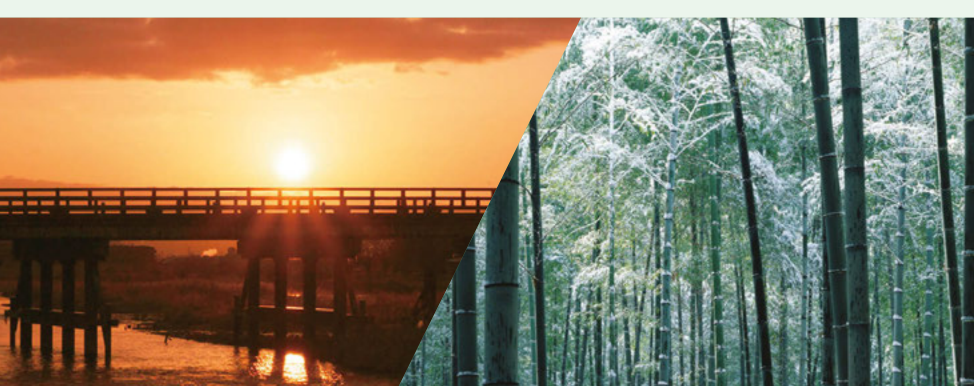
Bank of Kyoto

Annual Report 2016

For the year ended March 31, 2016



The Bank of Kyoto, Ltd.

Profile

Since its founding on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have consistently strived to live up to its management principle of "Serving the Prosperity of the Community." Under this management principle, the Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank provides customers in the local community with high-quality financial services, thereby striving to further deepen its relationships of trust. With the environment surrounding financial institutions growing increasingly harsh, the Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Head Office
(Kyoto Prefecture)

Non-Consolidated Basis

Total Assets:
¥8,143.6 billion
(9th among regional banks)

Total Deposits:
¥7,212.2 billion
(8th among regional banks)

Loans and Bills Discounted:
¥4,606.4 billion
(10th among regional banks)

Unrealized Gains on Securities:
¥392.4 billion
(1st among regional banks)

Capital Ratio:
12.95%
(domestic standards)

Credit Rating:
A+ (R&I)
A– (S&P)

Contents

Disclaimer regarding forward-looking statements

Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing this report. Actual results may therefore differ substantially from such statements.

On the cover are the "I Love Kyoto Campaign" posters.

Because we want to cultivate a feeling and sense of loving Kyoto in a wide range of people, we have developed the "I Love Kyoto Campaign" since 1982.

Cover Photographs

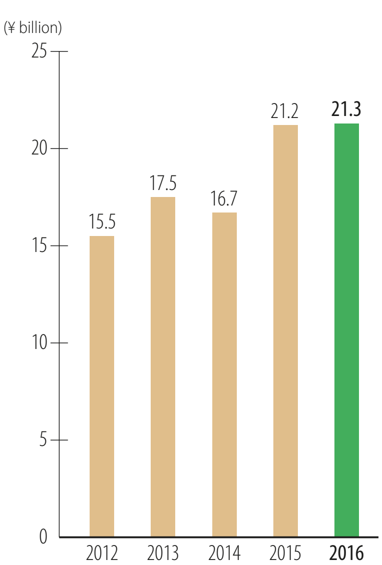
(1) *Sake* cellar and *na-no-hana* vegetation (Fushimi-ku, Kyoto City)
(2) *Tateiwa* rock in summer (Kyotango City, Kyoto Pref.)
(3) Kyoto performance *rokusai* (Chudoji Rokusaikai Kyoto) Mibu-dera Temple
(4) Daigoji Temple: autumn leaves on the Benten Bridge (Fushimi-ku, Kyoto City)
(5) Arashiyama: sunrise on the Togetsukyo Bridge (Ukyo-ku, Kyoto City)
(6) Light snowfall on bamboo (Ukyo-ku, Kyoto City)

Consolidated Financial Highlights

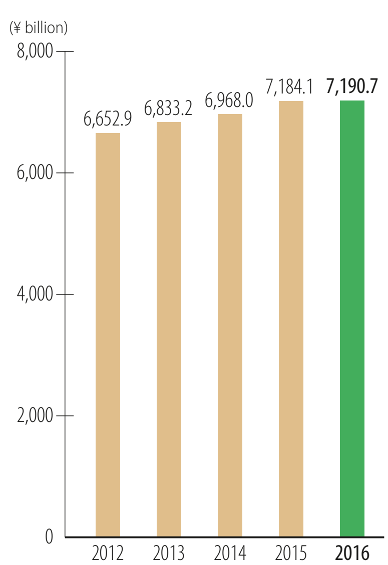
	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
For The Year				
Total Income	¥ 112,838	¥ 114,969	¥ 105,878	$ 1,001,404
Total Expenses	78,879	79,004	77,793	700,031
Income Before Income Taxes	33,958	35,965	28,084	301,373
Net Income Attributable to Owners of the Parent	21,322	21,276	16,771	189,230
At Year-end				
Total Assets	¥8,154,418	¥8,255,301	¥7,893,834	$72,367,927
Deposits (including NCDs)	7,190,731	7,184,121	6,968,036	63,815,512
Loans and Bills Discounted	4,598,410	4,347,459	4,216,634	40,809,464
Securities	2,807,154	3,168,152	3,196,706	24,912,626
Noncontrolling interests	7,770	7,047	6,176	68,958
Common Stock	42,103	42,103	42,103	373,657
Total Equity	653,053	695,810	545,651	5,795,644
Capital Ratio (Domestic Standards)	13.36%	12.51%	12.89%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥112.68 to US$1.00 on March 31, 2016, the final business day of the term.
3. Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ).

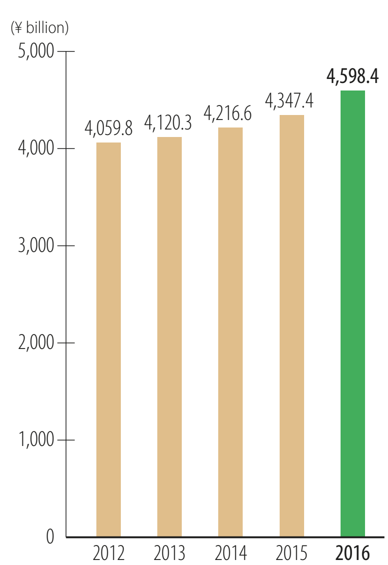
Net Income Attributable to Owners of the Parent



Deposits (including NCDs)



Loans and Bills Discounted



Management Policy

Financial Results for the Fiscal Year Ended March 31, 2016

In the fiscal year ended March 31, 2016, the Japanese economy initially embarked on a moderate recovery, but the economic outlook grew uncertain in the second half of the fiscal year due to stagnant growth in exports, production and other corporate activities, as well as weak consumer spending.

During the fiscal year ended March 31, 2016, deposits at the Bank of Kyoto increased by ¥127.4 billion, centered on deposits held by individuals and corporations, while negotiable certificates of deposit decreased by ¥117.4 billion. As a result, the total of deposits and negotiable certificates of deposit expanded by ¥10.0 billion during the fiscal year to a year-end balance of ¥7,212.2 billion.

Turning next to loans and bills discounted, as lending to corporations increased due to our active response to demand for funding, and loans to individuals, chiefly mortgage loans, also increased steadily, overall loans and bills discounted increased by ¥251.6 billion over the previous fiscal year to a year-end balance of ¥4,606.4 billion.

On the earnings front, the Bank of Kyoto focused efforts on streamlining and improving efficiency in all aspects of management, while efficiently managing and procuring assets in a challenging earnings environment. Ordinary profit decreased by ¥2.0 billion year on year to ¥31.4 billion, reflecting declines in interest income and equity-related profits. However, net income was largely unchanged at ¥20.4 billion, thereby ensuring a strong level of profits.

Issues to be Addressed

The social and economic fabric of Japan has further changed due to such factors as a shrinking population and the relocation of production bases overseas in line with the globalization of the economy. This has raised concerns that the Japanese economy will contract over the medium and long terms.

Meanwhile, business conditions in the banking sector have become increasingly challenging with the occurrence of unprecedented changes, as the Bank of Japan further pursued its monetary easing policy with the introduction of negative interest rates.

In this operating environment, the Bank of Kyoto is finishing its 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 through fiscal 2016), while management is addressing these changes and preparing for future changes.

Initiatives for Regional Revitalization

Regional economies are dealing with a range of issues, such as a declining number of business sites and aging social infrastructure, and local public organizations have been working hard to revitalize their communities.

Since its founding, the Bank has played a contributing role in a wide range of activities including initiatives to develop local industries and tackle environmental problems, under its management principle of "Serving the Prosperity of the Community." To reinforce these initiatives, the Bank of Kyoto established the Public & Regional Affairs Division in June 2016 as an entity that consolidates related offices dedicated to furthering local and regional revitalization. We aim to help revitalize regions by enhancing our responsiveness and consulting capabilities, including thorough alliances with local public organizations.

