Financial Section and Corporate Data

I Financial Section

II Corporate Data

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets:			
Cash and due from banks (Notes 3 and 25)	¥ 826,631	¥ 592,840	$ 7,368,134
Call loans and bills bought	51,377	34,166	457,949
Monetary claims bought	12,182	11,927	108,586
Trading securities	55	504	491
Money held in trust (Note 5)	48,151	2,878	429,191
Securities (Notes 4, 10, 15 and 25)	2,865,072	2,807,154	25,537,678
Loans and bills discounted (Notes 7, 11 and 25)	4,978,745	4,598,410	44,377,797
Foreign exchanges (Note 8)	8,411	3,957	74,978
Lease receivables and investment assets (Note 22)	10,171	10,043	90,660
Other assets (Note 10)	19,739	17,948	175,945
Tangible fixed assets (Note 9):	80,827	81,926	720,451
Buildings	30,100	30,238	268,296
Land (Note 12)	44,427	43,771	396,002
Construction in progress	66	886	596
Other tangible fixed assets	6,232	7,029	55,555
Intangible fixed assets:	2,763	2,896	24,636
Software	2,451	2,591	21,847
Other intangible fixed assets	312	305	2,789
Deferred tax assets (Note 24)	1,452	1,591	12,948
Deferred tax assets for land revaluation (Note 12)	5		51
Customers' liabilities for acceptances and guarantees (Note 15)	17,740	15,284	158,125
Allowance for possible loan losses	(23,926)	(27,114)	(213,267)
Total Assets	¥8,899,400	¥8,154,418	$79,324,362
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 13 and 25)	¥7,567,390	¥7,190,731	$67,451,559
Call money and bills sold (Note 10)	20,194	35,832	180,000
Payables under securities lending transactions (Note 10)	163,682	24,238	1,458,975
Borrowed money (Notes 10 and 14)	121,601	39,052	1,083,885
Foreign exchanges (Note 8)	113	215	1,011
Other liabilities	63,221	61,541	563,524
Liability for employees' retirement benefits (Note 23)	38,681	37,452	344,786
Liability for reimbursement of deposit losses	294	350	2,620
Liability for contingent losses	1,112	1,159	9,911
Deferred tax liabilities (Note 24)	139,074	95,505	1,239,635
Deferred tax liabilities for land revaluation (Note 12)		0	
Acceptances and guarantees (Note 15)	17,740	15,284	158,125
Total liabilities	8,133,105	7,501,364	72,494,035
Equity (Notes 16, 17 and 29):			
Common stock, authorized, 1,000,000 thousand shares; issued, 379,203 thousand shares in 2017 and 2016	42,103	42,103	375,289
Capital surplus	30,301	30,301	270,092
Stock acquisition rights	569	518	5,075
Retained earnings	321,389	307,315	2,864,689
Treasury stock — at cost, 1,159 thousand shares in 2017 and 1,210 thousand shares in 2016	(1,072)	(1,121)	(9,562)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	371,008	274,404	3,306,961
Deferred losses on derivatives under hedge accounting	(1,772)	(2,684)	(15,801)
Land revaluation surplus (Note 12)	(13)	1	(117)
Defined retirement benefit plans	(4,906)	(5,556)	(43,733)
Total	757,607	645,282	6,752,894
Noncontrolling interests	8,687	7,770	77,432
Total equity	766,294	653,053	6,830,327
Total Liabilities and Equity	¥8,899,400	¥8,154,418	$79,324,362

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income:			
Interest income:			
Interest on loans and discounts	¥ 46,136	¥ 49,291	$411,233
Interest and dividends on securities	23,898	26,171	213,016
Other interest income	691	720	6,160
Fees and commissions	18,740	19,092	167,040
Other operating income (Note 18)	13,956	11,837	124,400
Other income (Note 19)	7,057	5,725	62,908
Total income	110,480	112,838	984,760
Expenses:			
Interest expenses:			
Interest on deposits	2,809	3,748	25,038
Interest on borrowed money	590	647	5,264
Other interest expenses	1,683	1,303	15,006
Fees and commissions	6,672	6,393	59,476
Other operating expenses (Note 20)	7,107	4,266	63,347
General and administrative expenses	60,251	58,919	537,052
Other expenses (Note 21)	3,664	3,601	32,661
Total expenses	82,779	78,879	737,848
Income Before Income Taxes	27,701	33,958	246,911
Income Taxes (Note 24):			
Current	7,685	9,793	68,504
Deferred	540	2,041	4,817
Net Income	19,475	22,123	173,589
Net Income Attributable to Noncontrolling Interests	873	801	7,788
Net Income Attributable to Owners of the Parent	¥ 18,601	¥ 21,322	$165,801

