Business Environment

During the fiscal year under review, the Japanese economy remained generally flat, as a result of factors such as corporate earnings being underpinned by monetary easing measures, despite of uncertainty arising with the slump in global economy, including the slowdown in China's growth rate and the delay in economic recovery in the U.S. Moreover, a gradual rise in wages continued from the previous fiscal year, and low crude oil prices also had a positive effect on consumption.

In the region of the Bank's core business, Gifu and Aichi prefectures, economic recovery continued overall, as automobile production remained at a high level due to continued depreciation of the yen which lasted until the end of 2015, while the employment situation also remained favorable and personal consumption improved gradually as well.

Performance

Ordinary income from banking operations decreased by ¥13,821 million to ¥88,942 million, mainly due to a decrease in gain on sales of stock and other securities. Ordinary expenses increased by ¥2,027 million to ¥69,873 million, due primarily to an increase in loss on sales of stocks and other securities, despite a decrease in operating expenses. As a result, ordinary profit decreased by ¥15,848 million to ¥19,068 million.

In the leasing business, ordinary income increased by ¥645 million to ¥21,144 million, while ordinary expenses increased by ¥525 million to ¥19,699 million and ordinary profit increased by ¥120 million to ¥1,445 million.

In other businesses, including the credit card business and credit guarantee business, ordinary income increased by ¥286 million to ¥6,137 million, ordinary expenses increased by ¥241 million to ¥4,261 million, while ordinary profit increased by ¥44 million to ¥1,875 million.

As a result, ordinary income on a consolidated basis decreased by ¥12,991 million to ¥114,544 million and ordinary expenses increased by ¥2,726 million to ¥92,198 million, while ordinary profit decreased by ¥15,717 million to ¥22,346 million and net income attributable to owners of the parent decreased by ¥9,428 million to ¥13,371 million.

Financial Position

In relation to balance of deposits, while striving to procure low cost stable, long-term funds, the Bank also worked to strengthen its lineup of investment products amidst the sharp drop in market interest rates due to the introduction of the negative interest rate policy. These included investment trusts, public bonds, pension insurance, and whole life insurance as a positive response to growing and diversifying asset management needs, particularly among individuals. As a result, our balance of deposits as of March 31, 2016 decreased by ¥37.2 billion to ¥5,350.2 billion, mainly due a decrease in negotiable certificates of deposit for corporations. Meanwhile, the balance of individual customer assets increased by ¥41.6 billion to ¥4,277.3 billion.

In lending activities, the Bank responded actively to demands for funds from local enterprises, particularly small to medium enterprises. In addition, we worked actively to provide mortgage loans and other financing to individuals. Consequently, our balance of loans as of March 31, 2016 increased by ¥77.9 billion to ¥3,943.5 billion.

With regard to securities, in addition to underwriting and purchasing central and local government bonds, while closely watching market conditions, the Bank engaged in bond and other securities transactions in order to efficiently manage funds. As a result, our balance of securities as of March 31, 2016 increased by ¥133.2 billion to ¥1,795.8 billion.

Net cash provided by operating activities amounted to ¥92,207 million (¥171,710 million was provided in the previous term), mainly as a result of an increase in payables under repurchase agreements. Net cash used in investing activities amounted to ¥157,873 million (¥168,540 million was provided in the previous term), mainly as a result of the purchases of securities. Net cash used in financing activities amounted to ¥6,017 million (¥32,947 million was used in the previous term), mainly as a result of repayment of subordinated loans. As a result, the closing balance of cash and cash equivalents decreased by ¥71,698 million during the term under review, to ¥327,296 million.