Building a Robust Business Foundation

After opening the Kusatsu Branch in Shiga Prefecture in December 2000, the Bank of Kyoto has established 56 new branches over the ensuing 15 years in line with its management vision of becoming a "wide-area regional bank." The Bank is advancing plans to expand its network of branch offices. In July 2016, the Bank of Kyoto opened the Kariya Branch in Kariya City, Aichi Prefecture, its second branch in the prefecture, and plans to open two new branches in Sakai City in Osaka in November.

The Bank is also working to update its non-face-to-face service channels, enhancing the features available on its online banking and smartphone banking portals, and beginning to accept applications for consumer loans over the Internet.

The Bank of Kyoto will establish a wholly owned securities subsidiary to provide one-stop services for the diversifying asset management needs of its customers. This securities subsidiary is preparing to commence operations in May 2017 as it plans to collaborate with us on the provision of a diverse range of highly specialized products and services to our customers.

While broadening our channels, we strive to precisely meet the needs of our customers for fund procurement, asset management and fund settlements, for example. In doing so, we aim to build a robust business foundation for growth in the future as a Group, improving our earnings potential by expanding and advancing transactions.

Strengthening Corporate Governance

The Bank views the strengthening of corporate governance as an important management issue, and proactively works to strengthen related systems. Fiscal 2015 was the inaugural year for adopting the Corporate Governance Code formulated by the Tokyo Stock Exchange. The Bank of Kyoto endeavored on various fronts to strengthen corporate governance, including the appointment of two outside directors, the establishment of the Nomination and Compensation Committee as an advisory organization for nominating directors and determining the compensation for directors, an evaluation of the effectiveness of the Board of Directors, and the improved disclosure of information to shareholders and investors. The Bank will continue to strengthen corporate governance while aiming to improve corporate value and enhance the transparency and soundness of management.

As a financial institution growing alongside local communities, the Bank of Kyoto Group is in a position to strongly advance its management principle of "Serving the Prosperity of the Community" while tackling these management issues with a sense of urgency.

I would like to thank you for your continued support and kind consideration.

Nobuhiro Doi

Nobuhiro Doi

President
The Bank of Kyoto, Ltd.

Our Operating Area

The Industry of Kyoto Prefecture

In Kyoto many cutting-edge, high-tech industries exist side by side with traditional industries and the tourism industry built upon the city's 1,200 years of history and culture. Kyoto is also known as the town of students with a high concentration of universities and academic research institutions, so it has an ideal environment for developing venture businesses and new industries.

The manufacturing industries of Kyoto Prefecture are supported by a high level of technical capability that is unique to Kyoto, and they have captured high shares of the national market in a diverse array of fields and product categories.

Top-National Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	12.9 billion yen (51%)
	Spectral photometer	9.9 billion yen (47%)
	Other analyzing equipment	41.9 billion yen (47%)
	Physical, chemical machinery and appliances	17.3 billion yen (20%)
Printmaking and printing	Plate making machine	12.3 billion yen (76%)
Traditional crafts	Ready-made kimono, obi	6.6 billion yen (39%)
	Chirimen textiles	2.9 billion yen (75%)
Food and beverages	Japanese confectionery	37.4 billion yen (7%)

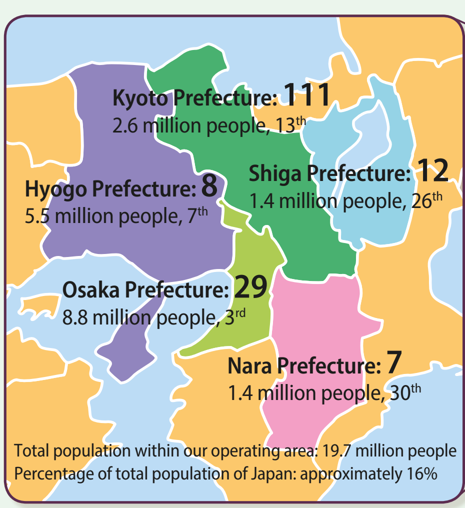
(Source)
METI: FY2013 industry statistics
(domestic market share in %)

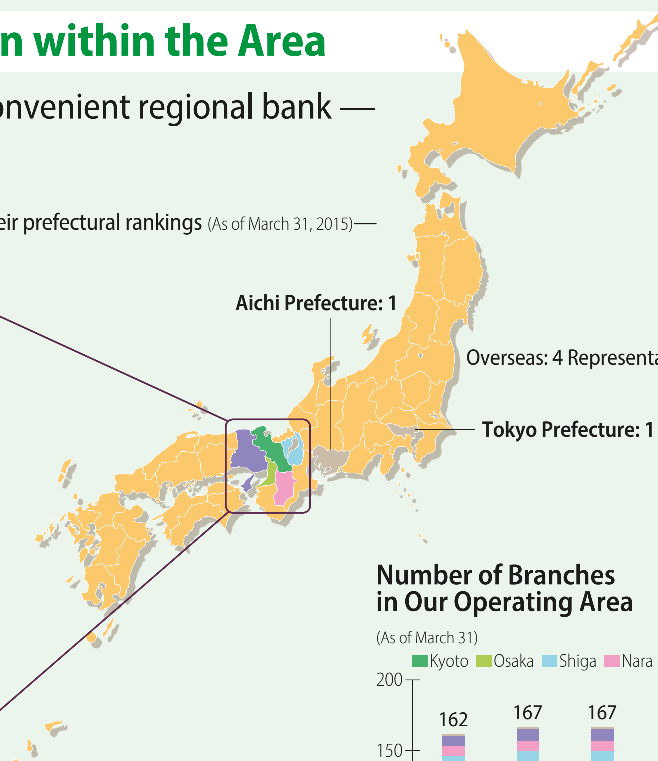
Operating Area and Population within the Area

— Aiming to be a comprehensive and convenient regional bank —

Kyoto Bank's Network

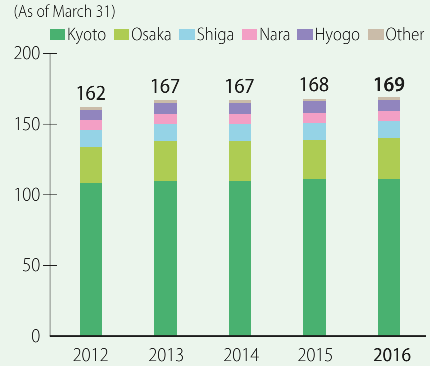
— The populations within areas in our operating area and their prefectural rankings (As of March 31, 2015)—



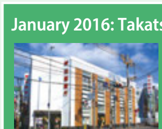


Number of Branches in Our Operating Area

(As of March 31)



January 2016: Takatsuki Johoku Branch Opens



The Branch is equipped with spacious consultation counters and booths, fully automatic safe deposit boxes which are also open on Saturdays.

July 2016: Kariya Branch Opens

Kariya City is a vibrant area where the headquarters and factories of a number of automobile-related companies are located. The Kariya Branch is the Bank's second branch in Aichi Prefecture.

Support for Overseas Operations

In August 2015, we started a business alliance with the Bank for Investment and Development of Vietnam, a leading bank in Vietnam, and in March 2016 we started a business alliance with the Bank of East Asia, the largest independent local bank in Hong Kong, thereby strengthening our support system in Asia.

We are providing our clients with a variety of business opportunities related to overseas expansion, including the individual support for our customers given by the Asia Desk established inside the Securities & International Division and by each representative office in Hong Kong, Shanghai, Dalian, and Bangkok, and by the holding of Asia Desk seminars and overseas business consultation meetings.

For the overseas subsidiaries of our clients, we are actively engaged in "cross-border loans" to conduct direct loans from Japan. In fiscal 2015, we supported six US dollar-denominated loans, nine Japanese yen-denominated loans, and one Thai baht-denominated loan. For the first time, we supported a project of a local Mexico corporation (implemented in January 2016) , and of a local Taiwanese corporation (implemented in March).

Creation of an Overseas Network and Development of Personnel Effective in Overseas Business

Development of Personnel Effective in Overseas Business

➡ Actively send personnel for overseas training and branch manager overseas training, and develop personnel effective in overseas business

By region: Number of personnel sent overseas

Region	Number of personnel sent
China	20
Thailand	9
Vietnam	1

Overseas Business Confabs Hosted (Fiscal 2015)

Name of business confab	Number of participating companies
Business Networking Event Jointly Hosted by Local Banks in Dalian 2015	16 companies
Business Networking Event Held for Japanese Companies in Hong Kong and South China	27 companies
Mfair Bangkok 2015 (Factory Network Business Conference)	15 companies
Business Networking Event Jointly Hosted by Local Banks in Qingdao	4 companies
FBC Shanghai 2015 (Factory Network Business Conference)	41 companies
Shanghai Business Exchange Practice Seminar	18 companies
2015 Dalian — Regional Bank Joint Business Expo	10 companies
Regional Bank Joint Seminar/Networking Event Guangzhou	14 companies
2nd Bangkok Business Exchange Meeting	62 companies
Shanghai Business Exchange 2016	72 companies

Management Principle and Plan

Management Principle

"Serving the Prosperity of the Community"

The Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank of Kyoto does everything it can to help everyone in the local community.