	Yen		U.S. dollars
	2017	2016	2017
Per Share Information (Notes 2. q and 29):			
Basic net income	¥49.20	¥56.41	$0.43
Diluted net income	49.11	56.31	0.43
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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net Income	¥ 19,475	¥ 22,123	$ 173,589
Other Comprehensive Income (Loss) (Note 27):	98,212	(60,406)	875,408
Unrealized gain (loss) on available-for-sale securities	96,650	(54,569)	861,488
Deferred gain (loss) on derivatives under hedge accounting	912	(489)	8,129
Land revaluation surplus		0	
Defined retirement benefit plans	649	(5,348)	5,790
Comprehensive Income (Loss)	¥117,687	¥(38,283)	$1,048,997
Total Comprehensive Income (Loss) Attributable to:			
Owners of the parent	¥116,766	¥(39,009)	$1,040,795
Noncontrolling interests	920	726	8,202

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	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 April 1, 2015 (as restated)	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
Net income attributable to owners of the parent					18,601						18,601		18,601
Cash dividends, ¥12.00 per share					(4,536)						(4,536)		(4,536)
Purchases of treasury stock						(11)					(11)		(11)
Disposals of treasury stock	50				(6)	60					54		54
Disposals of land revaluation surplus					14						14		14
Net change in the year				50			96,603	912	(14)	649	98,201	916	99,118
Balance at March 31, 2017	378,043	¥42,103	¥30,301	¥569	¥321,389	¥(1,072)	¥371,008	¥(1,772)	¥(13)	¥(4,906)	¥757,607	¥8,687	¥766,294

	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, 2016	$375,289	$270,092	$4,622	$2,739,243	$(9,999)	$2,445,886	$(23,930)	$ 15	$(49,523)	$5,751,697	$69,259	$5,820,957
Net income attributable to owners of the parent				165,801						165,801		165,801
Cash dividends, $0.10 per share				(40,433)						(40,433)		(40,433)
Purchases of treasury stock					(103)					(103)		(103)
Disposals of treasury stock				(54)	540					486		486
Disposals of land revaluation surplus				132						132		132
Net change in the year			452			861,074	8,129	(132)	5,790	875,314	8,172	883,487
Balance at March 31, 2017	$375,289	$270,092	$5,075	$2,864,689	$(9,562)	$3,306,961	$(15,801)	$(117)	$(43,733)	$6,752,894	$77,432	$6,830,327

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Operating Activities:			
Income before income taxes	¥ 27,701	¥ 33,958	$ 246,911
Depreciation	4,701	5,093	41,910
Equity in loss of an affiliated company	12		113
Decrease in allowance for possible loan losses	(3,187)	(3,174)	(28,415)
Increase in liability for employees' retirement benefits	2,164	876	19,296
(Decrease) increase in liability for reimbursement of deposit losses	(56)	41	(499)
(Decrease) increase in liability for contingent losses	(47)	29	(418)
Interest income	(70,725)	(76,183)	(630,410)
Interest expense	5,083	5,698	45,309
Gains on securities	(9,775)	(5,955)	(87,135)
Losses on money held in trust	1,726	120	15,384
Foreign exchange (gain) loss	(1,552)	4,888	(13,840)
Losses on sales of fixed assets	114	129	1,016
Net decrease (increase) in trading securities	449	(350)	4,003
Net increase in loans	(380,334)	(250,950)	(3,390,093)
Net increase in deposits	248,058	124,016	2,211,054
Net increase (decrease) in negotiable certificates of deposit	128,600	(117,405)	1,146,272
Net increase (decrease) in borrowed money (excluding subordinated loans)	85,548	(15,756)	762,534
Net (increase) decrease in due from banks (excluding due from Bank of Japan)	(2,601)	59	(23,191)
Net (increase) decrease in call loans and bills bought	(17,465)	421	(155,675)
Net (decrease) increase in call money	(15,638)	15,403	(139,388)
Net increase (decrease) in payables under securities lending transactions	139,444	(15,447)	1,242,929
Net (increase) decrease in foreign exchanges (assets)	(4,453)	14	(39,699)
Net (decrease) increase in foreign exchanges (liabilities)	(101)	67	(908)
Net increase in lease receivables and investment assets	(128)	(588)	(1,141)
Interest and dividends received (cash basis)	74,385	81,421	663,032
Interest paid (cash basis)	(5,028)	(5,769)	(44,818)
Other, net	2,889	(4,144)	25,753
Subtotal	209,782	(223,485)	1,869,884
Income taxes — paid	(9,054)	(10,406)	(80,709)
Net cash provided by (used in) operating activities	200,727	(233,892)	1,789,175
Investing Activities:			
Purchases of securities	(1,014,343)	(925,355)	(9,041,296)
Proceeds from sales of securities	780,726	657,026	6,958,971
Proceeds from redemption of securities	322,248	519,353	2,872,342
Increase in money held in trust	(47,000)	(1,500)	(418,932)
Purchases of tangible fixed assets	(3,143)	(3,058)	(28,019)
Proceeds from sales of tangible fixed assets	476	559	4,251
Purchases of intangible fixed assets	(838)	(893)	(7,476)
Increase in investments in an affiliated company	(103)		(922)
Other, net	(21)	(8)	(189)
Net cash provided by investing activities	38,001	246,124	338,727
Financing Activities:			
Repayments of subordinated loans	(3,000)		(26,740)
Dividends paid by the Bank	(4,536)	(4,535)	(40,433)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(4)	(29)
Net cash used in financing activities	(7,539)	(4,539)	(67,203)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	(9)	(15)
Net Increase in Cash and Cash Equivalents	231,188	7,682	2,060,684
Cash and Cash Equivalents at Beginning of Year	590,351	582,668	5,262,064
Cash and Cash Equivalents at End of Year (Note 3)	¥ 821,539	¥ 590,351	$ 7,322,749

