The Awa Bank, Ltd.

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years ended March 31,2015 and 2016

KPMG

<u>**Independent Auditor's Report**</u>

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

KPMG AZSA LLC

October 20, 2016
Osaka, Japan

Consolidated Balance Sheets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Assets			
Cash and due from banks (Notes 3 and 4)	¥ 200,269	¥ 216,516	$ 1,921,512
Call loans and bills purchased (Note 4)	64,589	50,097	444,595
Commercial paper and other debt purchased (Notes 4 and 5)	1,861	1,961	17,403
Trading account securities (Notes 4 and 5)	846	800	7,100
Securities (Notes 4, 5 and 9)	1,093,735	1,063,127	9,434,922
Loans and bills discounted (Notes 4, 6, 7 and 8)	1,657,886	1,711,110	15,185,570
Foreign exchange (Note 7)	3,446	2,927	25,976
Lease receivables and investment assets (Note 4)	24,488	27,218	241,551
Other assets (Note 9)	6,641	11,260	99,929
Tangible fixed assets (Notes 10 and 11)	31,374	33,666	298,775
Intangible fixed assets	3,329	2,900	25,737
Net defined benefit asset (Note 20)	10,081	5,851	51,926
Deferred tax assets (Note 16)	178	195	1,731
Customers' liabilities for acceptances and guarantees (Note 17)	7,144	7,183	63,747
Reserve for possible loan losses	(18,404)	(18,669)	(165,682)
Total assets	¥ 3,087,463	¥ 3,116,142	$ 27,654,792
Liabilities			
Deposits (Notes 4 and 9)	¥ 2,550,599	¥ 2,606,224	$ 23,129,429
Negotiable certificates of deposit (Note 4)	88,885	101,003	896,370
Call money and bills sold (Note 4)	42,053	12,545	111,333
Payables under securities lending transactions (Notes 4 and 9)	33,807	39,929	354,357
Borrowed money (Notes 4, 9 and 18)	33,566	33,970	301,473
Foreign exchange	16	107	949
Bonds (Notes 4 and 19)	22,000	10,000	88,747
Other liabilities	20,915	20,763	184,265
Accrued employees' bonuses	28	28	248
Accrued directors' bonuses	66	69	612
Net defined benefit liability (Note 20)	5,521	5,494	48,758
Accrued directors' retirement benefits	416	503	4,464
Reserve for reimbursement of deposits	596	585	5,192
Reserve for contingent liabilities	764	855	7,588
Deferred tax liabilities (Note 16)	20,669	15,968	141,711
Deferred tax liabilities for land revaluation account (Note 11)	3,126	2,970	26,358
Acceptances and guarantees (Note 17)	7,144	7,183	63,747
Total liabilities	2,830,171	2,858,196	25,365,601
Net Assets			
Common stock			
Authorized – 500,000,000 shares			
Issued – 226,200,000 shares in 2016 and 231,000,000 shares in 2015	23,453	23,453	208,138
Capital surplus	16,293	16,232	144,054
Retained earnings	130,278	137,810	1,223,021
Treasury stock	(789)	(76)	(674)
— Issued 117,738 shares in 2016 and 1,467,723 shares in 2015.			
Total shareholders' equity	169,235	177,419	1,574,539
Net unrealized holding gains on securities (Note 5)	71,623	67,604	599,964
Net deferred gains (losses) on derivatives under hedge accounting	(1,657)	(3,214)	(28,523)
Land revaluation account (Note 11)	5,338	5,494	48,757
Remeasurements of defined benefit plans (Note 20)	1,756	(1,010)	(8,963)
Total accumulated other comprehensive income	77,060	68,874	611,235
Non-controlling interests	10,997	11,653	103,417
Total net assets	257,292	257,946	2,289,191
Total liabilities and net assets	¥ 3,087,463	¥ 3,116,142	$ 27,654,792

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 28,285	¥ 27,339	$ 242,625
Interest and dividends on securities	15,598	16,216	143,912
Other interest income	371	599	5,316
Trust fees	0	0	0
Fees and commissions	7,970	9,016	80,014
Other operating income	13,373	13,695	121,539
Other income (Note 13)	2,761	3,379	29,988
Total income	68,358	70,244	623,394
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	957	913	8,103
Interest on borrowings, rediscounts and bonds	446	637	5,653
Other interest expense	724	1,199	10,641
Fees and commissions	1,489	1,535	13,623
Other operating expenses	10,662	11,465	101,748
General and administrative expenses (Note 12)	28,921	28,973	257,126
Other expenses:			
Provision for loan losses	2,933	3,820	33,901
Other expenses (Note 14)	1,154	575	5,103
Total expenses	47,286	49,117	435,898
Income before income taxes	21,072	21,127	187,496
Income taxes (Note 16):			
Current	5,222	6,186	54,899
Deferred	3,549	1,245	11,049
Net income	12,301	13,696	121,548
Net income attributable to non-controlling interests in income of consolidated subsidiaries	86	700	6,213
Net income attributable to owners of the parent company	¥ 12,215	¥ 12,996	$ 115,335

Per share of common stock

	Yen		U.S. dollars (Note 1)
	2015	2016	2016
Net income per share – basic	¥ 53.25	¥ 56.89	$ 0.505
Dividends	9.00	12.00	0.106

For the years ended March 31, 2015 and 2016, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Net income	¥ 12,301	¥ 13,696	$ 121,548
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	24,033	(4,035)	(35,809)
Net deferred gains (losses) on derivatives under hedge accounting	(1,011)	(1,557)	(13,818)
Land revaluation account	324	156	1,384
Remeasurements of defined benefit plans	1,422	(2,779)	(24,663)
Total other comprehensive income (Note 15)	24,768	(8,215)	(72,906)
Comprehensive income	¥ 37,069	¥ 5,481	$ 48,642
Comprehensive income attributable to:			
Owners of the parent company	¥ 36,639	¥ 4,810	$ 42,687
Non-controlling interests	430	671	5,955

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

		Millions of yen				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	231,100,000	¥ 23,453	¥ 16,239	¥ 119,625	¥ (1,076)	¥ 158,241
Cumulative effects of changes in accounting policies	–	–	–	397	–	397
Restated balance at April 1, 2014	231,100,000	23,453	16,239	120,022	(1,076)	158,638
Changes during the accounting period						
Dividends	–	–	–	(2,063)	–	(2,063)
Net income attributable to owners of the parent company	–	–	–	12,215	–	12,215
Purchase of treasury stock	–	–	–	–	(14)	(14)
Disposal of treasury stock	–	–	54	–	301	355
Retirement of treasury stock	–	–	–	–	–	–
Reversal of land revaluation account	–	–	–	104	–	104
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	54	10,256	287	10,597
Balance at March 31, 2015	231,100,000	¥ 23,453	¥ 16,293	¥ 130,278	¥ (789)	¥ 169,235
Changes during the accounting period						
Dividends	–	–	–	(2,412)	–	(2,412)
Net income attributable to owners of the parent company	–	–	–	12,996	–	12,996
Purchase of treasury stock	–	–	–	–	(2,585)	(2,585)
Disposal of treasury stock	–	–	57	–	128	185
Retirement of treasury stock	(4,900,000)	–	(118)	(3,052)	3,170	–
Reversal of land revaluation account	–	–	–	–	–	–
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	(4,900,000)	–	(61)	7,532	713	8,184
Balance at March 31, 2016	226,200,000	¥ 23,453	¥ 16,232	¥ 137,810	¥ (76)	¥ 177,419

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥ 47,945	¥ (646)	¥ 5,118	¥ 322	¥ 52,739	¥ 11,020	¥ 222,000
Cumulative effects of changes in accounting policies	–	–	–	–	–	13	410
Restated balance at April 1, 2014	47,945	(646)	5,118	322	52,739	11,033	222,410
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(2,063)
Net income attributable to owners of the parent company	–	–	–	–	–	–	12,215
Purchase of treasury stock	–	–	–	–	–	–	(14)
Disposal of treasury stock	–	–	–	–	–	–	355
Retirement of treasury stock	–	–	–	–	–	–	–
Reversal of land revaluation account	–	–	–	–	–	–	104
Changes other than changes in stockholders' equity (net)	23,678	(1,011)	220	1,434	24,321	(36)	24,285
Total changes during the accounting period	23,678	(1,011)	220	1,434	24,321	(36)	34,882
Balance at March 31, 2015	¥ 71,623	¥ (1,657)	¥ 5,338	¥ 1,756	¥ 77,060	¥ 10,997	¥ 257,292
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(2,412)
Net income attributable to owners of the parent company	–	–	–	–	–	–	12,996
Purchase of treasury stock	–	–	–	–	–	–	(2,585)
Disposal of treasury stock	–	–	–	–	–	–	185
Retirement of treasury stock	–	–	–	–	–	–	–
Reversal of land revaluation account	–	–	–	–	–	–	–
Changes other than changes in stockholders' equity (net)	(4,019)	(1,557)	156	(2,766)	(8,186)	656	(7,530)
Total changes during the accounting period	(4,019)	(1,557)	156	(2,766)	(8,186)	656	654
Balance at March 31, 2016	¥ 67,604	¥ (3,214)	¥ 5,494	¥ (1,010)	¥ 68,874	¥ 11,653	¥ 257,946

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets (cont'd)
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

		Thousands of U.S. dollars (Note 1)				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	231,100,000	$ 208,138	$ 144,596	$ 1,156,177	$ (7,002)	$ 1,501,909
Changes during the accounting period						
Dividends	–	–	–	(21,406)	–	(21,406)
Net income attributable to owners of the parent company	–	–	–	115,335	–	115,335
Purchase of treasury stock	–	–	–	–	(22,941)	(22,941)
Disposal of treasury stock	–	–	506	–	1,136	1,642
Retirement of treasury stock	(4,900,000)		(1,048)	(27,085)	28,133	–
Reversal of land revaluation account	–	–	–	–	–	–
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	(4,900,000)	–	(542)	66,844	6,328	72,630
Balance at March 31, 2016	226,200,000	$ 208,138	$ 144,054	$ 1,223,021	$ (674)	$ 1,574,539