Management Plan

5th Medium-Term Management Plan "Vision 75 Building a Good Bank"

The 5th medium-term management plan "Vision 75 Building a Good Bank" has been running since April 2014.

Under this plan, the Bank has positioned the three years beginning from fiscal 2014 as the period it will carry out Building a Good Bank to improve its customer base, profitability, financial strength, and corporate value as we work toward being "the kind of bank we should be in five years, the kind of bank we want to be in ten years."

Framework of the 5th medium-term management plan (from fiscal 2014 to fiscal 2016)

< Behavioral guidelines >

Building a Good Bank — a bank that is chosen by the region and the customers —

>>The kind of bank we should be in five years, the kind of bank we want to be in ten years

Build an absolute management foundation in "our local town Kyoto" and then be an overwhelming presence in the five prefectures in the Kinki region
(Kyoto prefecture, Osaka prefecture, Shiga prefecture, Nara prefecture, Hyogo prefecture)

— Quickly achieve a 30% market share of deposits and loans in Kyoto Prefecture —
— Challenge ourselves to become a bank with ¥10 trillion in deposits —

>>Management vision

"Wide-area Regional Bank — Second Stage"
— From points to lines, from lines to surfaces, identify surfaces and become the "Main Bank of the Region" —

First Stage..........Enhancement and deployment of our marketing bases and marketing force
Second Stage......Strengthened profitability and continuous growth through the establishment of a solid customer base

Name of the plan Vision 75 Building a Good Bank

Value: Enhance our added value to become the bank that is chosen by customers
Volume: Aim to expand quantitatively through expansion of our customer base (number of customers and the balance)
Victory: Become an absolute and overwhelming presence

Vision 75

Achieve a balance of deposits and negotiable certificates of deposit of ¥7.5 trillion and a sum of retail deposits and loans of ¥7.5 trillion by the 75th anniversary of our founding (fiscal 2016). Moreover, aim to be a bank with a balance of deposits and negotiable certificates of deposit of ¥8 trillion within the near future, and then ¥10 trillion.

Numerical targets (by the final fiscal year of the plan) (Non-consolidated)

Balance of deposits + NCDs	Sum of retail deposits and loans	Net income
¥7.5 trillion	¥7.5 trillion (Deposits held by individuals ¥4.5 trillion + retail loans and bills discounted ¥3.0 trillion)	¥17.5 billion

Financial Review (Consolidated)

Financial and Economic Environment

The fiscal year under review began with a moderate recovery in the Japanese economy, supported by low oil prices and demand from foreign tourists, amid a fading impact from the consumption tax hike. From summer onward, however, Japanese companies remained cautious in their capital investment plans in light of weak growth in exports and manufacturing, alongside a slowdown in overseas economies, especially in emerging countries. Consumer spending weakened slightly as consumers tightened their belts due to worries stemming from stagnant growth in wages. In the second half of the fiscal year, the yen began to strengthen and stocks began to decline in a reversal of trends from the outset of the year, owing to an uncertain outlook for U.S. monetary policy. Moreover, financial markets were rattled by the surprise introduction of negative interest rates by the Bank of Japan. The fiscal year ended on a note of growing unease about the economic outlook.

Under these conditions, the Group achieved the following business results for the consolidated fiscal year as a result of promoting numerous measures in line with its marketing strategy, human resources strategy, and operational reforms strategy under its new management vision of "Wide-area Regional Bank - Second Stage" based on its 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 through 2016).

Business Progress and Results

Consolidated ordinary income amounted to ¥112,689 million, a decrease of ¥2,269 million year on year due to declines in interest income and other ordinary income.

Consolidated ordinary expenses totaled ¥78,601 million, a year-on-year decrease of ¥80 million owing primarily to a decline in general and administrative expenses.

As a result, consolidated ordinary profit decreased ¥2,189 million year on year to ¥34,088 million. However, profit attributable to owners of the parent rose ¥45 million to ¥21,322 million, mainly due to reduction in the corporate tax rate.

Main Accounts

Regarding main accounts at the end of the consolidated fiscal year under review, deposits amounted to ¥6,394.2 billion, an increase of ¥124.0 billion from the previous fiscal year, due to solid increases in deposits held by individuals and corporations. However, negotiable certificates of deposit came to ¥796.5 billion, a decrease of ¥117.4 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥6.6 billion to ¥7,190.7 billion at year-end.

Turning next to loans and bills discounted, as lending to individuals solidly increased, in addition to lending to corporations increasing due to our active response to demand for funding, overall loans and bills discounted increased by ¥250.9 billion over the previous fiscal year to ¥4,598.4 billion.

As for securities, as a result of efficient fund management while closely monitoring market trends including interest rates, stock prices, and foreign exchange rates, securities ended the year at ¥2,807.1 billion, a decrease of ¥360.9 billion year on year. Appraisal gains (unrealized) yielded from mark-to-market accounting decreased ¥89.2 billion year on year, reaching ¥392.8 billion at the end of the year under review.

In addition, total assets ended the year at ¥8,154.4 billion, a decrease of ¥100.8 billion compared with the end of the previous fiscal year. Equity stood at ¥378.5 billion, an increase of ¥16.9 billion due to higher retained earnings.

Cash Flows

Net cash used in operating activities during the fiscal year under review was ¥233.8 billion, compared to ¥134.3 billion provided in the previous fiscal year. The major factors for this were an increase in loans and bills discounted and a decrease in negotiable certificates of deposit.

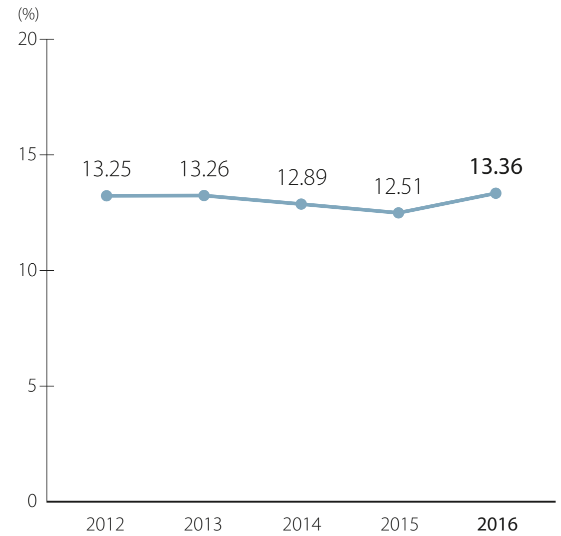
Net cash provided by investing activities was ¥246.1 billion, compared to ¥241.5 billion provided in the previous fiscal year, due mainly to the sale and redemption of securities.

Net cash used in financing activities was ¥4.5 billion, compared with ¥22.5 billion used in the previous fiscal year, due chiefly to the payment of dividends.

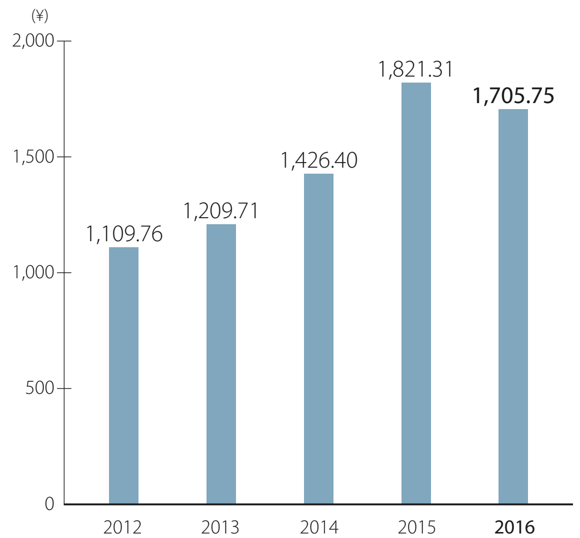
As a result, the balance of cash and cash equivalents increased ¥7.6 billion year on year to ¥590.3 billion.

Gross Banking Profit/Banking Profit

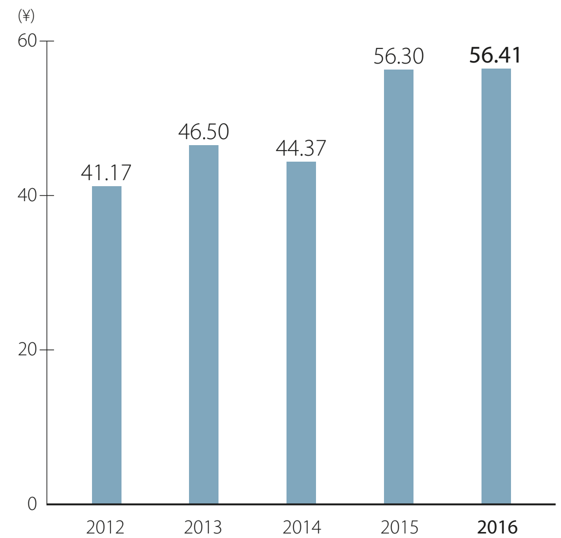
Capital Ratio (Domestic)



Net Asset Per Share



Net Income Per Share



Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 12.95% on a non-consolidated basis and 13.36% on a consolidated basis.