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2017

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 2016 consolidated financial statements to conform to the classifications used in 2017.

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 2017 and 2016 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017 include the accounts of the Bank and its 8 (7 in 2016) significant subsidiaries (together, the "Group").

Kyogin Securities Co., Ltd. was newly established and included in the scope of consolidation.

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, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (0 in 2016) affiliated company is accounted for by the equity method.

Sky Ocean Asset Management Co., Ltd. was newly included as an affiliated company accounted for by the equity method as a result of purchase of shares.

Of the consolidated subsidiaries, 8 and 7 in 2016 and 2015, respectively, have fiscal years ending on March 31, which is the same as the fiscal year end date of the Bank.

Investments in the remaining unconsolidated subsidiaries and an affiliated company are stated at cost. 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. *Cash Equivalents* — For purposes of the consolidated statements of cash flows, the Group considers deposits with Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

c. *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.

d. *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.

e. *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 statement 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.

f. *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 on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, 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.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan (the "ASBJ") Practical Issues Task Force No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of these changes on profit before income taxes for the year ended March 31, 2017 is immaterial.

g. *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.

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. *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.

j. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. 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 Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

k. *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.

l. *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.

m. *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.

n. *Stock Options* — Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

o. *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.

p. *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.

The Group applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

q. *Per Share Information* — Basic net income per share is computed by dividing net income available to common stockholders 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.

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, 2017 and 2016, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and due from banks	¥826,631	¥592,840	$7,368,134
Interest-bearing deposits included in due from banks (other than due from Bank of Japan)	(5,091)	(2,489)	(45,385)
Cash and cash equivalents	¥821,539	¥590,351	$7,322,749

4. Securities

Securities at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Japanese government bonds	¥ 769,486	¥ 943,278	$ 6,858,778
Japanese local government bonds	423,685	364,174	3,776,500
Japanese corporate bonds	726,780	794,913	6,478,118
Japanese corporate stocks	685,610	517,558	6,111,157
Other securities	259,509	187,229	2,313,122
Total	¥2,865,072	¥2,807,154	$25,537,678

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, were ¥752 million ($6,710 thousand) and ¥651 million as of March 31, 2017 and 2016, respectively.

The cost and aggregate fair value of available-for-sale securities at March 31, 2017 and 2016 were as follows:

	Millions of yen									
	2017					2016				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 176,624	¥ 682,124	¥505,500	¥506,340	¥ 840	¥ 176,086	¥ 514,176	¥338,090	¥340,680	¥2,590
Japanese government bonds	752,980	769,486	16,506	17,998	1,492	911,878	941,278	29,400	29,400	
Japanese local government bonds	416,792	423,685	6,892	7,834	942	354,326	364,174	9,847	9,858	11
Japanese corporate bonds	721,603	726,780	5,176	5,707	531	786,704	794,913	8,209	8,265	56
Japanese bonds — total	1,891,376	1,919,952	28,575	31,541	2,965	2,052,909	2,100,366	47,456	47,523	67
Foreign bonds	164,254	161,446	(2,807)	410	3,218	126,546	127,855	1,309	1,369	59
Other	95,338	96,035	697	1,734	1,036	51,749	57,735	5,985	6,687	701
Other — total	259,593	257,482	(2,110)	2,145	4,255	178,295	185,591	7,295	8,056	761
Total	¥2,327,594	¥2,859,559	¥531,964	¥540,026	¥8,061	¥2,407,292	¥2,800,134	¥392,842	¥396,261	¥3,418