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	$ 635,632	$ (14,706)	$ 47,373	$ 15,584	$ 683,883	$ 97,595	$ 2,283,387
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(21,406)
Net income attributable to owners of the parent company	–	–	–	–	–	–	115,335
Purchase of treasury stock	–	–	–	–	–	–	(22,941)
Disposal of treasury stock	–	–	–	–	–	–	1,642
Retirement of treasury stock	–	–	–	–	–	–	–
Reversal of land revaluation account	–	–	–	–	–	–	–
Changes other than changes in stockholders' equity (net)	(35,668)	(13,817)	1,384	(24,547)	(72,648)	5,822	(66,826)
Total changes during the accounting period	(35,668)	(13,817)	1,384	(24,547)	(72,648)	5,822	5,804
Balance at March 31, 2016	$ 599,964	$ (28,523)	$ 48,757	$ (8,963)	$ 611,235	$ 103,417	$ 2,289,191

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes	¥ 21,072	¥ 21,127	$ 187,496
Depreciation	2,367	2,394	21,246
Impairment losses	356	7	62
Gains on negative goodwill	(401)	–	–
Increase (decrease) in reserve for possible loan losses	(2,986)	264	2,343
Net change in provision for contingent liabilities	193	91	808
Increase (decrease) in accrued employees' bonuses	3	0	0
Increase (decrease) in accrued directors' bonuses	15	4	35
Decrease (increase) in net defined benefit asset	473	374	3,319
Increase (decrease) in net defined benefit liability	(225)	(200)	(1,775)
Net change in reserve for retirement payments to directors	11	87	772
Net change in reserve for claims on dormant accounts	(14)	(11)	(98)
Interest and dividend income	(44,254)	(44,154)	(391,853)
Interest expense	2,127	2,749	24,397
Securities losses (gains), net	(1,938)	(2,363)	(20,971)
Foreign exchange losses (gains), net	(23,043)	10,147	90,051
Losses on disposal of tangible fixed assets, net	117	24	213
Net decrease (increase) in trading account securities	28	47	417
Net decrease (increase) in loans and bills discounted	(11,561)	(53,224)	(472,346)
Net increase (decrease) in deposits	53,519	55,624	493,646
Net increase (decrease) in certificates of deposit	(17,714)	12,118	107,543
Net increase (decrease) in borrowed money (except for subordinated borrowed money)	22,440	404	3,585
Net decrease (increase) in due from banks (except for deposits with the Bank of Japan)	(96)	(910)	(8,076)
Net decrease (increase) in call loans, bills purchased, commercial paper and other debt purchased	(30,394)	14,405	127,840
Net increase (decrease) in call money	21,983	(29,508)	(261,874)
Net increase (decrease) in payables under securities lending transactions	12,216	6,122	54,331
Net decrease (increase) in foreign exchange (assets)	1,169	(370)	(3,284)
Net increase (decrease) in foreign exchange (liabilities)	(2)	91	808
Interest and dividends received	44,838	43,251	383,839
Interest paid	(2,165)	(2,759)	(24,485)
Other	95	(11,295)	(100,240)
Subtotal	48,229	24,536	217,749
Income taxes paid	(8,203)	(4,577)	(40,619)
Net cash provided by operating activities	40,026	19,959	177,130
Cash flows from investing activities:			
Payments for purchases of securities	(235,563)	(178,540)	(1,584,487)
Proceeds from sales of securities	106,614	90,727	805,174
Proceeds from maturities of securities	97,546	104,177	924,539
Payments for purchases of tangible fixed assets	(704)	(3,371)	(29,917)
Payments for disposal of tangible fixed assets	(92)	(18)	(160)
Proceeds from sales of tangible fixed assets	0	1	9
Purchases of intangible fixed assets	(1,267)	(765)	(6,789)
Purchase of additional investments in subsidiaries	(45)	–	–
Net cash provided by (used in) investing activities	(33,511)	12,211	108,369
Cash flows from financing activities:			
Redemption of subordinated bonds and bonds with subscription rights to shares	–	(12,000)	(106,496)
Dividends paid	(2,063)	(2,412)	(21,406)
Dividends paid to non-controlling interests stockholders	(19)	(16)	(142)
Payments for purchases of treasury stock	(14)	(2,585)	(22,941)
Proceeds from sales of treasury stock	355	185	1,642
Net cash used in financing activities	(1,741)	(16,828)	(149,343)
Foreign currency translation adjustments	4	(5)	(45)
Net increase in cash and cash equivalents	4,778	15,337	136,111
Cash and cash equivalents at beginning of year	194,431	199,209	1,767,918
Cash and cash equivalents at end of year (Note 3)	¥ 199,209	¥ 214,546	$ 1,904,029

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Awa Bank, Ltd. (the “Bank”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and the Japanese Banking Law, generally conform with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and are in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

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

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

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2015 and 2016 include the accounts of the Bank and all five of its subsidiaries:

The Awagin Business Service Company Limited
The Awagin Consulting Company Limited
The Awagin Guaranty Company Limited
The Awagin Card Company Limited
The Awagin Lease Company Limited

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

One of the Bank’s subsidiaries, the Awagin AFFrinnovation Investment Limited Partnership, is excluded from the scope of consolidation for the years ended March 31, 2015 and 2016 since the exclusion does not affect the reasonable interpretation of the financial condition and operating results of the enterprise group in terms of assets and the Bank’s ownership percentage of net income, retained earnings and accumulated other comprehensive income.

The Awagin AFFrinnovation Investment Limited Partnership is also not accounted for using the equity method for the years ended March 31, 2015 and 2016 since the exclusion does not have a material impact on the consolidated financial statements in terms of the Bank’s ownership percentage of net income, retained earnings and accumulated other comprehensive income.

The Awagin Regional revitalization Investment Limited Partnership, an affiliate of the Bank which was newly established during the year ended March 31, 2016, is not accounted for using the equity method for the year ended March 31, 2016 since the exclusion does not have a material impact on the consolidated financial statements in terms of the Bank’s ownership percentage of net income, retained earnings and accumulated other comprehensive income.

2. Significant Accounting Policies (cont’d)

(2) Trading account securities

Listed trading account securities of the Bank are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of the securities are recognized as gains and losses in the period of the change. Cost is calculated by the moving average method.

(3) Securities

Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value, which is the average for the last month of the fiscal year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity or net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. Debt securities with no available fair market values are stated at amortized cost, net of the amount considered not collectible.

(4) Tangible fixed assets

Tangible fixed assets are generally stated at cost, less accumulated depreciation and deferred gains on the sale of real estate. Depreciation of buildings and equipment owned by the Bank and its consolidated subsidiaries is recorded using the declining balance method, except for buildings acquired after April 1, 1998 - which are depreciated using the straight-line method. At March 31, 2015 and 2016, estimated useful lives were as follows:

Buildings	19～50 years
Equipment	4～8 years

(5) Intangible fixed assets

Depreciation for intangible fixed assets of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of five years. Goodwill is expensed when incurred.

2. Significant Accounting Policies (cont'd)

(6) Reserve for possible loan losses

The Bank writes off loans and makes provisions for possible loan losses based on the financial circumstances of the borrower and the status of the loan. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided in the full amount, excluding write-off amounts and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For loans to customers not presently in the above circumstances but who have a high probability of being declared insolvent, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided for in the amounts estimated to be unrecoverable after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications regarding possible loan losses are made by each business department and credit supervision department and are audited by the independent Credit Administration Department. The reserve for possible loan losses is provided based on such auditing results. The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are estimated and a reserve for possible loan losses is provided based on the estimation.

For the fiscal years ended March 31, 2015 and 2016, the Bank wrote off portions of loans that were estimated to be unrecoverable from insolvent customers who were undergoing bankruptcy or other collection proceedings. The estimated unrecoverable amounts were determined after excluding estimated recoverable amounts due to the existence of security interests or guarantees. As of March 31, 2015 and 2016, the write-off of the estimated unrecoverable amounts was ¥23,529 million and ¥21,119 million ($187,425 thousand), respectively.

(7) Accrued employees' bonuses

Accrued employees' bonuses were recorded to pay bonuses to employees of the consolidated subsidiaries for the fiscal years ended March 31, 2015 and 2016.

(8) Accounting for retirement benefits

The benefit formula basis is used as a method of attributing expected benefits to the period through the end of the fiscal year in calculating projected benefit obligation. Prior service costs are recognized in the statements of income using the straight-line method within the average of the estimated remaining service years of employees (10 years). Actuarial differences are recognized in the statements of income using the straight-line method within the average of the estimated remaining service years (10 years) commencing with the following period.

Consolidated subsidiaries apply the simplified method for their unfunded lump-sum payment plans, which assumes the Bank's projected benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end in calculating net defined benefit liability and retirement benefit expenses.

(9) Bonuses to directors

Bonuses to directors are recorded as expense in the current period, and the related liability is recorded in other liabilities.

(10) Accrued directors' retirement benefits

A provision is made for accrued retirement benefits of directors and corporate auditors in the amount deemed accrued at the end of the reporting period.

2. Significant Accounting Policies (cont'd)

(11) Reserve for reimbursement of deposits

A provision is made for losses on future reimbursement of deposits in an amount deemed necessary, taking into account the Bank's estimated refund amount.

(12) Reserve for contingent liabilities

A provision is made for future payment on loan-loss burden-sharing to credit guarantee associations in an estimated payment amount.

(13) Translation of foreign currencies

Foreign currency denominated assets and liabilities held by the Bank at the year end are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year.

(14) Accounting for leases

Sales and cost of sales as lessor are recognized at the time of receiving lease payments.
(As lessor)
Finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which the leasing contracts commenced prior to April 1, 2008, in accordance with "Guidance on Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 16, March 30, 2007 (hereafter "Guidance No. 16")), are recorded in lease investment assets on April 1, 2008, with an assumption that the leasing contracts were entered into with amounts after deducting accumulated depreciations as of March 31, 2008. As a result, income before income taxes for the years ended March 31, 2015 and 2016 increased by ¥39 million and ¥13 million ($115 thousand), respectively, compared with the case of applying Article 80 of Guidance No. 16.