Consolidated Balance Sheet

The Juroku Bank, Ltd. and Consolidated Subsidiaries *March 31, 2016*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS:	2016	2015	2016
Cash and due from banks (Notes 4 and 27)	¥ 327,470	¥ 399,141	$ 2,906,194
Call loans	—	1,000	—
Trading securities (Notes 5 and 27)	1,103	1,457	9,789
Money held in trust (Notes 6 and 27)	7,012	11,649	62,229
Securities (Notes 5, 12 and 27)	1,791,574	1,658,277	15,899,663
Loans and bills discounted (Notes 7, 27 and 28)	3,929,566	3,854,595	34,873,678
Foreign exchanges (Notes 7 and 8)	6,089	13,405	54,038
Lease receivables and investments in leases (Notes 12 and 26)	46,789	44,314	415,238
Other assets (Notes 9, 12, 27 and 29)	41,460	39,725	367,944
Premises and equipment (Note 10)	66,471	65,607	589,909
Goodwill	3,609	3,853	32,029
Intangible assets	5,404	5,086	47,959
Asset for retirement benefits for employees (Note 17)	—	8,080	—
Deferred tax assets (Note 25)	617	619	5,476
Customers' liabilities for acceptances and guarantees (Note 11)	18,388	19,907	163,188
Reserve for possible loan losses (Note 27)	(35,770)	(38,212)	(317,448)
Total Assets	¥6,209,782	¥6,088,503	$55,109,886
LIABILITIES AND EQUITY:			
Liabilities:			
Deposits (Notes 12, 13 and 27)	¥5,250,142	¥5,227,369	$46,593,380
Negotiable certificates of deposit (Note 27)	72,588	133,976	644,196
Payables under repurchase agreements (Notes 12 and 27)	108,475	—	962,682
Payables under securities lending transactions (Notes 12 and 27)	267,253	192,513	2,371,787
Borrowed money (Notes 12 and 14)	45,848	54,997	406,887
Foreign exchanges (Note 8)	1,587	1,074	14,084
Bonds (Note 15)	10,000	10,000	88,747
Other liabilities (Notes 14, 16, 18 ,26, 27 and 29)	50,974	49,789	452,378
Liability for retirement benefits for employees (Note 17)	7,110	5,887	63,099
Liability for retirement benefits for directors and Audit & Supervisory Board members	6	5	53
Deferred tax liabilities (Note 25)	15,803	24,958	140,247
Deferred tax liabilities for land revaluation surplus	7,426	7,845	65,903
Acceptances and guarantees (Note 11)	18,388	19,907	163,188
Total Liabilities	5,855,600	5,728,320	51,966,631
Commitments and Contingent Liabilities (Note 28)			
Equity (Notes 19, 20 and 32):			
Common stock: authorized, 440,000,000 shares; issued, 379,241,348 shares in 2016 and 2015	36,839	36,839	326,935
Capital surplus	48,170	47,815	427,494
Stock acquisition rights	106	66	941
Retained earnings	178,255	167,820	1,581,958
Treasury stock - at cost: 5,591,927 shares in 2016 and 5,567,927 shares in 2015	(1,555)	(1,540)	(13,800)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)	65,313	76,289	579,633
Land revaluation surplus	14,727	14,386	130,697
Defined retirement benefit plans	(4,394)	2,471	(38,996)
Total	337,461	344,146	2,994,862
Noncontrolling interests	16,721	16,037	148,393
Total Equity	354,182	360,183	3,143,255
Total Liabilities and Equity	¥6,209,782	¥6,088,503	$55,109,886

See notes to consolidated financial statements.

Consolidated Statement of Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2016*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Income:	2016	2015	2016
Interest on:			
Loans and discounts	¥ 45,698	¥ 48,813	$ 405,556
Securities	16,840	17,587	149,450
Other	429	272	3,807
Fees and commissions	17,529	17,729	155,564
Other operating income (Note 21)	29,615	32,415	262,824
Gain on negative goodwill (Note 33)	—	8	—
Other income (Note 22)	4,440	11,090	39,403
Total Income	114,551	127,914	1,016,604
Expenses:			
Interest on:			
Deposits	4,128	4,317	36,635
Borrowings and re-discounts	427	645	3,790
Other	1,059	224	9,398
Fees and commissions	6,510	6,127	57,774
Other operating expenses	20,046	18,926	177,902
General and administrative expenses (Note 23)	55,310	55,815	490,859
Provision for possible loan losses	1,681	1,961	14,918
Impairment loss on long-lived assets	77	141	683
Loss on revision of retirement benefit plan (Notes 2.k and 17)	244	—	2,165
Other expenses (Note 24)	3,180	1,530	28,222
Total Expenses	92,662	89,686	822,346
Income before Income Taxes	21,889	38,228	194,258
Income Taxes (Note 25):			
Current	6,455	6,564	57,286
Deferred	965	7,848	8,564
Total Income Taxes	7,420	14,412	65,850
Net Income	14,469	23,816	128,408
Net Income Attributable to Noncontrolling Interests	1,098	1,017	9,745
Net Income Attributable to Owners of the Parent	¥ 13,371	¥ 22,799	$ 118,663

	Yen		U.S. Dollars
Per Share of Common Stock (Notes 2.u and 31):	2016	2015	2016
Basic net income	¥35.78	¥60.48	$0.32
Diluted net income	35.76	53.56	0.32
Cash dividends applicable to the year			
Common stock	7.00	8.50	0.06
Preferred stock	—	5.50	—

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2016*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net income	¥ 14,469	¥ 23,816	$ 128,408
Other Comprehensive (Loss) Income (Note 30):			
Unrealized (loss) gain on available-for-sale securities	(11,029)	27,405	(97,879)
Land revaluation surplus	395	819	3,506
Defined retirement benefit plan	(6,865)	3,342	(60,925)
Total other comprehensive (loss) income	(17,499)	31,566	(155,298)
Comprehensive (Loss) Income	¥ (3,030)	¥ 55,382	$ (26,890)
Total Comprehensive (Loss) Income Attributable to:			
Owners of the parent	¥ (4,076)	¥ 54,237	$ (36,173)
Noncontrolling interests	1,046	1,145	9,283