	Thousands of U.S. dollars				
	2017				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,574,336	$ 6,080,087	$4,505,750	$4,513,243	$ 7,492
Japanese government bonds	6,711,651	6,858,778	147,127	160,430	13,303
Japanese local government bonds	3,715,061	3,776,500	61,439	69,836	8,397
Japanese corporate bonds	6,431,979	6,478,118	46,139	50,872	4,733
Japanese bonds — total	16,858,692	17,113,397	254,705	281,139	26,433
Foreign bonds	1,464,075	1,439,048	(25,027)	3,663	28,690
Other	849,794	856,007	6,213	15,456	9,243
Other — total	2,313,870	2,295,056	(18,813)	19,119	37,933
Total	$20,746,899	$25,488,541	$4,741,642	$4,813,502	$71,859

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2017 and 2016.

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

	Millions of yen					
	2017			2016		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:						
Equity securities	¥ 33,590	¥ 3,663	¥ 191	¥ 36,841	¥2,010	¥1,924
Debt securities	565,184	5,345	759	477,785	3,022	23
Other securities	181,743	3,911	2,289	139,788	3,371	348
Total	¥780,518	¥12,920	¥3,240	¥654,414	¥8,404	¥2,296

	Thousands of U.S. dollars		
	2017		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 299,409	$ 32,652	$ 1,706
Debt securities	5,037,740	47,643	6,769
Other securities	1,619,965	34,866	20,403
Total	$6,957,115	$115,162	$28,879

The classification of securities was not changed in the years ended March 31, 2017 and 2016.

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 ¥1 million ($13 thousand) and ¥153 million, respectively, for the years ended March 31, 2017 and 2016.

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	
	2017		2016		2017	
	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	¥48,151		¥2,878		$429,191	

(2) No money held in trust was classified as held-to-maturity at March 31, 2017 and 2016.

(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, 2017 and 2016.

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
	2017	2016	2017
Net unrealized gains on available-for-sale securities	¥ 531,964	¥ 392,842	$ 4,741,642
Deferred tax liabilities	(160,779)	(118,307)	(1,433,101)
Net unrealized gains on valuation (before adjustment)	371,185	274,534	3,308,540
Noncontrolling interests	(177)	(130)	(1,579)
Net unrealized gains on valuation	¥ 371,008	¥ 274,404	$ 3,306,961

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Bills discounted	¥ 23,514	¥ 25,774	$ 209,591
Loans on bills	100,080	102,204	892,061
Loans on deeds	4,402,026	4,032,012	39,237,242
Overdrafts	453,124	438,419	4,038,902
Total	¥4,978,745	¥4,598,410	$44,377,797

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 ¥24,715 million ($220,295 thousand) and ¥27,180 million at March 31, 2017 and 2016, respectively.

Loans and bills discounted at March 31, 2017 and 2016, included the following loans:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans in legal bankruptcy	¥ 3,478	¥ 4,820	$ 31,003
Nonaccrual loans	72,269	82,698	644,171
Restructured loans	479	590	4,270
Total	¥76,226	¥88,109	$679,445

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, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets:			
Due from foreign correspondents	¥6,900	¥2,079	$61,505
Foreign bills of exchange purchased	1,202	1,406	10,714
Foreign bills of exchange receivable	309	472	2,759
Total	¥8,411	¥3,957	$74,978
Liabilities:			
Foreign bills of exchange sold	¥ 113	¥ 215	$ 1,011
Total	¥ 113	¥ 215	$ 1,011

9. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2017 and 2016, amounted to ¥78,520 million ($699,886 thousand) and ¥76,846 million, respectively.

10. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Securities	¥278,054	¥39,069	$2,478,425

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deposits	¥29,204	¥14,315	$ 260,308
Call money	11,219		100,000
Payables under securities lending transactions	163,682	24,238	1,458,975
Borrowed money	91,979	6,384	819,858

In addition, securities totaling ¥371,512 million ($3,311,456 thousand) and ¥368,741 million at March 31, 2017 and 2016, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash collateral paid for financial instruments	¥4,226		$37,668
Surety deposits	1,714	¥1,685	15,281

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, 2017 and 2016, such commitments amounted to ¥1,403,330 million ($12,508,518 thousand) and ¥1,329,641 million, respectively, of which ¥1,342,679 million ($11,967,911 thousand) and ¥1,280,639 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, 2017 and 2016, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥214 million ($1,910 thousand) and by ¥1,645 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, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current deposits	¥ 306,416	¥ 269,128	$ 2,731,231
Ordinary deposits	3,462,449	3,297,992	30,862,368
Savings deposits	83,248	83,265	742,029
Deposits at notice	13,707	18,983	122,177
Time deposits	2,535,596	2,498,446	22,600,911
Other deposits	240,866	226,408	2,146,948
Subtotal	6,642,283	6,394,225	59,205,667
Negotiable certificates of deposit	925,106	796,506	8,245,892
Total	¥7,567,390	¥7,190,731	$67,451,559

14. Borrowed Money

Borrowed money at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Subordinated loans	¥ 29,000	¥32,000	$ 258,490
Borrowing from banks and other	92,601	7,052	825,395
Total	¥121,601	¥39,052	$1,083,885

At March 31, 2017 and 2016, the weighted average interest rates applicable to borrowed money were 0.55% and 1.69%, respectively.