(15) Derivatives and hedge accounting

Derivative financial instruments are carried at market value.

① Hedge of interest rate risk
In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

The effectiveness of hedging is assessed for each identified group of hedged deposits, loans and similar instruments and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket. In assessing the effectiveness of cash flow hedges, the correlation between the interest rate sensitivities of the hedged instruments and the hedging instruments is examined.

② Hedge of foreign currency risk
The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Assessment of the effectiveness of these hedge transactions is conducted by confirming whether notional amounts of hedging foreign exchange swaps, etc. correspond to the hedged foreign currency denominated receivables or payables.

2. Significant Accounting Policies (cont'd)

(16) Cash flow statements

In preparing consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(17) Income taxes

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

(18) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

As described in (19) Changes in accounting policies, the Bank adopted and followed the provisional treatments of Business Combination Accounting Standards. There is no effect on net assets per share and net income per share as of and for the fiscal year ended March 31, 2016.

(19) Changes in accounting policies

Adoption of Business Combination Accounting Standards

The Bank and its consolidated domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"), from the fiscal year ended March 31, 2016. As a result, the Bank changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Bank's ownership interest of subsidiaries over which the Bank continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Bank changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Bank also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

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

With regard to the application of the Business Combination Accounting Standards, the Bank followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the fiscal year ended March 31, 2016 prospectively.

There is no effect of these changes on the consolidated financial statements for the fiscal year ended March 31, 2016.

2. Significant Accounting Policies (cont'd)

(20) Unapplied accounting standards

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

(i) Summary
Following the framework in JICPA Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets, the revised implementation guidance made certain changes as necessary.
(ii) Effective date
The Bank and its consolidated domestic subsidiaries have scheduled to adopt the revised implementation guidance effective from the beginning of the fiscal year starting on April 1, 2016.
(iii) Effects of application of the standards
The Bank is in the process of evaluating the impact of the guidance on its consolidated financial statements.

2. Significant Accounting Policies (cont'd)

(21) Additional Information

Accounting Treatment for Transactions of Delivering the Company's Own Stock to its Employees, etc, through Trusts

The Bank had been engaged in transactions that the Bank transfers the Bank's own stocks to its employees' shareholding association through trust with the aim of providing the incentives to the Bank's employees towards enhancing mid-to-long-term corporate value. This transaction has been completed during the fiscal year ended March 31, 2016.

(i) Overview of the transaction
On April 23, 2010, a resolution was passed at the Board of Directors meeting to introduce "Trust-type Employee Stock Ownership Incentive Plan" (hereinafter, the "Plan") with the aim of providing the incentives to the Bank's employees towards enhancing mid-to-long-term corporate value.

The Plan is an incentive plan that covers all employees who participate in the Awa Bank Employee Shareholding Association (the "Association"). Under the Plan, the Bank establishes the Awa Bank Employee Stock Ownership Trust (the "ESOP Trust") which is managed by a trust bank, and the ESOP Trust acquires the expected number of the Bank's common stocks that the Association would acquire until April 2018 at one time.

Subsequently, the ESOP Trust periodically sells those stocks to the Association. Accumulated profit on sales of those stocks within the ESOP Trust, if any, will be distributed to beneficiaries as residual assets from the trust at the end of the term of the trust.

As the Bank guarantees the loan for the ESOP Trust to acquire the Bank's common stocks, any remaining balance of loans equivalent to accumulated loss on sales of these stocks within the ESOP Trust at the end of the term of the trust will be repaid by the Bank in accordance with the guarantee clause.

The acquisition and disposition of the Bank's common stocks is accounted for as if the Band and the ESOP Trust is a single unit considering the fact that the Bank provide guarantee to debt of the ESOP Trust and from a conservative viewpoint of emphasizing economic reality. Accordingly, the Bank's common stocks held by the ESOP Trust as well as assets and liabilities, and revenue and expenses are included in the accompanying consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows.

The loan for the ESOP Trust was fully repaid and the guarantee obligation of the Bank was not fulfilled.

(ii) Although the Bank adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issue Task Force No. 30, March 26, 2015) from the fiscal year ended March 31, 2015, the previous accounting treatment continues to be applied since the trust agreements were entered into prior to the beginning of the fiscal year ended March 31, 2015.

(iii) Matters relating to the Bank's common stocks held by the ESOP Trust

① As of March 31, 2015, the book value of the Bank's common stocks held by the ESOP Trust was ¥127 million, total number of the Bank's common stocks outstanding held by the ESOP Trust was 247 thousand, and presented as treasury stock in shareholders' equity. As of March 31, 2016, there was no common stocks of the Bank held by the ESOP Trust since the term of the trust ended during the fiscal year ended March 31, 2016.

② For the fiscal year ended March 31, 2015 and 2016, weighted average number of common stock outstanding held by the ESOP Trust was 518 thousand and 62 thousand, respectively. Weighted average number of common stocks outstanding have been included in treasury stock in calculating the per share information.

3. Cash and Cash Equivalents

The reconciliation between “Cash and due from banks” in the consolidated balance sheets and “Cash and cash equivalents at end of year” in the consolidated statements of cash flows at March 31, 2015 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and due from banks	¥ 200,269	¥ 216,516	$ 1,921,512
Due from banks (excluding deposits with the Bank of Japan)	(1,060)	(1,970)	(17,483)
Cash and cash equivalents	¥ 199,209	¥ 214,546	$ 1,904,029

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments
The Bank and its consolidated subsidiaries (the “Group”) provide mainly banking services and other financial services, including leasing. The Group holds financial assets such as loans and securities raised by deposits.
In order to effectively manage its assets and liabilities, the Bank works on asset and liability management (ALM) and conducts derivative transactions as part of this ALM.

② Descriptions and risks of financial instruments
The financial assets of the Bank consist mainly of loans to domestic customers. They are subject to credit risk, which have brought about changes in the domestic economy and the financial status of the borrowers. The Group credits are hedged in small lots as to not concentrate on certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment and trading purposes. They are subject to credit risk, interest rate risk and market price risk. The Group's portfolio consists mainly of government bonds and municipal bonds which are very safe.

The financial liabilities of the Bank consist mainly of deposits from domestic customers, which are subject to liquidity risk due to the difficulty of raising necessary funds due to unexpected capital outflows. The Group tries to maintain and improve the soundness and reliability of its assets and to ensure stable cash management.

Derivative transactions include interest rate swaps, currency swaps, forward foreign exchange contracts and bond futures contracts. The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest rates, market price and exchange rates related to assets and liabilities. These transactions are executed in order to provide various services to customers to fulfill their needs as well.

For interest rate risk, the Bank applies hedge accounting based on “Accounting Standards and Auditing Treatment for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24). The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by incidence and remaining period. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest-rate fluctuation between the hedged items and the hedging instruments.

For exchange rate risk, the Bank applies hedge accounting based on JICPA Industry Audit Committee Report No. 25, “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry.” The Bank uses currency swaps and other methods to hedge exchange rate risk and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign-currency denominated monetary assets or liabilities being hedged.

4. Financial Instruments (cont’d)

Derivative transactions are subject to market risk or credit risk, but the Bank does not engage in complicated or speculative transactions.

③ Risk management system for financial products
The Bank and its consolidated subsidiaries manage risk as follows:

(i) Credit risk management
The Bank prescribes “Credit Risk Management Standards” and carries out its credit risk management by division, maintains an appropriate portfolio and seeks to improve on the soundness of its assets. In addition, the Bank reviews the system for credit risk management periodically and tries to improve it.

The Credit Division is independent from the Business Promotion Division to maintain and improve the soundness of assets. The Risk Managing Division verifies credit ratings, conducts self-assessments and administers the credit portfolio and exerts influence on the internal check system to branches and the Credit Division, while trying to further enhance the credit rating and self-assessment.

(ii) Market risk management
(Management for interest rate risks, market price risks and foreign exchange risks)
The Bank has set the policy, “Taking adequate market risk within the Bank’s management vitality, and the Bank assesses market risk accurately and executes policy and controls that corresponds to the Bank’s management vitality, the scale and characteristic of the business to earn a profit.” Then, the Bank enhances the system of management and optimizes market risk.

The Bank maintains the Trade Execution Section (front office), Administrative Processing Section (back office) to confirm and check the transactions of the Trade Execution Section and Market Risk Management Section (middle office). They set the tolerance levels for risk and measure profits and losses on market risks and report risks to the Board of Directors regularly.

The Risk Management Division, which is independent from the divisions above, monitors risk and profit and loss and reports the information to the ALM Committee regularly. The Group tries to improve risk management, in part, by discussing future measures. The Bank uses the VaR (Value at Risk) method for calculations of interest rate risks, foreign exchange risks and market price risks. For Japanese yen interest rate risks, the Bank analyzes the gap of risk including the deposits and loans of the entire Bank and uses the BPV (Basis Point Value) method and present value method for detailed management.

(Quantitative information on market risk)
The Bank measures market risk based on the VaR method. The variance co-variance model (holding period: 60 business days (cross-shareholdings: 120 business days), confidence interval: 99%, and historical observation period: 250 business days) is applied in the measurement. The amount of market risk (estimated amount of loss) of the Group as of March 31, 2015 and 2016 was ¥31,259 million and ¥47,936 million ($425,417 thousand).

The Bank identifies the interest rate risk sorted by an internal model for the liquid deposits which have had no incoming or outgoing movement to or from the Bank for a considerable period of time as core deposits and by categorizing these using maturity periods of up to 10 years.

The Bank periodically performs back-testing to compare VaR measured by the model with hypothetical profit and loss, which are assumed to have been incurred when the portfolio was fixed as it was at the point of the risk amount measurement. The bank believes that the model estimates market risk with sufficient accuracy. VaR represents the market risk arising with a certain probability using a statistical methodology based on historical market volatilities. Risks arising from drastic market movements beyond normal estimation may not be captured by this method.

4. Financial Instruments (cont'd)

(iii) Liquidity risk management related to fund procurement
The Bank maintains the soundness and reliability of its assets and makes daily analysis of fund procurement and asset management for the stable supply of funds. The Bank maintains a sound level of highly negotiable debt securities such as government bonds. In addition, the Bank sets risk management policies and organizes liquidity risk management to maximize its assurance.