In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic (exceeds the 4% level)	12.95%	13.36%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	18.30%	18.60%

Self-Assessment of Assets and Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances based on the Financial Services Agency's Financial Inspections Manual, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2015, the Bank's total disclosed assets, excluding normal assets, amounted to ¥87.0 billion (US$772 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 57.5%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 89.8%, which we consider to be a sufficient level.

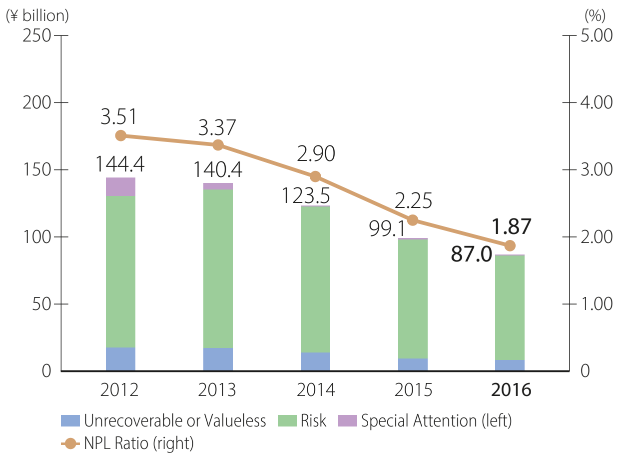
The Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2016/3	Change from Mar. 31, 2015	2015/3
Unrecoverable or Valueless	¥ 8.2	¥ (1.2)	¥ 9.5
Risk	78.1	(10.5)	88.6
Special Attention	0.5	(0.3)	0.9
Subtotal (A)	87.0	(12.0)	99.1
Non-Classified	4,556.1	264.8	4,291.3
Total	¥4,643.2	¥252.8	¥4,390.4

(Notes)
1. From the end of March 2009, we have been calculating Special Attention by standards that reflect the Measure for facilitation of financing for SMEs through eased lending terms (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprise only loans and bills discounted.

The Financial Reconstruction Law Standard (Non-Consolidated)



Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2016/3	Change from Mar. 31, 2015	2015/3
Allowance for Possible Loan Losses (B)	¥ 11.9	¥ (1.7)	¥ 13.6
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	66.3	(9.2)	75.5
Coverage Ratio (B)+(C)/(A)	89.8%	(0.2%)	90.0%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans.

At the end of fiscal 2015, the Bank's balance of risk management loans amounted to ¥86.9 billion (US$772 million) on a non-consolidated basis and ¥88.1 billion (US$781 million) on a consolidated basis. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2016/3	Change from Mar. 31, 2015	2015/3
Loans in Legal Bankruptcy	¥ 4.8	¥ 0.9	¥ 3.8
Nonaccrual Loans	82.6	(12.6)	95.3
Accruing Loans			
Three Months or More	—	—	—
Restructured Loans	0.5	(0.3)	0.9
Total	¥ 88.1	¥ (12.0)	¥ 100.1
Total Loans Outstanding (term-end balance)	¥4,598.4	¥251.0	¥4,347.4

Community-based Finance

— Contributing to the Sustainable Development of the Regional Community —

Our Approach to Social Contribution

At the Bank of Kyoto, the concept of doing our part for the local community has been one of our guiding corporate principles ever since our establishment. We have made it our business to be involved in various aspects of community work, including the development of industry and environmental issues.

Customer needs are diversifying in tandem with changing financial and social conditions. At the Bank, we are aware that the original purpose of regional financial institutions is to contribute to the development of the regional economy and society through our main line of business, which is, of course, banking. Working together with local communities, we strive to achieve ongoing development for everyone.

Further, to earn the trust and understanding of local communities, our policy is to publicly disclose the details of our activities.

Our communities

The Bank's business is deeply rooted in the community in five prefectures: Kyoto, where our headquarters is located, as well as the neighboring Shiga, Osaka, Nara, and Hyogo Prefectures.

Our Policy on Promoting Community-based Finance

Basic Policy on Community-based Finance and Positioning of the Medium-term Management Plan

The Bank has stipulated that its basic policy on community-based finance is to "aggressively harness the Bank's consulting function to support the stable management and development of small and medium-sized corporations while contributing to the revitalization of the regional economy." Therefore, we have actively promoted community-based finance.

We started the 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 to fiscal 2016) in fiscal 2014. Under this plan we are aiming to "deepen community-based finance" by working even harder on a variety of measures including the strengthening of consulting functions that promote business growth, and support for the revitalization of the regional economy.

Approach to Initiatives

In June 2016, the Bank created the Public & Regional Affairs Division, consolidating its departments involved in local and regional revitalization into a dedicated entity. Collaborating with local public organizations and various local groups, the Public & Regional Affairs Division aims to revitalize regions by aggressively advancing measures that invigorate the broader region and foster community-based financing, such as through providing growth assistance for local small and medium-sized enterprises.

The Bank also created the Business Support Office under the Business Support Division for the purpose of offering new products to corporations and sole proprietors as well as promoting transactions with Group companies. This puts in place an integrated structure for promoting commercial transactions.

The Regional Regeneration and Revitalization Network is a collaborative effort among the nine regional banks (including the Bank of Kyoto) with different management bases and sales areas. Leveraging this network, the Bank of Kyoto will provide services with higher value-added that would not have been possible as a single bank.

Initiatives at Regional Revitalization

We recognize that revitalization of the regional economy is an extremely important mission for the Bank as a regional financial institution.

The Bank is actively working to revitalize regions by cooperating on government policy and providing assistance to local tourist sites and growth industries.

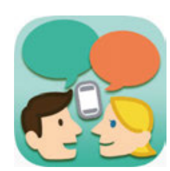
Participation in an experiment using a multi-language voice translation system to support tourists visiting Kyoto

The Bank of Kyoto is participating in the field-testing of a multi-language voice translation system being developed as a part of the Ministry of Internal Affairs and Communications' "Global communication project."

This multi-language voice translation system translates spoken words into another language. The accuracy of its voice recognition and translation ability improves as the volume of spoken words and translated text increases.

At its Saga Branch, the Bank of Kyoto has made available an iPad with the VoiceTra.R multi-language voice translation app installed to field-test the service. We are helping to improve the accuracy and ease-of-use of the system by surveying people about their experiences using the app with the ultimate aim of enticing more foreign tourists to the region and improving the hospitality the region can offer.

The National Institute of Information and Communications Technology ("NICT") has made the VoiceTra multi-language voice translation smartphone and tablet app available to the general public for free (http://voicetra.nict.go.jp/).



Aiming to Foster Vibrant Local Communities

Began to offer the bonds "Kyogin Private Placement Bonds 'Send Cheers to the Future: Children as the Next Generation'"

With these private placement bonds, a portion of the commissions that the Bank receives for helping corporations issue bonds are donated to schools designated by the issuer for the purpose of purchasing library materials and supplies. These private placement bonds are one kind of CSR activities through which the issuers and the Bank contribute to supporting the growth of schoolchildren. By helping indirectly to educate children who will one day be local citizens, we aim to create vibrant local communities that last far into the future.

Since we began handling these bonds in September 2015, we have made 45 donations as of March 2016.

Initiatives to Provide Business Support Tailored to the Growth Stages of the Customer

Based on its "Policy on Promoting Community-based Finance" and "Policy for Facilitating Smooth Access to Finance," the Bank supports the stabilization, growth and development of its customers' management by providing in-depth support tailored to the growth stages of the customer and facilitating smooth access to finances.

Supporting Start-Ups and Other New Businesses

Fund Procurement	Building Business Models
Collaborating With Industry and Academia	Introducing Our Business Partners

For the challenges and needs of customers who are considering starting up companies or venture companies, or moving into new business fields, we are collaborating with support organizations and universities that are participating in the "Kyogin Venture Business Support Program" and are offering assistance in business matching, supplying various types of information, and providing introductions to specialists (institutions) and universities as well as holding events and helping customers to apply for public aid.

In November 2015, the Bank of Kyoto provided financing to the Miyako-Kyoto University Innovation Fund, and in February 2016, we jointly established the Bank of Kyoto Bright Future Support Fund with Group companies, reinforcing its financial support structure as a result of these investments.

Initiatives	Fiscal 2015 achievements
Number of start-ups and new projects supported	328 cases
Execution of local government loans related to Supporting Start-Ups and Other New Businesses	89 cases / ¥3,471 million

Supporting Growth

Business Expansion	Overseas Market Entry
Sales Channel Development	Business Matching

Leveraging the Bank's wide-ranging branch network and information network, we support the expansion of customer sales channels through business matching.

For customers considering and/or expanding their business overseas, we actively support overseas business by providing market entry support and holding business meetings to assist in local procurement and sales channel expansion.