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

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 92,319	$ 822,889
2019	130	1,158
2020	51	459
2021	20	178
2022	79	709
2023 and thereafter	29,000	258,490
Total	¥121,601	$1,083,885

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 ¥19,091 million ($170,172 thousand) as of March 31, 2017.

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 ¥105 million ($938 thousand) and ¥108 million for the years ended March 31, 2017 and 2016, respectively.

The stock options outstanding as of March 31, 2017, were 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
2016 Stock option	9 directors and 14 executive officers of the Bank	158,400 shares	July 28, 2016	¥1 ($0.01)	From July 29, 2016, to July 28, 2046

The stock option activity was 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, 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	

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option
Year Ended March 31, 2017									
Non-vested									
March 31, 2016 -— Outstanding								75,100	
Granted									158,400
Canceled									
Vested								75,100	
March 31, 2017 — Outstanding									158,400
Vested									
March 31, 2016 — Outstanding	48,900	64,200	83,800	85,900	112,400	104,800	92,400		
Vested								75,100	
Exercised	(5,100)	(6,600)	(7,800)	(8,000)	(11,100)	(10,000)	(8,100)	(8,800)	
Canceled									
March 31, 2017 — Outstanding	43,800	57,600	76,000	77,900	101,300	94,800	84,300	66,300	
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)	¥1 ($0.01)
Average stock price at exercise	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	¥628 ($5)	
Fair value price at grant date	¥978 ($8)	¥805 ($7)	¥686 ($6)	¥678 ($6)	¥526 ($4)	¥762 ($6)	¥902 ($8)	¥1,439 ($12)	¥659 ($5)

The fair value of stock options granted in 2017 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	45.1%
Estimated remaining outstanding period:	One and a half years
Estimated dividend:	¥12 per share
Risk free interest rate:	–0.36%

18. Other Operating Income

Other operating income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gains on foreign exchange transactions — net	¥ 181	¥ 606	$ 1,619
Gains on sales of bonds	9,256	6,394	82,509
Gains on sales of derivatives		449	
Lease receipts	4,075	3,947	36,330
Other	442	439	3,940
Total	¥13,956	¥11,837	$124,400

19. Other Income

Other income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Recovery of loans previously charged off	¥ 1	¥ 1	$ 9
Gains on sales of stocks and other securities	3,761	2,012	33,525
Reversal of allowance for possible loan losses	1,108	1,146	9,880
Gains on sales of tangible fixed assets	73	148	656
Other	2,113	2,416	18,836
Total	¥7,057	¥5,725	$62,908

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Losses on sales of bonds	¥3,048	¥ 372	$27,172
Lease costs	3,523	3,382	31,407
Other	534	511	4,767
Total	¥7,107	¥4,266	$63,347

21. Other Expenses

Other expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Charge-off claims	¥ 62	¥ 26	$ 560
Losses on sales of stocks and other securities	191	1,924	1,706
Losses on devaluation of stocks and other securities	0	154	6
Losses on invests in money held in trust	1,726	120	15,384
Losses on sales of tangible fixed assets	187	277	1,673
Equity in loss of an affiliated company	12		113
Other	1,482	1,097	13,214
Total	¥3,664	¥3,601	$32,661

22. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 238	¥ 259	$ 2,124
Due after one year	1,592	1,830	14,194
Total	¥1,830	¥2,089	$16,318

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gross leased investment assets	¥10,815	¥10,638	$96,402
Estimated residual values	10	12	94
Unearned interest income	(1,046)	(1,078)	(9,325)
Leased investment assets	¥ 9,779	¥ 9,572	$87,170

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	2017	2017	2017	2017
2018	¥173	$1,546	¥ 3,390	$30,223
2019	115	1,033	2,855	25,451
2020	63	563	2,086	18,595
2021	35	314	1,344	11,982
2022	10	91	679	6,056
2023 and thereafter	4	42	459	4,092
Total	¥403	$3,593	¥10,815	$96,402

The minimum future rentals to be received under noncancelable operating leases at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥3	¥5	$33
Due after one year	2	4	26
Total	¥6	¥9	$60