④ Supplementary explanation of the fair value of financial instruments
The fair value of financial instruments includes, in addition to the value based on the market price, value reasonably calculated if no market price is available. Since certain assumptions are used in the calculation of such values, the results of such calculations may vary if different assumptions are used.

(2) Fair value of financial instruments
The following table summarizes book values, fair values and any differences between them as of March 31, 2015 and 2016. Unlisted stocks and others for which the fair value was deemed to be extremely difficult to determine were excluded from the table (see Note 2):

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 200,269	¥ 200,269	¥ –
(2) Call loans and bills purchased	64,589	64,589	–
(3) Commercial paper and other debt purchased	1,861	1,861	–
(4) Trading account securities			
Trading securities	846	846	–
(5) Securities			
Held-to-maturity debt securities	–	–	–
Available-for-sale securities	1,084,847	1,084,847	–
(6) Loans and bills discounted	1,657,886		
Reserve for possible loan losses (*1)	(17,619)		
	1,640,267	1,650,958	10,691
(7) Lease receivables and investment assets	24,488		
Reserve for lease losses (*1)	(200)		
(*2)	24,288	25,922	1,634
Total assets:	¥ 3,016,967	¥3,029,292	¥ 12,325
(1) Deposits	¥ 2,550,599	¥2,550,765	¥ 166
(2) Negotiable certificates of deposit	88,885	88,899	14
(3) Call money and bills sold	42,053	42,053	–
(4) Payables under securities lending transactions	33,807	33,807	–
(5) Borrowed money	33,566	33,554	(12)
Total liabilities:	¥ 2,748,910	¥2,749,078	¥ 168
Derivative transactions (*3)			
Hedge accounting not applied	¥ (283)	¥ (283)	¥ –
Hedge accounting applied	(7,158)	(7,158)	–
Total derivative transactions:	¥ (7,441)	¥ (7,441)	¥ –

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.
(*2) The book value after deduction for uncollectible receivables of lease receivables and investment assets, for which the fair value was calculated, was ¥22,004 million.

4. Financial Instruments (cont'd)

(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis.

	Millions of yen			Thousands of U.S. dollars		
	2016			2016		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 216,516	¥ 216,516	¥ –	$ 1,921,512	$ 1,921,512	$ –
(2) Call loans and bills purchased	50,097	50,097	–	444,595	444,595	–
(3) Commercial paper and other debt purchased	1,961	1,961	–	17,403	17,403	–
(4) Trading account securities						
Trading securities	800	800	–	7,100	7,100	–
(5) Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Available-for-sale securities	1,054,145	1,054,145	–	9,355,210	9,355,210	–
(6) Loans and bills discounted	1,711,110			15,185,570		
Reserve for possible loan losses (*1)	(17,971)			(159,487)		
	1,693,139	1,708,843	15,704	15,026,083	15,165,451	139,368
(7) Lease receivables and investment assets	27,218			241,551		
Reserve for lease losses (*1)	(211)			(1,873)		
(*2)	27,007	28,989	1,982	239,678	257,268	17,590
Total assets:	¥3,043,665	¥3,061,351	¥ 17,686	$27,011,581	$27,168,539	$ 156,958
(1) Deposits	¥2,606,224	¥2,606,421	¥ 197	$23,129,429	$23,131,177	$ 1,748
(2) Negotiable certificates of deposit	101,003	101,017	14	896,370	896,495	125
(3) Call money and bills sold	12,545	12,545	–	111,333	111,333	–
(4) Payables under securities lending transactions	39,929	39,929	–	354,357	354,357	–
(5) Borrowed money	33,970	34,016	46	301,473	301,881	408
Total liabilities:	¥2,793,671	¥2,793,928	¥ 257	$24,792,962	$24,795,243	$ 2,281
Derivative transactions (*3)						
Hedge accounting not applied	¥ 544	¥ 544	¥ –	$ 4,828	$ 4,828	$ –
Hedge accounting applied	92	92	–	816	816	–
Total derivative transactions:	¥ 636	¥ 636	¥ –	$ 5,644	$ 5,644	$ –

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.
(*2) The book value after deduction for uncollectible receivables of lease receivables and investment assets, for which the fair value was calculated, was ¥24,298 million ($215,637 thousand).
(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis.

(Note 1) Calculation method for the fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity is considered to be equal to the book value because the fair value of these items approximates the book value.

(2) Call loans and bills purchased

Call loans and bills purchased have short contractual terms (within 1 year), and the fair value is considered to be equal to the book value because the fair value of these items approximates the book value.

4. Financial Instruments (cont'd)

(3) Commercial paper and other debt purchased
The fair value of trust beneficial rights in other debt purchased is based on the price quoted by corresponding securities. For factoring, these have short contractual terms (within 1 year), and the fair value is considered to be equal to the book value because the fair value of these items approximates the book value.

(4) Trading account securities
The fair value of securities such as bonds held for trading is based on the published market price or the price quoted by corresponding financial institutions.

(5) Securities
The fair value of stocks is based on the market price. The fair value of bonds is determined by the over-the-counter market value or amounts quoted by corresponding financial institutions. The fair value of investment trusts is based on the publicly disclosed net asset value. The fair value of private placement bonds is calculated based on loans and bills discounted. Investments in partnerships are evaluated if the partnership assets can be quoted at fair value and the posted equivalent value of net assets as the fair value of the investment in the partnership.

Information on securities classified by the purpose for which they are held is disclosed in Note 2 (3), "Significant Accounting Policies - Securities."

(6) Loans and bills discounted
The fair value of loans and bills discounted with a floating rate is considered to be equal to the book value since the rate reflects the market rate in a short period, and the fair value of these items approximate the book value, unless the creditworthiness of the borrower changes significantly from the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within 1 year) is considered to be equal to the book value because the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

The fair value of the loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

(7) Lease receivables and investment assets
The fair value of lease receivables and investment assets takes into consideration the loan loss ratio of each borrower's category and the discounted market interest rate on the consolidated balance sheet date. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

4. Financial Instruments (cont'd)

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit
The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a rate that reflects when the Bank received the new deposit. The fair value of floating interest-rate deposits, time deposits (matured), nonresident Japanese yen deposits and foreign currency time deposits is considered less important and is expected to approximate the book value.

(3) Call money and bills sold and (4) Payables under securities lending transactions
The fair value of call money and bills sold is equal to the book value because the contractual term is within 1 year and the fair value of these items approximates the book value.

(5) Borrowed money
The fair value of borrowed money with a floating rate is considered to be equal to the book value since the rate reflects the market rate in a short period, and the fair value of these items approximate the book value, unless the creditworthiness of the Bank and its consolidated subsidiaries changes significantly from the inception date. The fair value of borrowed money with a fixed rate is calculated as the present value by discounting the total amount of principal and interest at an assumed interest rate for similar loans. The fair value of borrowed money with short contractual terms (within 1 year) is considered to be equal to the book value because the fair value of these items approximates the book value.

Derivative Transactions
Derivative transactions consist of interest rate related contracts (interest rate futures, interest rate options, interest rate swaps, etc.), currency related contracts (currency futures, currency options, currency swaps, etc.) and bond related contracts (bond futures, bond futures options etc.). The fair value of these items is calculated from market price, discounted present value and value calculated by option pricing models, etc.

(Note 2) Financial instruments whose fair value was deemed to be extremely difficult to determine were not included in fair value of financial instruments, "Assets (5) Available-for-sale securities." These instruments were as follows:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2015	2016	2016
Unlisted stocks (*1)(*2)	¥ 8,855	¥ 8,903	$ 79,011
Others (*3)	¥ 33	¥ 79	$ 701
Total ----------------	¥ 8,888	¥ 8,982	$ 79,712

(*1) Unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.
(*2) The amount of unlisted stocks impaired during the years ended March 31, 2015 and 2016 were ¥0 million and ¥0 million ($0 thousand), respectively.
(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.

4. Financial Instruments (cont'd)

(Note 3) Expected collection of monetary claims and securities with maturities:

	Millions of yen					
	2015					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥176,480	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	64,589	−	−	−	−	−
Commercial paper and other debt purchased	722	−	−	1,134	−	−
Securities	106,723	234,601	205,692	157,344	132,566	57,262
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Securities with maturities	106,723	234,601	205,692	157,344	132,566	57,262
Japanese government bonds	25,900	59,800	80,200	118,500	84,200	21,300
Municipal bonds	31,927	49,473	37,605	14,726	22,026	12,888
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	23,870	55,911	33,476	11,032	21,290	16,474
Others	25,026	69,417	54,411	13,086	5,050	6,600
Loans and bills discounted (*1)	385,981	320,797	233,829	173,726	170,607	304,170
Lease receivables and investment assets (*2)	7,301	10,747	5,141	728	255	168
Total	¥741,796	¥566,145	¥444,662	¥332,932	¥303,428	¥361,600

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥41,453 million and those without terms in the amount of ¥27,323 million are not included.
(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥148 million are not included.

