)
Income tax effect	(34,726)	49,827	(308,185)
Total	(54,569)	136,269	(484,283)
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	(1,723)	(1,184)	(15,294)
Reclassification adjustments to profit or loss	1,094	968	9,717
Amount before income tax effect	(628)	(216)	(5,577)
Income tax effect	(139)	32	(1,236)
Total	(489)	(248)	(4,341)
Defined retirement benefit plans:			
Losses arising during the year	(7,827)	(1,908)	(69,468)
Reclassification adjustments to profit or loss	126	(125)	1,119
Amount before income tax effect	(7,701)	(2,034)	(68,349)
Income tax effect	(2,353)	(714)	(20,883)
Total	(5,348)	(1,319)	(47,465)
Land revaluation surplus	0	3	0
Total other comprehensive (loss) income	¥(60,406)	¥134,704	$(536,090)

28. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2016				
Basic EPS — Net income available to common shareholders	¥21,322	377,967	¥56.41	$0.50
Effect of dilutive securities — Convertible bonds and stock acquisition rights		643		
Diluted EPS — Net income for computation	¥21,322	378,611	¥56.31	$0.49
For the year ended March 31, 2015				
Basic EPS — Net income available to common shareholders	¥21,276	377,893	¥56.30	
Effect of dilutive securities — Convertible bonds and stock acquisition rights		705		
Diluted EPS — Net income for computation	¥21,276	378,599	¥56.19	

As noted in Note 2.b, the Company applied the revised accounting standard and guidance for (a) presentation of the consolidated balance sheet and (b) presentation of the consolidated statement of income, effective April 1, 2015.

The impact of the change on basic and diluted EPS for the year ended March 31, 2016 was insignificant.

29. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Bank's general meeting of shareholders held on June 29, 2016:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.00 ($0.05) per share	¥2,267	$20,127

Establishment of a Securities Subsidiary

Subject to approval by the relevant authorities, the Bank resolved to establish a wholly owned securities subsidiary at the Board of Directors' meeting held on June 27, 2016.

(1) Purpose of establishment

The bank resolved to establish the subsidiary in order to provide comprehensive financial services by offering one-stop solutions for customers with diversifying financial needs.

(2) Outline of newly established securities subsidiary

Name of established company:	Kyogin Securities Co., Ltd.
Headquarters:	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto city
Capital stock:	¥3,000 million
Equity interest:	100% by the Bank
Scheduled date of commencing operation:	May, 2017

30. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

   The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.

   The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment of the Group.

   The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc.

2. Methods of Measurement of Operating Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

   The profit of the reportable segment is based on "net operating income." "Net operating income" does not include certain other income and expenses, income taxes, and noncontrolling interests.

3. Information about Operating Income, Profit (Loss), Assets, Liabilities, and Other Items was as follows.

	Millions of yen				
	2016				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 104,203	¥ 8,485	¥ 112,689		¥ 112,689
Intersegment	450	2,089	2,540	¥ (2,540)	
Total	¥ 104,654	¥10,575	¥ 115,230	¥ (2,540)	¥ 112,689
Segment profit (Note 3)	¥ 31,442	¥ 2,664	¥ 34,107	¥ (19)	¥ 34,088
Segment assets (Note 4)	8,143,667	43,904	8,187,571	(33,153)	8,154,418
Segment liabilities (Note 5)	7,500,642	25,531	7,526,174	(24,809)	7,501,364
Other:					
Depreciation	5,013	79	5,093		5,093
Interest income (Note 3)	76,098	179	76,278	(95)	76,183
Interest expense (Note 3)	5,689	85	5,774	(75)	5,698
Increase in tangible and intangible fixed assets	3,928	23	3,951		3,951

	Millions of yen				
	2015				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 106,675	¥ 8,283	¥ 114,959		¥ 114,959
Intersegment	642	1,965	2,608	¥ (2,608)	
Total	¥ 107,317	¥10,249	¥ 117,567	¥ (2,608)	¥ 114,959
Segment profit (Note 3)	¥ 33,533	¥ 2,746	¥ 36,279	¥ (2)	¥ 36,277
Segment assets (Note 4)	8,242,851	41,628	8,284,479	(29,178)	8,255,301
Segment liabilities (Note 5)	7,560,908	24,764	7,585,673	(26,182)	7,559,490
Other:					
Depreciation	5,547	86	5,634		5,634
Interest income (Note 3)	77,753	200	77,953	(82)	77,871
Interest expense (Note 3)	5,509	87	5,596	(74)	5,521
Increase in tangible and intangible fixed assets	3,157	44	3,201		3,201

	Thousands of U.S. dollars				
	2016				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 924,777	$ 75,309	$ 1,000,087		$ 1,000,087
Intersegment	4,000	18,544	22,544	$ (22,544)	
Total	$ 928,778	$ 93,853	$ 1,022,632	$ (22,544)	$ 1,000,087
Segment profit (Note 3)	$ 279,045	$ 23,649	$ 302,694	$ (172)	$ 302,522
Segment assets (Note 4)	72,272,521	389,636	72,662,157	(294,230)	72,367,927
Segment liabilities (Note 5)	66,565,872	226,588	66,792,460	(220,177)	66,572,283
Other:					
Depreciation	44,493	709	45,202		45,202
Interest income (Note 3)	675,350	1,595	676,946	(843)	676,103
Interest expense (Note 3)	50,489	754	51,243	(672)	50,571
Increase in tangible and intangible fixed assets	34,863	209	35,072		35,072

Notes: 1. "Operating income" was presented as a substitute for sales in industries. "Operating income" did not include certain other income.
2. "Other" included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, and several other businesses.
3. "Reconciliations" were eliminations of intersegment transactions.
4. "Reconciliations" were eliminations of intersegment assets.
5. "Reconciliations" were eliminations of intersegment liabilities (decrease by ¥30,365 million ($269,485 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥5,556 million ($49,307 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2016			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥49,719	¥34,578	¥28,391	¥112,689

	Millions of yen			
	2015			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥51,927	¥34,089	¥28,941	¥114,959

	Thousands of U.S. dollars			
	2016			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$441,246	$306,871	$251,969	$1,000,087

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2016 and 2015; therefore, geographical operating income information was not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2016 and 2015; therefore, geographical tangible fixed assets information was not presented.

3. Information about major customers

Operating income from transactions with a specific customer did not reach 10% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2016 and 2015; therefore, major customer information was not presented.