Initiatives	Fiscal 2015 achievements
Number of business matching meetings	2,882 cases
Number of overseas businesses supported	2,431 cases
Balance of loans using movable property or assignment of obligation as collateral	36 cases / ¥5,978 million (as of March 31, 2016)

Management Improvement and Supporting Business Restructuring

Individually Tailored Management Consultations	Supporting Management Improvement Strategy Formulation
Cooperation with Outside Specialized Agencies	Use of Various Recovery Schemes

For business partners requiring management improvement or business restructuring, the Bank strives to strengthen relationships and share awareness of management issues with business partners while working toward improving management.

This is particularly so for the Management Support Office, which is the Credit Examination Division's specialized financial assessment department. The Office holds consultation sessions and seminars as well as working with branches to collaborate closely with the Small and Medium-Sized Business Rehabilitation Support Council and outside consultants to support business partners.

Initiatives	Fiscal 2015 achievements
Management improvement plans drafted for recipients of management support	
• Plan drafting ratio	87.4% (*1)
Utilization of the Small and Medium-Sized Business Rehabilitation Support Council	• Consultations brought in: 7 cases • Drafting of plans completed: 31 cases
Use of the Small and Medium-Sized Business Rehabilitation Support Loan System (*2)	27 cases / ¥1,700 million (cumulative total of 433 cases / ¥48.3 billion)

*1 The cumulative total of 320 corporate groups that received the drafting of plans divided by the 366 corporate groups that received management support
*2 The figures inside the brackets are the cumulative achievements since May 2005

Assisting in Business Succession Planning

Measures Concerning Company's Own Stock	Measures Concerning Business Successor
Reorganization	M&A

To support customers immersed in business succession issues, we offer initial advice on measures concerning the company's own stock and business succession, review optimal business succession schemes, and study problem-solving measures in collaboration with experts including tax accountants.

Moreover, we offer problem-solving support through the use of M&A for customers who are struggling with business continuity due to lack of successors or industry reorganization.

Initiatives	Fiscal 2015 achievements
Number of business succession consultations received	127 cases (cumulative total of 463)
M&A contracts concluded	7 cases

Environmental Policy

Basic Philosophy

With our headquarters in Kyoto, which boasts more than 1200 years of history, and operating widely in the Kinki region, a place of magnificent natural settings and rich history and culture, the Bank of Kyoto strives to achieve sustainable development together with the community in which we operate.

We make it as our social mission to pass on rich natural surroundings and these tremendous historic and cultural assets to future generations. In light of this philosophy, we consider the environment an important social issue, and all of our employees take an active stance on environmental conservation.

Action Plan

(1) Observe laws, regulations, agreements, etc. on the environment.

(2) Accurately assess the impact of our corporate activity on the environment, set goals and objectives in this regard and work toward them, and strive to continuously improve environmental conservation activities by conducting regular reviews.

(3) Promote energy and resources conservation, as well as recycling, with a view to reducing environmental stress.

(4) By offering environmentally-friendly financial products and services, assist clients with environmental conservation, and contribute to improving the local community environment.

(5) Deepen awareness of all employees, including executives, on environmental issues, and address environmental conservation initiatives in the region.

(6) Inform all employees and executives of our environmental policy and environmental initiatives, and also disclose this information to the public.

Stage 2 Environmental Plan (FY2014 – FY2016)

Our numerical target under the plan is to reduce the amount of electricity, gas, and gasoline we use by at least 1% every year with fiscal 2013 as the base year.

Initiatives of the Bank of Kyoto	Initiatives for Customers and Local Communities	Initiatives of All Bank Employees
• Promotion of energy-saving activities • Building of environmentally-friendly branches • Resource-saving and recycling • Information disclosure	• Forestry preservation activities • Environmentally-friendly financial products and services • Collaboration with environmental projects in the region	• Eco-lifestyle for the families of all Bank employees • Environmental volunteers

Measures to Hand Down the Beautiful Forests to Coming Generations

Kyoto Prefecture is a heavily wooded area with forests occupying about three-quarters of its total land area. To pass on this wonderful environment to future generations, the Bank actively promotes involvement in initiatives to preserve forests.

Japan Wood Design Award 2015 "Honorable Mention" Received

In December 2015, the Bank of Kyoto received an "Honorable Mention" in the Japan Wood Design Award 2015 sponsored by the Forestry Agency. To date, 32 of our branch offices have incorporated locally grown wood in their interior designs. Some of our branches, such as the Kinkakuji Branch and the Takatsuki Branch, use wood thinned out from the Kyogin *Fureai* Forest, a forest that the Bank preserves.

Takatsuki Branch (Newly Built in July 2015)

The Bank of Kyoto's Forest Preservation and Cultivation Activities

The Bank of Kyoto is engaged in activities to cultivate the Kyogin *Furusato* Forest within the Bank's Arashiyama grounds in Kyoto's Nishikyo-ku, as well as the Kyogin *Manabi* Forest on the premises of the Kyoto Banking College Katsuragawa Campus. We also maintain the Kyogin Fureai Forest within the Motoyama National Forest area in the Kita-ku area of Kyoto.

Taking Part in Activities for "Save the Forest in Japan"

"Save the Forest in Japan," carried out as an activity for passing on a beautiful and healthy natural environment to the next generation, was launched in 2008 with the Bank playing a central role. At present, 64 regional banks participate and share information from each region through information exchange meetings and other measures.

日本の森を守る
地方銀行有志の会
SAVE THE FOREST IN JAPAN

Working Together with Local Communities

Conclusion of Mutual Assistance Agreement for Large-Scale Disasters

In line with the Kyoto Prefecture Government and Kyoto City BCP Action Guidelines*, in March 2016, the Bank of Kyoto signed a Mutual Assistance Agreement for Large-Scale Disasters with three credit unions headquartered in the Kyoto area. This agreement was reached with the objective of preserving the vibrancy of Kyoto in the event of a major emergency, such as a large-scale, wide-area disaster, by working together to maintain and quickly restore financial services within the Kyoto area.

* Kyoto BCP Action Guidelines: These action guidelines were created by the government of Kyoto in 2014 as a policy to preserve the vibrancy of Kyoto by applying the concept of business continuity planning (BCP) to the entire Kyoto area and coordinating the efforts of entities across the region. The action guidelines aim to maintain and improve the vibrancy of the entire regional community by helping companies and other entities recover as quickly as possible from a large-scale, wide-area disaster.

Contributing to the Community by Supporting Local Sports Teams

To contribute to vitalizing the community through the promotion of sports, together with the local community we support the local Kyoto soccer team, Kyoto Sanga F.C., and the basketball team, KYOTO HANNARYZ.

Initiatives to Support Employees' Environment

Support for Women

The Bank is taking measures to create more comfortable workplaces where employees work with enthusiasm, and every individual employee is able to develop his or her own capabilities.

In particular in the area of support for women we have enhanced work-life balance support systems through the Women's Career Support Project (from fiscal 2007) and promoted the further career advancement of women through the *Kirara* Program (from fiscal 2011).

Furthermore, from fiscal 2014 we have started the *Kagayaki* Program, a new comprehensive support package for women. We have set the target of raising the percentage of female executives up to 20% during the period of the 5th medium-term management plan (running from fiscal 2014 to fiscal 2016), and will further support the involvement of women in the bank through the three pillars of career development support, support for an early return to the workplace, and *Kagayaki* Support.

Support for Career Development

The Bank of Kyoto offers a variety of training for female employees to enhance their careers and take larger roles in the organization. We offer management training for employees who seek promotions into management positions, and programs for women to become salespersons for corporate customers.

Management Training for Women

Helping Women Return to Work Quickly

The Bank of Kyoto facilitates a smooth return to work for women who have temporarily left the Bank for childcare and maternity leave, and who are preparing to start working again, by offering "Pre Mama Training" and "Support Classes for Returning to Work after Childcare" as a part of support systems to make it easier for women to resume work.

Pre Mama Training

Kagayaki Support

With the aim of creating a vibrant and rewarding workplace for female employees, we have various initiatives in motion, including the advancing of a variety of plans by setting up the team for this purpose named the *Kagayaki* Support Team, and holding the *Kirara Kagayake Me* workshop, an opportunity for women to take another look at themselves and consider their future careers.

Kirara Kagayake Me workshop

The Bank received "Grade Three" certification (the highest grade) from the Minister of Health, Labour and Welfare, based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

—First in Kansai—

On April 1, 2016, the Bank received certification under the Act on Promotion of Women's Participation and Advancement in the Workplace.

This certification recognizes companies that have made an excellent effort to promote women in the workplace among the companies that have devised and submitted action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The Bank of Kyoto received "Grade Three" certification, the highest of the three levels of certification, based on the number of evaluation criteria that it fulfilled. The Bank of Kyoto is the first enterprise in the Kansai region to receive this certification.

Eruboshi certification mark for the Act on Promotion of Women's Participation and Advancement in the Workplace

The Bank has received the following awards based on initiatives it has taken.