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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year (as restated)	¥59,868	¥52,498	$533,635
Current service cost	2,573	2,057	22,942
Interest cost	298	524	2,664
Actuarial gains	552	6,981	4,923
Benefits paid	(2,131)	(2,193)	(19,002)
Others	0	0	5
Balance at end of year	¥61,162	¥59,868	$545,169

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥22,415	¥23,623	$199,800
Expected return on plan assets	448	472	3,995
Actuarial gains (losses)	420	(845)	3,748
Contributions from the employer	730	759	6,508
Benefits paid	(1,534)	(1,594)	(13,681)
Others	0	0	5
Balance at end of year	¥22,480	¥22,415	$200,377

(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, 2017 and 2016, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 50,673	¥ 49,660	$ 451,671
Plan assets	(22,480)	(22,415)	(200,377)
	28,192	27,244	251,294
Unfunded defined benefit obligation	10,488	10,208	93,492
Net liability arising from defined benefit obligation	¥ 38,681	¥ 37,452	$ 344,786

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Liability for retirement benefits	¥38,681	¥37,452	$344,786
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥38,681	¥37,452	$344,786

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥2,573	¥2,057	$22,937
Interest cost	298	524	2,664
Expected return on plan assets	(448)	(472)	(3,995)
Recognized actuarial gains	1,068	126	9,520
Net periodic benefit costs	¥3,492	¥2,234	$31,126

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial losses	¥(936)	¥(7,701)	$(8,345)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized prior service cost			
Unrecognized actuarial gains	¥7,071	¥8,008	$63,034

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2017	2016
Debt investments	46%	45%
Equity investments	34	40
Cash and cash equivalents	9	6
Others	11	9
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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	2.0	2.0
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 33.0%, respectively, for the years ended March 31, 2017 and 2016.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for possible loan losses	¥ 6,931	¥ 6,801	$ 61,786
Liability for employees' retirement benefits	2,852	11,477	25,424
Devaluation of stocks and other securities	11,850	3,039	105,627
Depreciation	322	346	2,874
Other	4,171	5,846	37,182
Less valuation allowance	(2,908)	(3,063)	(25,920)
Total	¥ 23,220	¥ 24,448	$ 206,975
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥160,779	¥118,307	$1,433,101
Other	62	54	559
Total	¥160,842	¥118,361	$1,433,661
Net deferred tax assets	¥ 1,452	¥ 1,591	$ 12,948
Net deferred tax liabilities	139,074	95,505	1,239,635

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

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

A reconciliation for the year ended March 31, 2017, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

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, 2017. 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, 2017 and 2016 was ¥21.3 billion ($189 million) and ¥15.8 billion.

VaR by risk type at March 31, 2017 and 2016, was as follows:

	Billions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Interest rate fluctuation risk	**¥12.8**	¥10.3	**$114**
Market price fluctuation risk (*)	**8.4**	5.4	**74**
Foreign currency fluctuation risk	**0.1**	0.1	**0**
Total	**¥21.3**	¥15.8	**$189**

(*) 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, 2017	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 826,631	¥ 826,631	
Securities:			
Held-to-maturity bonds			
Available-for-sale securities	2,859,559	2,859,559	
Loans and bills discounted	4,978,745		
Allowance for possible loan losses (*1)	(22,725)		
	4,956,019	4,969,465	¥13,445
Total	¥8,642,210	¥8,655,655	¥13,445
Deposits (other than negotiable certificates of deposit)	¥6,642,283	¥6,642,719	¥ 435
Negotiable certificates of deposit	925,106	925,108	1
Payables under securities lending transactions	163,682	163,682	
Borrowed money	121,601	121,945	344
Total	¥7,852,674	¥7,853,456	¥ 782
Derivatives (*2):			
Hedge accounting not applied	¥ (769)	¥ (769)	
Hedge accounting applied	(3,942)	(3,942)	
Total	¥ (4,711)	¥ (4,711)	

	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)	

	Thousands of U.S. dollars		
March 31, 2017	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	$ 7,368,134	$ 7,368,134	
Securities:			
Held-to-maturity bonds			
Available-for-sale securities	25,488,541	25,488,541	
Loans and bills discounted	44,377,797		
Allowance for possible loan losses (*1)	(202,563)		
	44,175,234	44,295,080	$119,845
Total	$77,031,910	$77,151,756	$119,845
Deposits (other than negotiable certificates of deposit)	$59,205,667	$59,209,551	$ 3,884
Negotiable certificates of deposit	8,245,892	8,245,908	15
Payables under securities lending transactions	1,458,975	1,458,975	
Borrowed money	1,083,885	1,086,959	3,073
Total	$69,994,420	$70,001,394	$ 6,973
Derivatives (*2):			
Hedge accountings not applied	$ (6,854)	$ (6,854)	
Hedge accountings applied	(35,138)	(35,138)	
Total	$ (41,992)	$ (41,992)	

(*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 a 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.