4. Financial Instruments (cont'd)

	Millions of yen					
	2016					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥192,490	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	50,097	−	−	−	−	−
Commercial paper and other debt purchased	957	−	−	984	−	−
Securities	103,710	216,424	234,796	137,775	100,548	55,598
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Securities with maturities	103,710	216,424	234,796	137,775	100,548	55,598
Japanese government bonds	20,000	61,300	124,700	76,600	49,100	21,300
Municipal bonds	26,460	48,914	28,978	20,477	30,394	14,975
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	22,306	58,298	31,022	19,061	14,628	13,929
Others	34,944	47,912	50,096	21,637	6,426	5,394
Loans and bills discounted (*1)	396,898	335,528	247,449	176,611	168,972	318,266
Lease receivables and investment assets (*2)	7,834	11,515	5,732	1,119	418	460
Total	¥751,986	¥563,467	¥487,977	¥316,489	¥269,938	¥374,324

4. Financial Instruments (cont'd)

	Thousands of U.S. dollars					
	2016					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	$1,708,289	$ –	$ –	$ –	$ –	$ –
Call loans and bills purchased	444,595	–	–	–	–	–
Commercial paper and other debt purchased	8,493	–	–	8,733	–	–
Securities	920,394	1,920,696	2,083,741	1,222,710	892,332	493,415
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	920,394	1,920,696	2,083,741	1,222,710	892,332	493,415
Japanese government bonds	177,494	544,018	1,106,674	679,801	435,747	189,031
Municipal bonds	234,824	434,097	257,171	181,727	269,737	132,898
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	197,959	517,377	275,310	169,160	129,819	123,616
Others	310,117	425,204	444,586	192,022	57,029	47,870
Loans and bills discounted (*1)	3,522,347	2,977,707	2,196,033	1,567,368	1,499,574	2,824,512
Lease receivables and investment assets (*2)	69,524	102,192	50,870	9,931	3,710	4,082
Total	$6,673,642	$5,000,595	$4,330,644	$2,808,742	$2,395,616	$3,322,009

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥40,989 million ($363,765 thousand) and those without terms in the amount of ¥26,397 million ($234,265 thousand) are not included.
(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥140 million ($1,242 thousand) are not included.

4. Financial Instruments (cont'd)

(Note 4) Amount payable for borrowed money and other interest bearing liabilities:

	Millions of yen					
	2015					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,344,618	¥ 173,202	¥ 29,113	¥ 1,351	¥ 2,315	¥ –
Negotiable certificates of deposit	88,385	500	–	–	–	–
Call money and bills sold	42,053	–	–	–	–	–
Borrowed money	4,454	6,240	22,872	–	–	–
Bonds	–	10,000	–	12,000	–	–
Total	¥ 2,479,510	¥ 189,942	¥ 51,985	¥ 13,351	¥ 2,315	¥ –

	Millions of yen					
	2016					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,419,474	¥ 172,171	¥ 11,388	¥ 1,172	¥ 2,019	¥ –
Negotiable certificates of deposit	99,853	1,150	–	–	–	–
Call money and bills sold	12,545	–	–	–	–	–
Borrowed money	4,357	26,735	2,878	–	–	–
Bonds	–	10,000	–	–	–	–
Total	¥ 2,536,229	¥ 210,056	¥ 14,266	¥ 1,172	¥ 2,019	¥ –

	Thousands of U.S. dollars					
	2016					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	$ 21,472,081	$1,527,964	$ 101,065	$ 10,401	$ 17,918	$ –
Negotiable certificates of deposit	886,164	10,206	–	–	–	–
Call money and bills sold	111,333	–	–	–	–	–
Borrowed money	38,667	237,265	25,541	–	–	–
Bonds	–	88,747	–		–	–
Total	$ 22,508,245	$1,864,182	$ 126,606	$ 10,401	$ 17,918	$ –

(*) Demand deposits are included in "Within 1 year."

5. Securities

Unsecured securities that have been loaned and that allow the borrowers to sell the borrowed securities amounted to ¥111,874 million and ¥112,437 million ($997,843 thousand) as of March 31, 2015 and 2016, respectively, and are included in Japanese government bonds in Securities.

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2015 and 2016. The amounts in the following tables include trading account securities and trust beneficiary interests in commercial paper and other debt purchased as well as securities

① Trading securities:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Amount of net unrealized gains (losses) included in statements of income	¥ 3	¥ 4	$ 35

② Held-to-maturity debt securities for the years ended March 31, 2015 and 2016:

Not applicable.

③ Available-for-sale securities:
※Book value exceeded acquisition cost.

	Millions of yen		
	2015		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 114,824	¥ 43,270	¥ 71,554
Bonds:			
Japanese government bonds	394,089	382,069	12,020
Municipal bonds	163,558	158,690	4,868
Corporate bonds	154,894	150,559	4,335
Other	203,348	189,196	14,152
Total	¥ 1,030,713	¥ 923,784	¥ 106,929
※ Book value did not exceed acquisition cost.			
Equity securities	¥ 2,162	¥ 2,288	¥ (126)
Bonds:			
Japanese government bonds	12,890	12,905	(15)
Municipal bonds	11,108	11,128	(20)
Corporate bonds	11,637	11,727	(90)
Other	17,476	17,578	(102)
Total	¥ 55,273	¥ 55,626	¥ (353)
Grand total	¥ 1,085,986	¥ 979,410	¥ 106,576

5. Securities (cont'd)

※Book value exceeded acquisition cost.

	Millions of yen		
	2016		
	Book (fair) Value	Acquisition cost	Difference
Equity securities	¥ 108,346	¥ 44,292	¥ 64,054
Bonds:			
Japanese government bonds	341,008	326,408	14,600
Municipal bonds	161,836	156,381	5,455
Corporate bonds	152,077	146,449	5,628
Other	189,137	178,373	10,764
Total	¥ 952,404	¥ 851,903	¥ 100,501
※ Book value did not exceed acquisition cost.			
Equity securities	¥ 2,757	¥ 3,214	¥ (457)
Bonds:			
Japanese government bonds	30,732	31,098	(366)
Municipal bonds	14,885	14,943	(58)
Corporate bonds	13,037	13,123	(86)
Other	41,334	42,413	(1,079)
Total	¥ 102,745	¥ 104,791	¥ (2,046)
Grand total	¥ 1,055,149	¥ 956,694	¥ 98,455

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Thousands of U.S. dollars		
	2016		
	Book (fair) value	Acquisition cost	Difference
Equity securities	$ 961,537	$ 393,078	$ 568,459
Bonds:			
Japanese government bonds	3,026,341	2,896,770	129,571
Municipal bonds	1,436,244	1,387,833	48,411
Corporate bonds	1,349,636	1,299,689	49,947
Other	1,678,532	1,583,005	95,527
Total	$ 8,452,290	$ 7,560,375	$ 891,915

※ Book value did not exceed acquisition cost.

Equity securities	$ 24,468	$ 28,523	$ (4,055)
Bonds:			
Japanese government bonds	272,737	275,985	(3,248)
Municipal bonds	132,100	132,614	(514)
Corporate bonds	115,699	116,463	(764)
Other	366,826	376,402	(9,576)
Total	$ 911,830	$ 929,987	$ (18,157)
Grand total	$ 9,364,120	$ 8,490,362	$ 873,758

④ Held-to-maturity debt securities sold for the years ended March 31, 2015 and 2016:

Not applicable.

⑤ Available-for-sale securities sold in the years ended March 31, 2015 and 2016:

	Millions of yen		
	2015		
	Amount sold	Gains	Losses
Equity securities	¥ 2,531	¥ 810	¥ 62
Bonds:			
Japanese government bonds	79,044	1,532	279
Municipal bonds	5,280	10	2
Corporate bonds	3,503	1	2
Other	16,755	30	99
Total	¥ 107,113	¥ 2,383	¥ 444

5. Securities (cont'd)

	Millions of yen		
	2016		
	Amount sold	Gains	Losses
Equity securities	¥ 3,120	¥ 1,564	¥ 112
Bonds:			
Japanese government bonds	50,155	1,002	253
Municipal bonds	7,264	10	−
Corporate bonds	5,425	19	0
Other	24,250	292	159
Total	¥ 90,214	¥ 2,887	¥ 524

	Thousands of U.S. dollars		
	2016		
	Amount sold	Gains	Losses
Equity securities	$ 27,689	$ 13,880	$ 994
Bonds:			
Japanese government bonds	445,110	8,892	2,245
Municipal bonds	64,466	89	−
Corporate bonds	48,145	169	0
Other	215,211	2,591	1,411
Total	$ 800,621	$ 25,621	$ 4,650

⑥ Securities reclassified for the years ended March 31, 2015 and 2016:

Not applicable.

⑦ Available-for-sale securities with market values are considered impaired if the market value decreases materially below the acquisition cost and the decline is not considered recoverable. The market value is used for the balance sheet amount, and the amount of write-down is accounted for as an impairment loss for the fiscal year. No impairment loss was recorded for the fiscal year ended March 31, 2015. Impairment loss for the fiscal year ended March 31, 2016 was ¥10 million, including nil of equity securities and ¥10 million ($89 thousand) of other.

The market value is deemed to have decreased materially when it has fallen by 50% or more from the acquisition cost. In such cases, impairment accounting is applied uniformly. In cases where the market value has fallen by 30% or more but less than 50%, historical price trends over a specific period and the recent business performance of the issuing company are taken into account to determine whether or not the acquisition cost can be recovered. Securities whose acquisition costs are deemed not to be recoverable are written down to the current market value.

5. Securities (cont'd)

(2) Net unrealized holding gains on securities stated at market value at March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Available-for-sale securities	¥ 106,576	¥ 98,455	$ 873,758
Deferred tax assets	–	–	–
Deferred tax liabilities	(33,694)	(29,608)	(262,762)
Net unrealized holding gains on securities (before adjustment for non-controlling interests)	72,882	68,847	610,996
Non-controlling interests	(1,259)	(1,243)	(11,032)
Net unrealized holding gains on securities	¥ 71,623	¥ 67,604	$ 599,964

(3) At March 31, 2015 and 2016, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥4,670 million and ¥11,825 million ($104,943 thousand), respectively.

6. Loans and Bills Discounted

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

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Loans to bankrupt customers	¥	2,337	¥	2,554	$	22,666
Non-accrual loans		39,263		38,574		342,332
Loans past due three months or more		158		178		1,580
Restructured loans		6,542		6,640		58,928
Total	¥	48,300	¥	47,946	$	425,506

The amounts above represent the gross receivable amounts before deducting reserve for possible loan losses.

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest are uncollectible.

Non-accrual loans are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more but less than six months.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or the deferral or waiver of interest or principal payments to support customers in financial difficulties.