Fiscal 2008	• General Business Owner Action Plans (first time held) Certification • Kyoto Prefecture: Kyoto Prefecture Childcare Support Award • Ministry of Health, Labour and Welfare "Minister's award for outstanding offices for the employment of persons with disabilities" • "Kyoto Mayor Award" pertaining to businesses registered under Kyoto City's "Kyoto Gender Equality Promotion Declaration"
Fiscal 2009	• Ministry of Health, Labour and Welfare's "Minister Prize in Equal Employment/Work-Life Balance for Fiscal Year 2009" in the Category for Enterprises Promoting Equal Employment
Fiscal 2010	• Kyoto Prefecture Award for Promoting Health in the Workplace
Fiscal 2011	• Won highest award from the Nagoya City Certification and Award Program for Companies that Promote the Active Participation of Women • Won highest award from the Nagoya City Certification and Award Program for Companies that Support Childcare
Fiscal 2013	• General Business Owner Action Plans (second time held) Certification

Support for Seniors (Active Seniors System)

Regarding the employment of elderly persons, the Bank has established a Senior Advisor System in accordance with the Revised Act on Stabilization of Employment of Elderly Persons, which came into force on April 1, 2006, providing stable employment for its employees until the age of 65. Since April 2014, we have also had in place the Active Seniors System that lets people who have retired from the Bank, are at least 65 years old, and are willing to work, put their abundant knowledge and experience to use until they turn 70 years old, thereby providing seniors with an environment that enables them to be more active.

Corporate Governance

The Bank of Kyoto is working to ensure that its corporate governance structure is founded on sound, transparent management practices by monitoring directors' execution of business through surveillance by the Board of Directors and auditors and through the use of an auditing system.

The Bank has built a structure for quick management decision making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

To ensure the soundness and propriety of operations, based on sound business management (governance), we have established a set of Business Management (Governance) Regulations, to better position us to offer financial intermediary services, comply with laws and regulations, rigorously protect customer privacy, and duly manage all kinds of risk. The Business Management (Governance) Regulations have the role of bringing together our stances on finance facilitation management system, legal compliance system, customer protection management system and internal management system.

Board of Directors

The Board of Directors comprises 11 directors (among whom two are outside directors) and has decision-making responsibility for basic policies and important matters related to the execution of the Bank's business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and managing directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Audit & Supervisory Board.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Shareholders after deliberations by the Nomination and Compensation Committee, which is an advisory organization used at the discretion of the Board of Directors, and after being approved as candidates by resolution of the Board of Directors or approved by the Audit & Supervisory Board, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

The Bank has adopted an audit & supervisory board member system in which at least half of the audit & supervisory board members are external audit & supervisory board members who have no potential conflicts of interests with general shareholders. Audit & supervisory board members attend meetings of the Board of Directors; standing audit & supervisory board members also attend meetings of the Executive Committee. Audit & supervisory board members attend these meetings to monitor decision-making processes and the execution of bank business. Internal bank rules have clearly provided that the audit & supervisory board members/Audit & Supervisory Board establish and maintain an audit environment that ensures objectivity and independence in management audits. Accordingly the current structure supports a strict audit control function.

Adoption of Employee Stock Options (ESO) System

The Bank has introduced an ESO (employee stock options) system for directors to reward themselves more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this system will make the Bank's management more strongly focused on shareholder value.

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors, the directors of the Bank's Group companies, and employees conforms to laws and the articles of incorporation of Kyoto Bank
2. Structures related to the storage and management of information about the execution of business by the Bank's directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and the Bank's Group companies
4. Structures to ensure that the directors of the Bank and the Bank's Group companies execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and the Bank's Group companies
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and the Bank's Group companies and structures for reporting to the Bank on the business execution of the directors of the Bank's Group companies
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's Group companies, or those who receive the reports from these people, as well as other structures related to reporting to other auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors

Finance Facilitation Program

Historically, the Bank has facilitated lending and management improvement/business restructuring services based on a complete understanding of the facts and characteristics of the client. To serve an even more active role in finance facilitation, we have established a policy and standards for finance facilitation management. This program is backed by the full support of the Bank and its employees, who conscientiously promote the availability of the program.

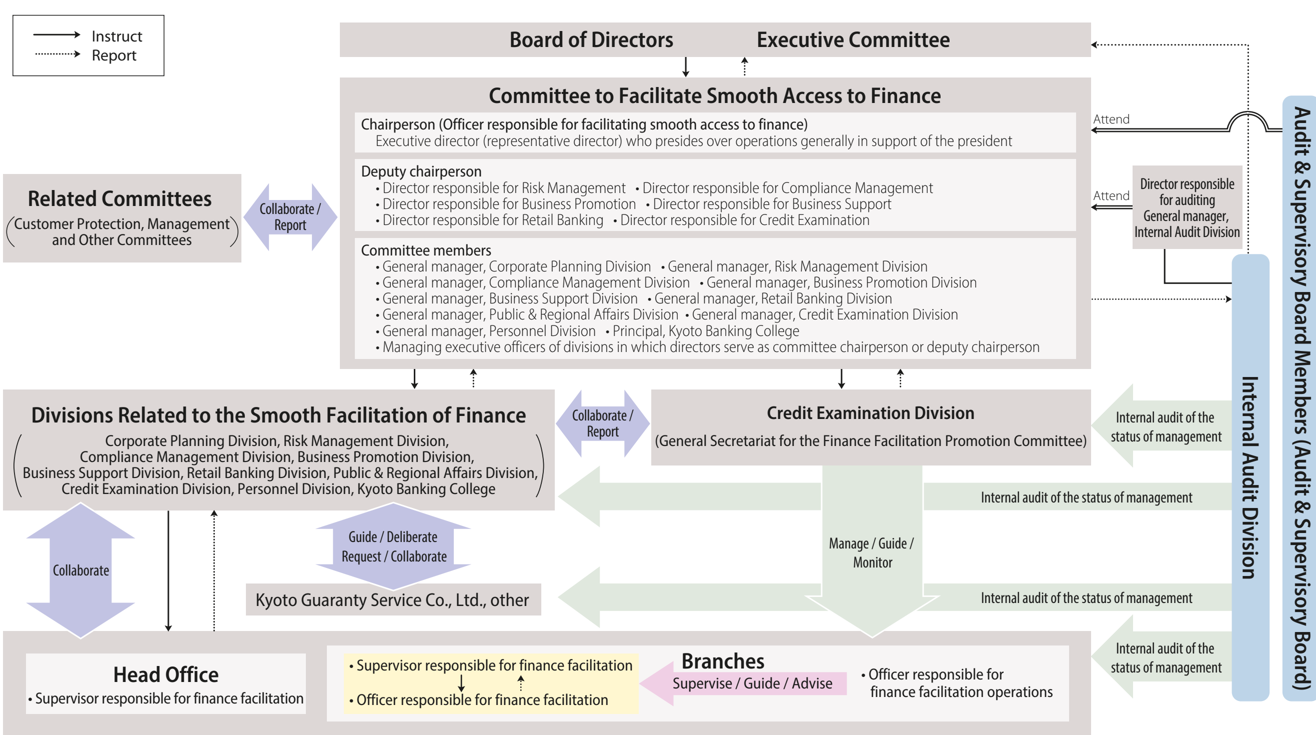
More specifically, we have established a Finance Facilitation Promotion Committee, which assists the Bank president and is chaired by an executive director of the Bank who has overall responsibility for the finance facilitation program, and as the secretariat for the committee the Credit Examination Division provides central management over the status of finance facilitations. This framework incorporates cross-organizational implementation of finance facilitation, including the consideration and implementation of various policies based on reports received from branches.

Each branch is responsible for responding directly to customer questions and/or applications regarding new loans and term changes. Branch personnel endeavor to provide responses appropriate to the facts at hand, with the Finance Facilitation Officer assigned to each branch assessing progress and providing prompt responses.

To make the finance facilitation administration structure function more effectively, we set up a finance facilitation administration program each fiscal year, implementing various policies in compliance with the program.

As a regional banking institution, we will continue to engage in appropriate and active financial intermediary functions, providing financing and cash-management consulting services for companies and personal business owners, as well as loan repayment plan modifications for home loan clients, following the expiration of SME Financing Facilitation Act as of March 31, 2013. We offer a variety of other consulting services, responding to our clients in a prompt, fair, and professional manner.