Payables under securities lending transactions

The terms of all liabilities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

Borrowed money

Floating rate-borrowed money reflect market interest rates in short periods, and the credit standing of the Bank and its consolidated subsidiaries has not significantly changed from when the money was borrowed. The fair value of floating rate borrowed money is, therefore consolidated to approximate the carrying value and is deemed equal to the carrying value. The present value of fixed-rate borrowed money which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money whose term is short(within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

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 were 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
	2017	2016	**2017**
Non-listed stocks (*1) (*2)	**¥3,395**	¥3,381	**$30,261**
Investments in venture funds (*3)	**2,026**	1,638	**18,066**
Total	**¥5,421**	¥5,020	**$48,327**

(*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 ¥0 million were recorded for the years ended March 31, 2017 and 2016, 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, 2017	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	¥ 746,534					
Securities:						
Held-to-maturity bonds						
Available-for-sale	290,867	¥ 589,095	¥ 510,663	¥201,094	¥ 372,402	¥ 82,353
Loans and bills discounted (*)	1,053,512	830,221	783,865	469,504	711,054	1,039,122
Total	¥2,090,914	¥1,419,316	¥1,294,528	¥670,599	¥1,083,457	¥1,121,476

	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

	Thousands of U.S. dollars					
March 31, 2017	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	$ 6,654,195					
Securities:						
Held-to-maturity bonds						
Available-for-sale	2,592,629	$ 5,250,875	$ 4,551,770	$1,792,446	$3,319,393	$ 734,057
Loans and bills discounted (*)	9,390,434	7,400,134	6,986,942	4,184,904	6,337,947	9,262,171
Total	$18,637,259	$12,651,010	$11,538,712	$5,977,351	$9,657,341	$9,996,229

(*) At March 31, 2017 and 2016, loans and bills discounted of ¥75,747 million ($675,174 thousand) and ¥87,519 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, were not included in the table. At March 31, 2017 and 2016, loans and bills discounted of ¥15,716 million ($140,088 thousand) and ¥17,368 million, respectively, that did not have fixed maturities were not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of yen					
March 31, 2017	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)	¥6,245,013	¥366,995	¥30,273			
Negotiable certificates of deposit	922,686	2,419				
Payables under securities lending transactions	163,682					
Borrowed money	92,319	181	99	¥29,000		
Total	¥7,423,703	¥369,597	¥30,373	¥29,000		

	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	

	Thousands of U.S. dollars					
March 31, 2017	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)	$55,664,621	$3,271,200	$269,844			
Negotiable certificates of deposit	8,224,322	21,569				
Payables under securities lending transactions	1,458,975					
Borrowed money	822,889	1,618	887	$258,490		
Total	$66,170,808	$3,294,389	$270,732	$258,490		

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			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥72,013	¥64,962	¥1,374	¥1,374
Receive floating and pay fixed	72,013	64,962	(661)	(661)
Other:				
Sold	¥ 35	¥ 35		¥ 11
Bought	35	35		(7)
Total			¥ 712	¥ 716

	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

	Thousands of U.S. dollars			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$641,890	$579,037	$12,251	$12,251
Receive floating and pay fixed	641,890	579,037	(5,899)	(5,899)
Other:				
Sold	$ 314	$ 314		$ 106
Bought	314	314		(67)
Total			$ 6,351	$ 6,390

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			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥87,685	¥2,322	¥(2,052)	¥(2,052)
Bought	59,665	2,186	570	570
Currency options:				
Sold	¥12,757	¥5,427	¥ (356)	¥ 83
Bought	12,757	5,427	356	23
Total			¥(1,481)	¥(1,375)

	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

	Thousands of U.S. dollars			
	2017			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$781,580	$20,699	$(18,295)	$(18,295)
Bought	531,825	19,489	5,089	5,089
Currency options:				
Sold	$113,709	$48,375	$ (3,179)	$ 740
Bought	113,709	48,375	3,179	206
Total			$(13,206)	$(12,259)

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		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥85,585	¥65,463	¥(2,487)

	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)

	Thousands of U.S. dollars		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$762,865	$583,501	$(22,172)

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		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥23,635		¥(1,454)

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

	Thousands of U.S. dollars		
	2017		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	$210,677		$(12,965)