7. Commercial Bills

Discount of commercial bills is accounted for as financing transaction as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). The Bank has rights to use commercial bills discounted or foreign exchange purchased in the form of sale or use as (re)collateral. The total face value of commercial bills obtained as a result of discounting was ¥17,354 million and ¥16,166 million ($143,468 thousand) at March 31, 2015 and 2016, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit agreed to in advance. The Bank and its consolidated subsidiaries lend the funds upon the request of the borrower to draw down funds under the agreement as long as there is no breach of the various terms and conditions stipulated in the agreement. The unused commitment balances related to these agreements at March 31, 2015 and 2016 amounted to ¥374,160 million and ¥364,789 million ($3,237,389 thousand), respectively. Of these amounts, ¥371,479 million and ¥359,118 million ($3,187,061 thousand), respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement expires without the loan ever being drawn down. In these cases, the unused loan commitment does not necessarily affect future cash flows. Conditions are also included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan drawdown or to reduce the agreed to limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank or its consolidated subsidiaries' credit.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral such as real estate or securities on signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

9. Assets Pledged

At March 31, 2015 and 2016, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Securities	¥ 68,730	¥ 74,743	$ 663,321

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deposits	¥ 11,788	¥ 14,715	$ 130,591
Payables under securities lending transactions	33,807	39,929	354,357
Borrowed money	20,000	20,000	177,494

At March 31, 2015 and 2016, certain investment securities amounting to ¥42,440 million and ¥41,323 million ($366,729 thousand), respectively, and other assets of ¥25 million and ¥25 million ($222 thousand), respectively, were pledged as collateral for exchange settlement and handling and others of government funds, or in substitution to clearing margin on futures and others.

At March 31, 2015 and 2016, other assets included guarantee deposits of ¥312 million and ¥318 million ($2,822 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2015 and 2016 amounted to ¥34,467 million and ¥34,314 million ($304,526 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2015 and 2016 amounted to ¥827 million and ¥827 million ($7,339 thousand), respectively. No such offset was recorded for the years ended March 31, 2015 and 2016.

11. Land Revaluation Account

In accordance with the Land Revaluation Law, the Bank revalued land used in the ordinary course of business as of March 31, 1999. The revaluation excess, net of deferred taxes, is shown as land revaluation account, a separate component of shareholders' equity. At March 31, 2015 and 2016, the current market values of the revalued land decreased from the revalued amount by ¥9,739 million and ¥9,658 million ($85,712 thousand), respectively.

12. General and Administrative Expenses

For the years ended March 31, 2015 and 2016, general and administrative expenses included salaries and allowances of ¥10,557 million and ¥10,738 million ($95,296 thousand), and outsourcing expenses of ¥3,247 million and ¥3,369 million ($29,899 thousand), respectively.

13. Other Income

For the years ended March 31, 2015 and 2016, other income included gain on sale of securities of ¥816 million and ¥1,828 million ($16,223 thousand) and gains on negative goodwill of ¥401 million and nil, respectively.

14. Other Expenses

For the years ended March 31, 2015 and 2016, other expenses included loans written off of ¥28 million and ¥44 million ($390 thousand), loss on sale of securities of ¥62 million and ¥112 million ($994 thousand), securities written off of ¥0 million and ¥0 million ($0 thousand) and impairment losses of ¥356 million and ¥7 million ($62 thousand), respectively.

15. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ 33,319	¥ (5,764)	$ (51,154)
Reclassification adjustments	(1,937)	(2,357)	(20,917)
Subtotal, before tax	31,382	(8,121)	(72,071)
Tax (expense) or benefit	(7,349)	4,086	36,262
Subtotal, net of tax	24,033	(4,035)	(35,809)
Net deferred gains (losses) on derivatives under hedge accounting			
Increase (decrease) during the year	(2,163)	(3,381)	(30,005)
Reclassification adjustments	724	1,198	10,632
Subtotal, before tax	(1,439)	(2,183)	(19,373)
Tax (expense) or benefit	428	626	5,555
Subtotal, net of tax	(1,011)	(1,557)	(13,818)
Land revaluation account			
Increase (decrease) during the year	–	–	–
Reclassification adjustments	–	–	–
Subtotal, before tax	–	–	–
Tax (expense) or benefit	324	156	1,384
Subtotal, net of tax	324	156	1,384
Remeasurements of defined benefit plans			
Increase (decrease) during the year	1,760	(4,372)	(38,800)
Reclassification adjustments	284	343	3,044
Subtotal, before tax	2,044	(4,029)	(35,756)
Tax (expense) or benefit	(622)	1,250	11,093
Subtotal, net of tax	1,422	(2,779)	(24,663)
Total other comprehensive income	¥ 24,768	¥ (8,215)	$ (72,906)

16. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, such as corporation tax, inhabitants tax and enterprise tax, which, in the aggregate, indicate a statutory rate of approximately 35.3% and 32.8% for the years ended March 31, 2015 and 2016, respectively.

The reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2015 and 2016 was as follows:

	2015	2016
Statutory tax rate	35.3%	32.8%
(Adjustments)		
Items permanently excluded from expenses such as entertainment expenses	0.2	0.3
Items permanently excluded from income such as dividend income	(3.0)	(1.1)
Inhabitants tax on per capita basis	0.2	0.2
Increase (decrease) in valuation allowance	2.2	(0.3)
Reduction of deferred tax assets due to a change in tax rate	5.9	3.3
Others	0.8	(0.1)
Actual tax rate after application of deferred income tax accounting	41.6%	35.1%

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 12,371	¥ 11,037	$ 97,950
Excess depreciation	647	579	5,138
Net defined benefit liability	–	851	7,552
Tax loss carryforwards	43	33	293
Net deferred gains (losses) on derivatives under hedge accounting	783	1,408	12,496
Others	2,108	2,156	19,134
Valuation allowance	(2,124)	(1,968)	(17,465)
Total deferred tax assets	13,828	14,096	125,098
Deferred tax liabilities:			
Net defined benefit asset	(350)	–	–
Deferred gains on real property	(257)	(244)	(2,165)
Unrealized gains on securities	(33,694)	(29,608)	(262,762)
Others	(18)	(17)	(151)
Total deferred tax liabilities	(34,319)	(29,869)	(265,078)
Net deferred tax liabilities	¥ (20,491)	¥ (15,773)	$ (139,980)

16. Income Taxes (cont'd)

Amendments to deferred tax assets and deferred tax liabilities as a result of the revision of the rates of income taxes
The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted at the National Diet session on March 29, 2016. Pursuant to the revision, corporate tax rates will be reduced from the fiscal year beginning on or after April 1, 2016, and the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was reduced from 32.06% to 30.69% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2016 and the fiscal year beginning on April 1, 2017, and to 30.46% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2018 and thereafter.

As a result of this change, deferred tax assets, deferred tax liabilities, net deferred gains (losses) on derivatives under hedge accounting, remeasurements of defined benefit plans and non-controlling interests in consolidated subsidiaries decreased by ¥9 million ($80 thousand), ¥879 million ($7,801 thousand), ¥74 million ($657 thousand), ¥22 million ($195 thousand) and ¥2 million ($18 thousand), respectively, and net unrealized holding gains (losses) on securities increased by ¥1,555 million ($13,800 thousand), as of March 31, 2016. Income taxes - deferred increased by ¥587 million ($5,209 thousand) for the year ended March 31, 2016. Deferred tax liabilities for land revaluation account decreased by ¥156 million ($1,384 thousand), and land revaluation account increased by the same amount as of March 31, 2016.

17. Acceptances and Guarantees

All commitments and contingent liabilities arising in connection with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees." A contra account, "Customers' liabilities for acceptances and guarantees," is shown on the asset side, representing the Bank's right of indemnity from customers.

18. Borrowed Money

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

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Borrowings from banks	¥	33,566	¥	33,970	$	301,473
Lease obligations (included in other liabilities)	¥	151	¥	132	$	1,171

The following is a summary of aggregate annual maturities of borrowings from banks and lease obligations at March 31, 2016:

・Borrowings from banks:

Year ending March 31:	Millions of yen		Thousands of U.S. dollars	
2017	¥	4,357	$	38,667
2018		3,664		32,517
2019		23,071		204,748
2020		2,210		19,613
2021		668		5,928
2022 and thereafter		–		–
Total	¥	33,970	$	301,473

・Lease obligations:

Year ending March 31:	Millions of yen		Thousands of U.S. dollars	
2017	¥	63	$	559
2018		34		302
2019		20		177
2020		10		89
2021		4		35
2022 and thereafter		1		9
Total	¥	132	$	1,171

19. Bonds

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
1.01% bonds, due September 10, 2020*1, 2	¥ 12,000	¥ −	$ −
0.52% bonds, due December 21, 2017 *3, 4	10,000	10,000	88,747
Total	¥ 22,000	¥ 10,000	$ 88,747

*1 Terms and conditions of the bond contain subordinated clause.

*2 There is a fixed interest rate of 1.01% through September 10, 2015 and floating rate of Euro LIBOR + 1.92% from September 11, 2015 to September 10, 2020.

*3 Terms and conditions of the bond contain inter-bond pari passu clause.

*4 There is a fixed interest rate of 0.52% through December 21, 2017.

20. Employees' Severance and Retirement Benefits

(1) Overview of retirement benefit plan

The Bank and its consolidated subsidiaries provide a funded contributory pension plan under the Defined Benefit Corporate Pension Law and a lump-sum payment plan as defined benefit plans. The funded contributory pension plans, which were transferred from the welfare pension fund with an approval from Minister of Health, Labour and Welfare, are provided effective from September 1, 2004. Retirement benefit plans were revised on September 1, 2004 and a "Point system" was introduced in the calculation of retirement benefits. In addition, a portion of the lump-sum payment plans were transferred to defined contribution plans on December 1, 2004. The Bank also establishes a retirement benefit trust.

Consolidated subsidiaries apply the simplified method for their lump-sum payment plans in the calculation of net defined benefit liability and retirement benefit expenses.