The Bank's Management Framework for Facilitating Smooth Access to Finance



As of June 29, 2016

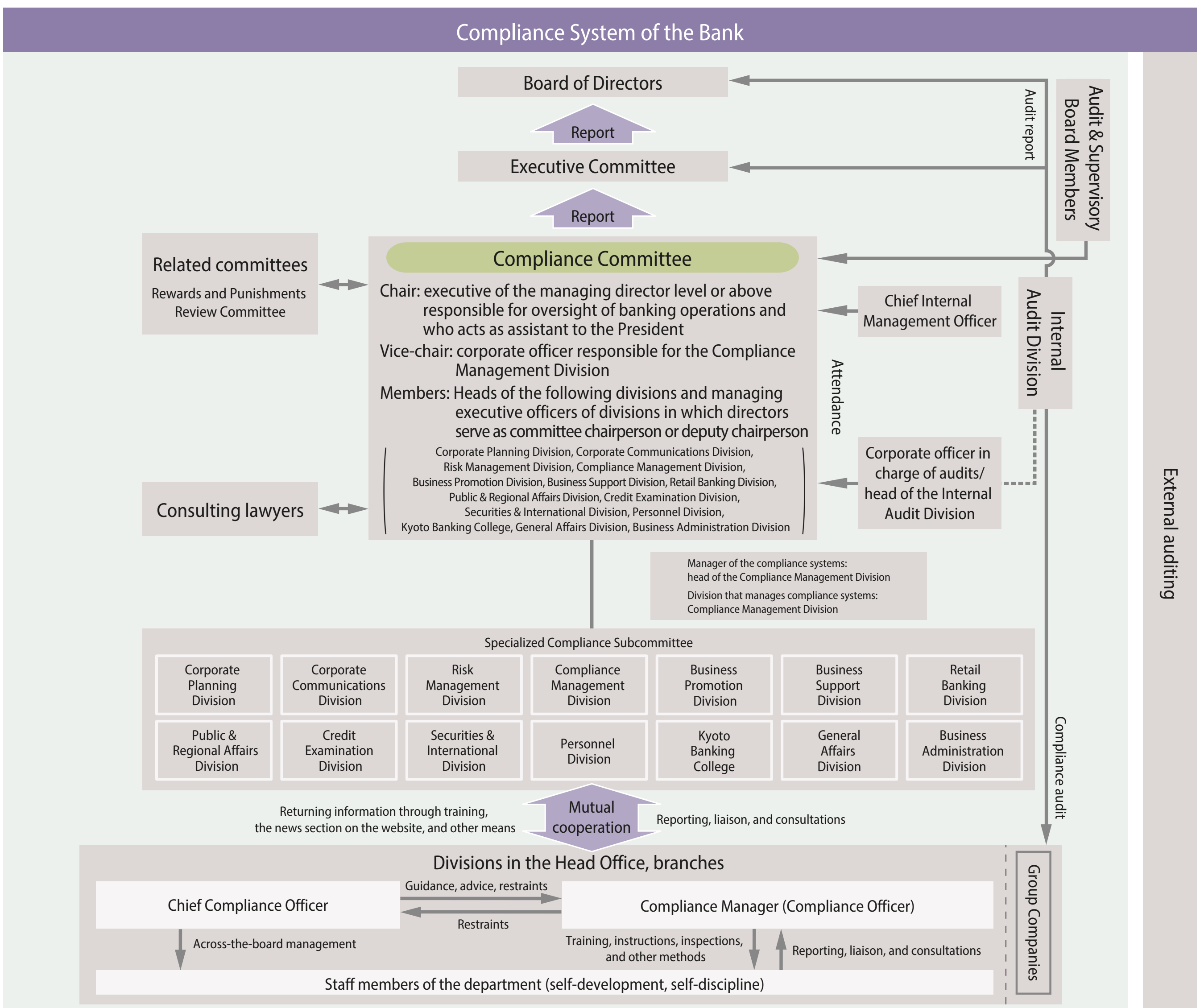
Compliance Structures

Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers. This will enable us to build solid bonds of trust with the local community, and to maintain our reputation as a reliable bank that provides excellent customer satisfaction over the long term. For these purposes, we have worked hard to strengthen our compliance systems. For example, the Compliance Committee (chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as an assistant to the president) centrally manages and responds to compliance-related problems.

In order to ensure compliance, the Board of Directors establishes compliance programs every fiscal year, and enforces a variety of policies in accordance with these programs.

The Bank has also developed structures under the jurisdiction of the Compliance Management Division and has established and published its Basic Stance on Anti-Social Forces in order to ensure that we block all relationships between the Bank and anti-social forces.



As of June 29, 2016

Risk Management Structures

While ongoing liberalization and globalization of Japan's financial markets coupled with advances in financial and information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk.

Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

At the Bank of Kyoto, in order to accurately identify the amount of risk involved in the conduct of operations, and to ensure the stability and soundness of its management base, we have established a set of Comprehensive Risk Management Guidelines, and we maintain a self-managed risk management posture that compares aggregate risk to the Bank's capital. We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our head office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). As regards the amount of risk, the amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. The estimated risk amount is reported to the management at the monthly ALM meetings. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting (chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as an assistant to the president), is subject to semiannual review. Specifically, core capital (before applying transitional measures), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by an executive of the managing director level or above responsible for the Risk Management Division) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Office is responsible for quantitatively analyzing and assessing credit risk. Additionally, 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 condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes Group companies in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to audit the validity of write-offs and allowances based on asset self-assessments.

In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines. Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are 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 solution plans based on self-assessment results as policies for dealing with individual borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses.

While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

Our stance on market risk has been set out in the Bank's Market Risk Guidelines, and we are taking steps to strengthen market risk management. The Securities & International Division, which is responsible for overseeing 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. For risk amount calculation regarding the Bank's securities position, 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 then submits a report on risk valuations at the ALM Meeting.

For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amount based on the Bank's capital and appraisal gains on stocks and other securities. Moreover, we are conducting adequate risk management. This includes calculating the daily positions and profits and losses and reporting them to the management, and measuring the amount of risk involved in stocks and other securities and reporting it to the management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and Group companies, the results of which are audited by the Internal Audit Division.

In addition, the Bank established the ALM Office within the Risk Management Division to bring uniformity to the management of market risk (including for deposits and loans) with credit and other risks, and to adequately control risk within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and analyzes risk by utilizing techniques such as VaR and fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard), and in addition we conduct stress tests supposing a variety of different stress scenarios, and utilize them in risk checks. The Bank also employs tools such as back 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. We also work 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.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component risk take responsibility for managing those risks from a specialist's perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges. The Bank has established an Operational Risk Meeting, which is chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as an assistant to the President. The meeting provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the danger of its manifestation.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews.

We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy. We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Financial Section and Corporate Data

I Financial Section

II Corporate Data

Consolidated Balance Sheet

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

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

See notes to consolidated financial statements.

Consolidated Statement of Income

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

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

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

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

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

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

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

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

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

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

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Basis of Presentation of Consolidated Financial Statements

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessee

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

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

All other leases are accounted for as operating leases.

Lessor

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

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

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

q. *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

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

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

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

s. *New Accounting Pronouncements*

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

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

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

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

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

3. Cash and Cash Equivalents

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

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

4. Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Money Held In Trust

(1) Money held in trust classified as trading:

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

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

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

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

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

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

7. Loans and Bills Discounted

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

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

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

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

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

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

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

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

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

8. Foreign Exchanges

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

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

9. Tangible Fixed Assets

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

10. Assets Pledged

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

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

Collateralized liabilities:

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

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

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

11. Commitment Line

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

12. Land Revaluation

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

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

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

Method of Revaluation

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

13. Deposits

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

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

14. Borrowed Money

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

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

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

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

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

15. Acceptances and Guarantees

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

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

16. Equity

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

a. Dividends

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

17. Stock Options

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

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

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

The stock option activity is as follows:

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

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

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

18. Other Operating Income

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

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

19. Other Income

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

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

20. Other Operating Expenses

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

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

21. Other Expenses

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

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

22. Leases

Lessee

The Group leases certain equipment.

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

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

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

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

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

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

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

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

23. Employees' Retirement Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

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

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

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

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

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

24. Income Taxes

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

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

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

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

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

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

25. Financial instruments and related disclosures

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

(1) Basic policy for financial instruments

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

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

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

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

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

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

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

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

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

Derivatives are classified and accounted for as follows:

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

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

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

(3) Risk management for financial instruments

① Credit risk management

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

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

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

② Market risk management

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

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

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

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

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

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

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

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

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

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

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

③ Liquidity risk management

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

(4) Supplementary explanation on fair value of financial instruments

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

(5) Fair value of financial instruments

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

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

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

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

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

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

(a) *Valuation method of financial instruments*

Assets

Cash and due from banks

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

Call loans and bills bought

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

Securities

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

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

Loans and bills discounted

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

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

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

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

Liabilities

Deposits and negotiable certificates of deposit

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

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

Derivatives

Fair value information for derivatives is included in Note 26.