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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrealized (losses) gains on available-for-sale securities:			
Gains (losses) arising during the year	¥148,800	¥(83,341)	$1,326,330
Reclassification adjustments to profit or loss	(9,678)	(5,954)	(86,269)
Amount before income tax effect	139,122	(89,295)	1,240,061
Income tax effect	42,472	(34,726)	378,572
Total	96,650	(54,569)	861,488
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	56	(1,723)	505
Reclassification adjustments to profit or loss	1,257	1,094	11,211
Amount before income tax effect	1,314	(628)	11,717
Income tax effect	402	(139)	3,587
Total	912	(489)	8,129
Defined retirement benefit plans:			
Losses arising during the year	(131)	(7,827)	(1,175)
Reclassification adjustments to profit or loss	1,068	126	9,520
Amount before income tax effect	936	(7,701)	8,345
Income tax effect	286	(2,353)	2,555
Total	649	(5,348)	5,790
Land revaluation surplus		0	
Total other comprehensive (loss) income	¥ 98,212	¥(60,406)	$ 875,408

28. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and 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				
	2017				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 101,609	¥ 8,797	¥ 110,406		¥ 110,406
Intersegment	449	2,007	2,456	¥ (2,456)	
Total	¥ 102,058	¥10,804	¥ 112,862	¥ (2,456)	¥ 110,406
Segment profit (Note 3)	¥ 25,139	¥ 2,694	¥ 27,833	¥ (18)	¥ 27,815
Segment assets (Note 4)	8,892,887	49,891	8,942,779	(43,379)	8,899,400
Segment liabilities (Note 5)	8,139,071	26,612	8,165,683	(32,577)	8,133,105
Other:					
Depreciation	4,643	58	4,701		4,701
Interest income (Note 3)	70,653	149	70,802	(76)	70,725
Interest expense (Note 3)	5,075	71	5,146	(63)	5,083
Equity in losses of an affiliated company		12	12		12
Investments in an affiliated company accounted by equity method		90	90		90
Increase in tangible and intangible fixed assets	3,941	40	3,982		3,982

	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

	Thousands of U.S. dollars				
	2017				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 905,691	$ 78,412	$ 984,103		$ 984,103
Intersegment	4,002	17,891	21,893	$ (21,893)	
Total	$ 909,693	$ 96,303	$ 1,005,997	$ (21,893)	$ 984,103
Segment profit (Note 3)	$ 224,077	$ 24,017	$ 248,095	$ (166)	$ 247,928
Segment assets (Note 4)	79,266,313	444,709	79,711,022	(386,660)	79,324,362
Segment liabilities (Note 5)	72,547,209	237,208	72,784,417	(290,382)	72,494,035
Other:					
Depreciation	41,389	520	41,910		41,910
Interest income (Note 3)	629,764	1,328	631,093	(682)	630,410
Interest expense (Note 3)	45,238	635	45,873	(563)	45,309
Equity in losses of an affiliated company		113	113		113
Investments in affiliated company accounted by equity method		809	809		809
Increase in tangible and intangible fixed assets	35,131	364	35,495		35,495

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 ¥37,484 million ($334,115 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥4,906 million ($43,733 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2017			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	**¥46,756**	**¥36,916**	**¥26,733**	**¥110,406**

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

	Thousands of U.S. dollars			
	2017			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	**$416,764**	**$329,052**	**$238,286**	**$984,103**

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, 2017 and 2016; 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, 2017 and 2016; 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, 2017 and 2016; therefore, major customer information was not presented.

29. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, 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, 2017				
Basic EPS — Net income available to common shareholders	**¥18,601**	**378,036**	**¥49.20**	**$0.43**
Effect of dilutive securities — Convertible bonds and stock acquisition rights		**725**		
Diluted EPS — Net income for computation	**¥18,601**	**378,762**	**¥49.11**	**$0.43**
For the year ended March 31, 2016				
Basic EPS — Net income available to common shareholders	¥21,322	377,967	¥56.41	
Effect of dilutive securities — Convertible bonds and stock acquisition rights		643		
Diluted EPS — Net income for computation	¥21,322	378,611	¥56.31	

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, 2017 was insignificant.

30. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2017, was approved at the Bank's general meeting of shareholders held on June 29, 2017:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.00 ($0.05) per share	**¥2,268**	**$20,218**

Accounting for Transfers between Retirement Benefit Plans

On April 1, 2017, the Bank transferred partially the defined benefit pension plan to a defined contribution pension plan. "Accounting for Transfer between Retirement Benefit Plans" (ASBJ, Guidance No. 1 of December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ, Practical Issues Task Force No. 2 of February 7, 2007) were applied with the portion transferred to retirement contribution pension plans as partial termination of retirement benefit plans.

As a result, a gain will be recognized in other income in the amount of ¥2,285 million ($20,373 thousand) for the fiscal year ending March 31, 2018.