(2) Defined benefit plans

① Movement in projected benefit obligation (excluding plans to which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Projected benefit obligation at beginning of year	¥ 28,296	¥ 28,437	$ 252,370
Cumulative effect of change in accounting policy	(634)	−	−
Restated balance at beginning of year	27,662	28,437	252,370
Service cost	673	701	6,221
Interest cost	364	296	2,627
Actuarial differences	1,249	3,696	32,801
Retirement benefits paid	(1,511)	(1,610)	(14,289)
Projected benefit obligation at end of year	¥ 28,437	¥ 31,520	$ 279,730

20. Employees' Severance and Retirement Benefits (cont'd)

② Movement in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Plan assets at beginning of year	¥ 30,626	¥ 33,213	$ 294,755
Expected return on plan assets	376	596	5,289
Actuarial differences	3,009	(677)	(6,008)
Employer's contribution	182	29	257
Employees' contribution	34	33	293
Retirement benefits paid	(1,014)	(1,084)	(9,620)
Plan assets at end of year	¥ 33,213	¥ 32,110	$ 284,966

Note: Plan assets include retirement benefits trust.

③ Reconciliation of net defined benefit liability applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net defined benefit liability at beginning of year	¥ 200	¥ 216	$ 1,917
Net retirement benefit expenses	21	28	249
Retirement benefits paid	(5)	(11)	(98)
Net defined benefit liability at end of year	¥ 216	¥ 233	$ 2,068

20. Employees' Severance and Retirement Benefits (cont'd)

④ Reconciliation from the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded projected benefit obligation	¥ 23,132	¥ 26,259	$ 233,040
Plan assets	(33,213)	(32,110)	(284,966)
	(10,081)	(5,851)	(51,926)
Unfunded projected benefit obligation	5,521	5,494	48,758
Net liability and asset recorded on the consolidated balance sheet	¥ (4,560)	¥ (357)	$ (3,168)
Net defined benefit liability	¥ 5,521	¥ 5,494	$ 48,758
Net defined benefit asset	(10,081)	(5,851)	(51,926)
Net liability and asset recorded on the consolidated balance sheet	¥ (4,560)	¥ (357)	$ (3,168)

Notes:
1. Plan assets include retirement benefits trust.
2. The above table includes plans applying the simplified method.

⑤ Net retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥ 661	¥ 696	$ 6,177
Interest cost	364	296	2,627
Expected return on plan assets	(376)	(596)	(5,289)
Amortization of actuarial differences	651	449	3,984
Amortization of prior service costs	(367)	(106)	(941)
Net retirement benefit expenses	¥ 933	¥ 739	$ 6,558

Notes:
1. Retirement benefit expenses of the consolidated subsidiaries applying simplified method were included in "service cost".
2. Employees' contributions to the funded contributory pension plan were not included in service cost.

20. Employees' Severance and Retirement Benefits (cont'd)

⑥ The components of remeasurements of defined benefit plans in other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Prior service costs	¥ (366)	¥ (106)	$ (941)
Actuarial differences	2,410	(3,923)	(34,815)
Total	¥ 2,044	¥ (4,029)	$ (35,756)

⑦ The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized prior service costs	¥ (521)	¥ (415)	$ (3,683)
Unrecognized actuarial differences	(1,974)	1,949	17,297
Total	¥ (2,495)	¥ 1,534	$ 13,614

⑧ Plan assets

(i) Plan assets comprise:

	2015	2016
Debt securities	55.5%	56.3%
Equity securities	31.2	29.3
Life insurance general account	10.4	10.9
Cash and due from banks and others	2.9	3.5
Total	100.0%	100.0%

Note: 10.3% and 9.6% of plan assets consisted of retirement benefit trusts that are established for a funded contributory pension plan as of March 31, 2015 and 2016, respectively.

(ii) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering the current and future portfolio of plan assets and current and expected long-term rate of return generated from various components of the plan assets.

20. Employees' Severance and Retirement Benefits (cont'd)

⑧ Actuarial assumptions at end of year:

	2015	2016
Discount rate	1.0%	0.6%
Expected long-term rate of return on plan assets		
A funded contributory pension plan	1.5%	2.0%
Employees' retirement benefit trust	0.0%	0.0%
Expected salary increase rate		
A funded contributory pension plan	2.0%	2.0%
Lump-sum payment plans	2.3%	2.3%

Notes:
1. Discount rate for the year ended March 31, 2016 was presented using weighted average rate.
2. Expected salary increase rate is based on expected increase rate of points calculated for each plan, as the point system is used to determine retirement benefits.

(3) Defined contribution plans

The required contribution amount to the defined contribution plans was ¥146 million and ¥140 million ($1,242 thousand) as of March 31, 2015 and 2016.

21. Derivative Transactions

The Bank enters into various contracts, including swaps, options, forwards and futures, that cover interest rates, foreign currencies, stocks and bonds in order to meet customers' needs and manage the risks of market fluctuations related to the assets, liabilities and interest rates of the Bank and its consolidated subsidiaries. The Bank has established procedures and controls to minimize market and credit risk, including limits on transaction levels, hedging exposed positions, daily reporting to management and outside review of trading department activities. At March 31, 2015 and 2016, outstanding derivatives were as follows:

(1) Interest related transactions:

	Millions of yen			
	2015			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Interest rate swap contracts				
Receive floating rate, pay fixed rate	¥ 5,000	¥ 5,000	¥ 3	¥ 3

21. Derivative Transactions (cont'd)

	Millions of yen				Thousands of U.S. dollars
	2016				2016
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Interest rate swap contracts					
Receive floating rate, pay fixed rate	¥ 5,000	¥ 5,000	¥ (64)	¥ (64)	$ (568)

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for over-the-counter transactions are calculated at discounted present values or based on option price calculation models. The derivative transactions for which hedge accounting was applied were excluded from the above table.

(2) Currency and foreign exchange transactions:

	Millions of yen			
	2015			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Forward exchange contracts				
Sell	¥ 27,429	¥ 432	¥ (264)	¥ (264)
Buy	10,432	463	(18)	(18)

	Millions of yen				Thousands of U.S. dollars
	2016				2016
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Forward exchange contracts					
Sell	¥ 11,697	¥ 402	¥ 541	¥ 541	$ 4,801
Buy	8,663	73	67	67	595

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for over-the-counter transactions are calculated at discounted present values. The derivative transactions for which hedge accounting was applied were excluded from the above table.

21. Derivative Transactions (cont'd)

(3) Bond related transactions:

	Millions of yen			
	2015			
	Contract Amount	Portion maturing over one year	Market value	Recognized gain (loss)
Transactions listed on exchanges:				
Bond futures				
Buy	¥ 1,000	¥ -	¥ (4)	¥ (4)

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for transactions listed on exchanges are based on closing prices on Osaka Securities Exchange, etc. The derivative transactions for which hedge accounting was applied were excluded from the above tables.

There were no bond related transactions as of March 31, 2016.

22. Segment Information

(1) General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information is provided to and used by ALM Committee and Management Meeting periodically to determine the allocation of resources and assessment of performance.

The Group is engaged mainly in commercial banking and leasing services. Therefore, the Bank and its consolidated subsidiaries recognize reportable segments by the financial services provided: 'Commercial banking' and 'Leasing'.

'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking services as well as the consolidated subsidiaries' business support services, management consulting services, credit guarantee services and credit card services.

'Leasing' includes leasing services by Awagin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Basis of measurement for reporting segment ordinary income, profit or loss, segment assets, segment liabilities and other material items.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2, "Significant Accounting Policies." Reportable segment profit is based on operating profit, and intersegment ordinary income is based on arm's length pricing.

22. Segment Information (cont'd)

(3) Information about reported segment ordinary income, profit or loss and amounts of assets, liabilities and other material items.

Segment information as of and for the years ended March 31, 2015 and 2016 was as follows:

	Millions of yen				
	2015				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 56,001	¥ 11,956	¥ 67,957	¥ −	¥ 67,957
Intersegment	141	181	322	(322)	−
Total	¥ 56,142	¥ 12,137	¥ 68,279	¥ (322)	¥ 67,957
Segment profit	¥ 20,220	¥ 934	¥ 21,154	¥ (10)	¥ 21,144
Segment assets	¥ 3,056,996	¥ 36,885	¥ 3,093,881	¥ (6,418)	¥ 3,087,463
Segment liabilities	¥ 2,814,802	¥ 23,469	¥ 2,838,271	¥ (8,100)	¥ 2,830,171
Other items					
Depreciation	¥ 2,118	¥ 219	¥ 2,337	¥ 30	¥ 2,367
Interest income received	44,051	274	44,325	(71)	44,254
Interest expense paid	2,047	136	2,183	(56)	2,127
Extraordinary income	0	−	0	401	401
Gains on disposal fixed assets	(0)	(−)	(0)	(−)	(0)
Gains on negative goodwill	(−)	(−)	(−)	(401)	(401)
Extraordinary losses	433	40	473	0	473
Losses on disposal of fixed assets	(99)	(18)	(117)	(0)	(117)
Impairment losses	(334)	(22)	(356)	(−)	(356)
Tax expenses	8,491	280	8,771	0	8,771
Increase in tangible fixed assets and intangible fixed assets	1,934	7	1,941	30	1,971

Notes:
1. Ordinary income is presented as the counterpart of sales of companies in other industries.
2. Adjustments are as below.
   (1) Adjustment of segment profit of negative ¥10 million is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥6,418 million is for the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥8,100 million is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥30 million is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥71 million is for the elimination of intersegment transactions.
   (6) Adjustment of interest expense paid of negative ¥56 million is for the elimination of intersegment transactions.
   (7) Gains on negative goodwill of ¥401 million is for increase in ownership ratio of the Bank as a result of acquisition of subsidiary shares.
   (8) Adjustment of losses on disposal of fixed assets of ¥0 million is for the elimination of intersegment transactions.
   (9) Adjustment of tax expenses of ¥0 million is for the elimination of intersegment transactions.
   (10) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥30 million is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