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

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

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

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

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

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

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

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

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

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

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

(d) Maturity analysis for interest bearing liabilities

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

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

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

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

26. Derivatives

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

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

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

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

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

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

(2) Currency-related Transactions

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

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

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

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

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related Transactions

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

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

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

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

(2) Currency-related Transactions

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

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

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

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

27. Other Comprehensive (Loss) Income

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

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

28. Net Income Per Share

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

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

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

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

29. Subsequent Events

Appropriations of Retained Earnings

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

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

Establishment of a Securities Subsidiary

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

(1) Purpose of establishment

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

(2) Outline of newly established securities subsidiary

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

30. Segment Information

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

1. Description of Reportable Segments

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

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

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

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

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

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

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

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

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

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

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

Related Information

1. Information about services

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

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

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

2. Information about geographical areas

(1) Operating income

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

(2) Tangible fixed assets

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

3. Information about major customers

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

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

We have audited the accompanying consolidated balance sheet of The Bank of Kyoto, Ltd. (the "Bank") and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank of Kyoto, Ltd. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2016

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets:			
Cash and due from banks	¥ 592,264	¥ 584,943	$ 5,256,162
Call loans	34,166	34,716	303,218
Monetary claims bought	6,520	6,363	57,870
Trading securities	504	154	4,475
Money held in trust	2,878	1,500	25,546
Securities	2,806,538	3,165,149	24,907,157
Loans and bills discounted	4,606,441	4,354,810	40,880,734
Foreign exchanges	3,957	3,972	35,125
Other assets	13,947	16,078	123,780
Tangible fixed assets	81,214	82,884	720,751
Buildings	29,822	30,661	264,665
Land	43,513	43,640	386,171
Construction in progress	886	314	7,867
Other tangible fixed assets	6,991	8,268	62,048
Intangible fixed assets	2,848	2,868	25,277
Software	2,548	2,565	22,615
Other intangible fixed assets	299	302	2,661
Customers' liabilities for acceptances and guarantees	15,284	14,985	135,648
Allowance for possible loan losses	(22,899)	(25,575)	(203,227)
Total Assets	¥8,143,667	¥8,242,851	$72,272,521
Liabilities and Equity			
Liabilities:			
Deposits	¥7,212,243	¥7,202,154	$64,006,417
Call money	35,832	20,428	318,000
Payables under securities lending transactions	24,238	39,685	215,106
Borrowed money	38,432	54,098	341,075
Foreign exchanges	215	147	1,911
Other liabilities	45,604	68,540	404,727
Liability for employees' retirement benefits	29,366	28,487	260,617
Liability for reimbursement of deposit losses	350	309	3,106
Liability for contingent losses	1,159	1,130	10,285
Deferred tax liabilities	97,915	130,910	868,970
Deferred tax liabilities for land revaluation	0	30	6
Acceptances and guarantees	15,284	14,985	135,648
Total Liabilities	7,500,642	7,560,908	66,565,872
Equity:			
Common stock, authorized, 1,000,000 thousand shares; issued, 379,203 thousand shares in 2016 and 2015	42,103	42,103	373,657
Capital surplus	30,301	30,301	268,918
Stock acquisition rights	518	515	4,602
Retained earnings	299,623	283,685	2,659,066
Treasury stock — at cost, 1,210 thousand shares in 2016 and 1,319 thousand shares in 2015	(1,121)	(1,208)	(9,955)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	274,282	328,676	2,434,171
Deferred losses on derivatives under hedge accounting	(2,684)	(2,195)	(23,826)
Land revaluation surplus	1	63	15
Total Equity	643,025	681,942	5,706,648
Total Liabilities and Equity	¥8,143,667	¥8,242,851	$72,272,521

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥112.68 to US$1.00 on March 31, 2016, the final business day of the term.

Non-Consolidated Statement of Income (Unaudited)

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Income:			
Interest income:			
Interest on loans and discounts	¥ 49,237	¥ 51,492	$436,964
Interest and dividends on securities	26,144	25,770	232,028
Other interest income	716	490	6,357
Fees and commissions	15,666	15,683	139,038
Other operating income	7,455	5,220	66,162
Other income	5,579	8,669	49,513
Total Income	104,799	107,326	930,065
Expenses:			
Interest expenses:			
Interest on deposits	3,752	3,680	33,304
Interest on borrowed money	639	683	5,678
Interest on bonds		39	
Other interest expenses	1,296	1,105	11,506
Fees and commissions	6,669	6,687	59,192
Other operating expenses	372	1,218	3,302
General and administrative expenses	57,226	59,030	507,868
Other expenses	3,531	1,660	31,345
Total Expenses	73,489	74,106	652,197
Income Before Income Taxes	31,310	33,220	277,867
Income Taxes:			
Current	9,061	8,625	80,415
Deferred	1,812	4,188	16,085
Net Income	¥ 20,436	¥ 20,406	$181,366

	Yen		U.S. dollars
	2016	2015	2016
Per Share Information:			
Basic net income	¥54.06	¥54.00	$0.47
Diluted net income	53.97	53.89	0.47
Cash dividends applicable to the year	12.00	12.00	0.10

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥112.68 to US$1.00 on March 31, 2016, the final business day of the term.

Corporate Profile

The Bank's Organization (As of June 29, 2016)

- General Meeting of Shareholders
  - Audit & Supervisory Board
    Audit & Supervisory Board Members
    - Audit & Supervisory Board Secretariat
  - Board of Directors
    - Executive Committee
      - Corporate Planning Division
      - Corporate Communications Division
      - Risk Management Division
      - Compliance Management Division
      - Business Headquarters
        - Business Promotion Division
          - Area Business Headquarters
        - Business Support Division
        - Retail Banking Division
      - Public & Regional Affairs Division
      - Credit Examination Division
      - Business departments: Head Office Business Department, Osaka Business Department, Tokyo Business Department, Domestic Branches and Sub-branches
      - Treasury & Investment Division
      - Securities & International Division
        - Hong Kong Representative Office
        - Shanghai Representative Office
        - Dalian Representative Office
        - Bangkok Representative Office
      - General Secretariat
      - Personnel Division
      - Kyoto Banking College
      - General Affairs Division
      - Business Administration Division
        - Business Operations Center
      - Systems Division
      - Tokyo Liaison Office
    - Internal Audit Division

Board of Directors and Audit & Supervisory Board Members (As of June 29, 2016)

Chairman
Hideo Takasaki

President
Nobuhiro Doi

Senior Managing Directors
Masayuki Kobayashi
Junji Inoguchi

Managing Directors
Masahiko Naka
Hiroshi Hitomi
Masaya Anami
Toshiro Iwahashi

Director & Counselor
Yasuo Kashihara

Directors
Shinichi Nakama (external)
Norikazu Koishihara (external)

Standing Audit & Supervisory Board Members
Tadahiko Nishiyama
Takayuki Matsumura

Audit & Supervisory Board Members
Nobuaki Sato (external)
Masaki Ishibashi (external)

Managing Executive Officers
Hiroshi Okuno
Hideya Naka

Executive Officers
Hirokazu Tagano
Hiroyuki Yamamoto
Keizo Tokomoto
Yoshihiko Hamagishi
Masao Okuda
Yoshihiro Yamanaka
Hiroyuki Ando
Hiroyuki Hata
Kazuhiro Waki
Hiroshi Nishimura
Mikiya Yasui
Minoru Wada

Corporate Data (As of March 31, 2016)

Date of Establishment
October 1, 1941

Number of Employees
3,410 (Non-consolidated)

Number of Authorized Shares
1,000,000,000

Number of Issued Shares
379,203,441

Capital (Paid-in)
42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A+
S&P* Rating *Standard & Poor's.
A–

Major Shareholders (Number of shares in thousands and percentage)

Nippon Life Insurance Company	15,169	(4.00%)
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	13,393	(3.53%)
Meiji Yasuda Life Insurance Company	12,501	(3.29%)
Japan Trustee Services Bank, Ltd. (trust account)	9,573	(2.52%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,994	(2.10%)
KYOCERA Corporation	7,980	(2.10%)
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust — OMRON Corporation account)	7,640	(2.01%)
Sompo Japan Nipponkoa Insurance Inc.	7,136	(1.88%)
Sumitomo Life Insurance Company	6,590	(1.73%)
Bank of Kyoto Employee Stock Ownership Plan	6,269	(1.65%)

International Service Network

• Head Office Securities & International Division
700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan
Phone: +81-75-361-2211
Fax: +81-75-343-1276
SWIFT: BOKF JP JZ

• Treasury & Investment Division
5F Tekko Building,
1-8-2 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Phone: +81-3-6212-3812
Fax: +81-3-5288-3862

• Hong Kong Representative Office
Suite 3006, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong, S.A.R.,
the People's Republic of China
Phone: +852-2525-0727
Fax: +852-2521-8538

• Shanghai Representative Office
18th FL, Hang Seng Bank Tower,
1000 Lujiazui Ring Road,
Pudong New Area, Shanghai,
the People's Republic of China
Phone: +86-21-6841-0575
Fax: +86-21-6841-1771

• Dalian Representative Office
21F Senmao Building,
147 Zhongshan Road Xigang
District, Dalian, the People's
Republic of China
Phone: +86-411-3960-8611
Fax: +86-411-3960-8618

• Bangkok Representative Office
Unit2014, 21st Floor, Park Ventures
Ecoplex 57 Wireless Road, Lumpini,
Pathumwan, Bangkok 10330,
Thailand
Phone: +66-2116-3040
Fax: +66-2116-3045

Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10	Centralized processing of clerical operations for the Bank
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services

Bank of Kyoto

700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan

Phone: +81-75-361-2211
Fax: +81-75-343-1276
SWIFT: BOKF JP JZ

http://www.kyotobank.co.jp/

Waterless Printing. Naturally.
VEGETABLE OIL INK
FSC www.fsc.org MIX Paper from responsible sources FSC® C014473

Printed in Japan