22. Segment Information (cont'd)

	Millions of yen									
	2016									
	Reportable segment									
	Commercial Banking		Leasing		Total		Adjustments		Consolidated total	
Ordinary income										
Customers	¥	57,595	¥	12,648	¥	70,243	¥	–	¥	70,243
Intersegment		164		159		323		(323)		–
Total	¥	57,759	¥	12,807	¥	70,566	¥	(323)	¥	70,243
Segment profit	¥	20,394	¥	775	¥	21,169	¥	(11)	¥	21,158
Segment assets	¥	3,087,594	¥	41,174	¥	3,128,768	¥	(12,626)	¥	3,116,142
Segment liabilities	¥	2,842,544	¥	27,185	¥	2,869,729	¥	(11,533)	¥	2,858,196
Other items										
Depreciation	¥	2,168	¥	196	¥	2,364	¥	30	¥	2,394
Interest income received		43,945		274		44,219		(65)		44,154
Interest expense paid		2,674		126		2,800		(51)		2,749
Extraordinary income		–		0		0		–		0
Gains on disposal of fixed assets		(–)		(0)		(0)		(–)		(0)
Extraordinary losses		31		–		31		0		31
Losses on disposal of fixed assets		(24)		(–)		(24)		(0)		(24)
Impairment losses		(7)		(–)		(7)		(–)		(7)
Tax expenses		7,190		241		7,431		(0)		7,431
Increase in tangible fixed assets and intangible fixed assets		4,070		15		4,085		51		4,136

22. Segment Information (cont'd)

	Thousands of U.S. dollars				
	2016				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	$ 511,138	$ 112,247	$ 623,385	$ –	$ 623,385
Intersegment	1,455	1,411	2,866	(2,866)	–
Total	$ 512,593	$ 113,658	$ 626,251	$ (2,866)	$ 623,385
Segment profit	$ 180,990	$ 6,878	$ 187,868	$ (97)	$ 187,771
Segment assets	$ 27,401,438	$ 365,406	$ 27,766,844	$ (112,052)	$ 27,654,792
Segment liabilities	$ 25,226,695	$ 241,258	$ 25,467,953	$ (102,352)	$ 25,365,601
Other items					
Depreciation	$ 19,240	$ 1,740	$ 20,980	$ 266	$ 21,246
Interest income received	389,998	2,432	392,430	(577)	391,853
Interest expense paid	23,731	1,118	24,849	(452)	24,397
Extraordinary income	–	0	0	–	0
Gains on disposal of fixed assets	(–)	(0)	(0)	(–)	(0)
Extraordinary losses	275	–	275	0	275
Losses on disposal of fixed assets	(213)	(–)	(213)	(0)	(213)
Impairment losses	(62)	(–)	(62)	(–)	(62)
Tax expenses	63,809	2,139	65,948	(0)	65,948
Increase in tangible fixed assets and intangible fixed assets	36,120	133	36,253	453	36,706

Notes:
1. Ordinary income is presented as the counterpart of sales of companies in other industries.
2. Adjustments are as below.
   (1) Adjustment of segment profit of negative ¥11 million ($97 thousand) is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥12,626 million ($112,052 thousand) is for the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥11,533 million ($102,352 thousand) is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥31 million ($275 thousand) is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥65 million ($577 thousand) is for the elimination of intersegment transactions.
   (6) Adjustment of interest expense paid of negative ¥51 million ($452 thousand) is for the elimination of intersegment transactions.
   (7) Adjustment of losses on disposal of fixed assets of ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
   (8) Adjustment of tax expenses of negative ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
   (9) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥51 million ($453 thousand) is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

22. Segment Information (cont'd)

(4) Related information
For the years ended March 31, 2015 and 2016:
Information by service:

	Millions of yen				
	2015				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 29,439	¥ 18,002	¥ 11,956	¥ 8,560	¥ 67,957

	Millions of yen				
	2016				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 28,325	¥ 19,134	¥ 12,648	¥ 10,136	¥ 70,243

	Thousands of U.S. dollars				
	2016				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	$ 251,376	$ 169,808	$ 112,247	$ 89,954	$ 623,385

(5) Impairment loss on tangible fixed assets by reportable segment
For the years ended March 31, 2015 and 2016:

	Millions of yen		
	2015		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	¥ 334	¥ 22	¥ 356

	Millions of yen		
	2016		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	¥ 7	¥ −	¥ 7

	Thousands of U.S. dollars		
	2016		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	$ 62	$ −	$ 62

22. Segment Information (cont’d)

(6) Information on gain on negative goodwill
Gains on negative goodwill of ¥401 million is for increase in ownership ratio of the Bank as a result of acquisition of subsidiary shares for the fiscal year ended March 31, 2015.
There was no gain on negative goodwill for the year ended March 31, 2016.

23. Transactions with Related Parties

The Bank and related party transactions for the years ended March 31, 2015 and 2016 were as follows:

For the year ended March 31, 2015:

Related party	Transactions	Transaction amount	Account	Balance at end of year
		Millions of yen		Millions of yen
Nishino Kinryo Co., Ltd. *1	Lending	¥208	Loans	¥3,743
	Interest received	¥54	Unearned income	¥2
	Guarantees of liabilities	¥(1)	Liabilities for acceptances and guarantees	¥15
	Guarantee deposits received	¥0	Unearned income	¥0
Kinryo Co., Ltd. *1	Lending	¥(10)	Loans	¥30
	Interest received	¥1	Unearned income	¥0
Kagawa Syurui Hanbai Co., Ltd. *2	Lending	−	Loans	¥770
	Interest received	¥11	Unearned income	¥0
Hasui Saketen Co., Ltd. *2	Lending	−	Loans	¥50
	Interest received	¥1	Unearned income	¥0

*1 A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
*2 Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

For the year ended March 31, 2016:

Related party	Transactions	Transaction amount		Account	Balance at end of year	
		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Kenzo Asaoka *1	Lending	¥(0)	$(0)	Loans	¥63	$559
	Interest received	¥1	$9	Unearned income	¥0	$0
Nishino Kinryo Co., ltd. *2	Lending	¥(294)	$(2,609)	Loans	¥3,449	$30,609
	Interest received	¥52	$461	Unearned income	¥2	$18
	Guarantees of liabilities	−	−	Liabilities for acceptances and guarantees	¥15	$133
	Guarantee deposits received	¥0	$0	Unearned income	¥0	$0
Kinryo Co., Ltd. *2	Lending	¥(10)	$(89)	Loans	¥20	$177
	Interest received	¥0	$0	Unearned income	¥0	$0
Kagawa Shurui Hanbai Co., Ltd. *3	Lending	−	−	Loans	¥770	$6,834
	Interest received	¥11	$98	Unearned income	¥0	$0
Hasui Saketen Co., Ltd. *3	Lending	−	−	Loans	¥50	$444
	Interest received	¥1	$9	Unearned income	¥0	$0

*1 A director of the Bank
*2 A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
*3 Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

23. Transactions with Related Parties (cont'd)

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2015 and 2016 were as follows:

Related party	Transactions	Transaction amount		
		Millions of yen		Thousands of U.S. dollars
		2015	2016	2016
Nishino Kinryo Co., Ltd.	Receiving lease payments	¥16	¥13	$115
	Lease commitments	¥20	¥19	$169

A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd.

24. Changes in Net Assets

(1) The type and number of shares issued and treasury stock for the years ended March 31, 2015 and 2016 were as follows:

For the year ended March 31, 2015:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	231,100	–	–	231,100
Total	231,100	–	–	231,100
Treasury stock				
Common stock	2,030	22	585	(*1) 1,467
Total	2,030	22	585	1,467

(*1) The 22 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (22 thousand shares). The 585 thousand decrease in the number of shares of treasury stock was due to the sales of fractional shares (0 thousand shares) and stock transfer from the ESOP Trust to the Association (585 thousand shares).

24. Changes in Net Assets (cont'd)

For the year ended March 31, 2016:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	231,100	−	4,900	(*1)226,200
Total	231,100	−	4,900	226,200
Treasury stock				
Common stock	1,467	3,799	5,148	(*2)118
Total	1,467	3,799	5,148	118

(*1) The 4,900 thousand decrease in the number of shares issued was due to retirement of treasury stock (4,900 thousand shares).
(*2) The 3,799 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (21 thousand shares) and acquisition through market (3,778 thousand shares). The 5,148 thousand decrease in the number of shares of treasury stock was due to the sales of fractional shares (1 thousand shares), retirement of treasury stock (4,900 thousand shares) and stock transfer from the ESOP Trust to the Association (247 thousand shares).

(2) Dividends
The following dividends were paid in the years ended March 31, 2015 and 2016:

Year ended March 31, 2015:

Date of resolution	Type of shares	Amounts of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of stockholders held on June 27, 2014	Common stock	¥ 1,031	¥ 4.50	March 31, 2014	June 30, 2014
Directors' meeting held on November 14, 2014	Common stock	¥ 1,032	¥ 4.50	September 30, 2014	December 5, 2014

24. Changes in Net Assets (cont'd)

Year ended March 31, 2016:

Date of resolution	Type of shares	Amounts of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of stockholders held on June 26, 2015	Common stock	¥ 1,033	$ 9,168	¥ 4.50	$ 0.04	March 31, 2015	June 29, 2015
Directors' meeting held on November 13, 2015	Common stock	¥ 1,379	$ 12,238	¥ 6.00	$ 0.05	September 30, 2015	December 7, 2015

The following dividends were recorded during the fiscal years ended March 31, 2015 and 2016 and became effective after March 31, 2015 and 2016:

For the fiscal year ended March 2015, the dividends became effective after March 31, 2015:

Date of resolution	Type of shares	Amounts of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Annual meeting of stockholders held on June 26, 2015	Common stock	¥ 1,033	Retained earnings	¥ 4.50	March 31, 2015	June 29, 2015

For the fiscal year ended March 2016, the dividends became effective after March 31, 2016:

Date of resolution	Type of shares	Amounts of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of stockholders held on June 29, 2016	Common stock	¥ 1,356	$ 12,034	Retained earnings	¥ 6.00	$ 0.05	March 31, 2016	June 30, 2016

25. Subsequent Events

Conducting flexible financial management policy and returning profits to shareholders in response to changes in the business environment, pursuance to Article 156 of the Companies Act which is applied by replacing Paragraph 3 of Article 165 of the Companies Act, the Bank resolved the acquisition of its own shares at the Directors' meeting on May 13, 2016 and then completed the acquisition during the acquisition period as follows:

Class of shares acquired:	Common stock of the Bank
Total numbers of shares acquired:	1,700,000 shares
Aggregate acquisition cost:	¥1,026 million ($9,105 thousand)
Acquisition period:	May 23, 2016 to June 16, 2016

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