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2016*

	Thousands		Millions of Yen										
								Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
Balance at April 1, 2014 (as previously reported)	373,685	20,000	¥36,839	¥47,817	¥27	¥162,910	¥(1,532)	¥49,010	¥13,602	¥ (871)	¥307,802	¥15,288	¥323,090
Cumulative effect of accounting change	—	—	—	—	—	4,998	—	—	—	—	4,998	—	4,998
Balance at April 1, 2014 (as restated)	373,685	20,000	36,839	47,817	27	167,908	(1,532)	49,010	13,602	(871)	312,800	15,288	328,088
Net income attributable to owners of the parent	—	—	—	—	—	22,799	—	—	—	—	22,799	—	22,799
Cash dividends, ¥7.00 per share on common stock and ¥11.00 per share on preferred stock	—	—	—	—	—	(2,836)	—	—	—	—	(2,836)	—	(2,836)
Transfer of land revaluation surplus	—	—	—	—	—	35	—	—	—	—	35	—	35
Purchase of treasury stock	(36)	—	—	—	—	—	(15)	—	—	—	(15)	—	(15)
Disposal of treasury stock	25	—	—	2	—	—	7	—	—	—	9	—	9
Purchase of preferred stock	—	(20,000)	—	—	—	—	(20,090)	—	—	—	(20,090)	—	(20,090)
Retirement of preferred stock	—	—	—	(4)	—	(20,086)	20,090	—	—	—	—	—	—
Net change in the year	—	—	—	—	39	—	—	27,279	784	3,342	31,444	749	32,193
Balance at March 31, 2015	373,674	—	36,839	47,815	66	167,820	(1,540)	76,289	14,386	2,471	344,146	16,037	360,183
Change of scope of consolidation	—	—	—	353	—	—	—	—	—	—	353	—	353
Net income attributable to owners of the parent	—	—	—	—	—	13,371	—	—	—	—	13,371	—	13,371
Cash dividends, ¥8.00 per share on common stock	—	—	—	—	—	(2,989)	—	—	—	—	(2,989)	—	(2,989)
Transfer of land revaluation surplus	—	—	—	—	—	53	—	—	—	—	53	—	53
Purchase of treasury stock	(41)	—	—	—	—	—	(20)	—	—	—	(20)	—	(20)
Disposal of treasury stock	17	—	—	2	—	—	5	—	—	—	7	—	7
Net change in the year	—	—	—	—	40	—	—	(10,976)	341	(6,865)	(17,460)	684	(16,776)
Balance at March 31, 2016	373,650	—	¥36,839	¥48,170	¥106	¥178,255	¥(1,555)	¥65,313	¥14,727	¥(4,394)	¥337,461	¥16,721	¥354,182

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
Balance at March 31, 2015	$326,935	$424,343	$586	$1,489,351	$(13,667)	$677,041	$127,671	$21,929	$3,054,189	$142,323	$3,196,512
Change of scope of consolidation	—	3,133	—	—	—	—	—	—	3,133	—	3,133
Net income attributable to owners of the parent	—	—	—	118,663	—	—	—	—	118,663	—	118,663
Cash dividends, $0.07 per share on common stock	—	—	—	(26,526)	—	—	—	—	(26,526)	—	(26,526)
Transfer of land revaluation surplus	—	—	—	470	—	—	—	—	470	—	470
Purchase of treasury stock	—	—	—	—	(177)	—	—	—	(177)	—	(177)
Disposal of treasury stock	—	18	—	—	44	—	—	—	62	—	62
Net change in the year	—	—	355	—	—	(97,408)	3,026	(60,925)	(154,952)	6,070	(148,882)
Balance at March 31, 2016	$326,935	$427,494	$941	$1,581,958	$(13,800)	$579,633	$130,697	$(38,996)	$2,994,862	$148,393	$3,143,255

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2016*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Operating Activities:	2016	2015	2016
Income before income taxes	¥ 21,889	¥ 38,228	$ 194,258
Adjustments for:			
Income taxes - paid	(8,545)	(4,157)	(75,834)
Income taxes - refund	478	11	4,242
Depreciation	4,275	3,876	37,939
Impairment loss on long-lived assets	77	141	683
Interest income recognized on statements of income	(62,967)	(66,672)	(558,813)
Interest expense recognized on statements of income	5,614	5,186	49,823
Gain on change in equity	—	(284)	—
Net gain on securities	(5,984)	(17,791)	(53,106)
Unrealized loss on derivatives	24	217	213
Net decrease in reserve for possible loan losses	(2,442)	(3,168)	(21,672)
Net increase in asset for retirement benefits for employees	(829)	(526)	(7,357)
Net increase in liability for retirement benefits for employees	255	109	2,263
Net increase (decrease) in liability for retirement benefits for directors and Audit & Supervisory Board members	1	(1)	9
Net increase in loans	(74,971)	(113,916)	(665,344)
Net increase in deposits	22,773	201,234	202,103
Net (decrease) increase in negotiable certificates of deposit	(61,388)	27,964	(544,799)
Net (increase) decrease in due from banks (excluding cash equivalents)	(28)	2,618	(249)
Net decrease in call loans and others	1,000	—	8,875
Net increase (decrease) in call money and others	108,475	(14,923)	962,682
Net decrease (increase) in money held in trust	4,637	(1,156)	41,152
Net increase in payables under securities lending transactions	74,740	76,544	663,294
Net increase in lease receivables and investments in leases	(2,475)	(1,075)	(21,965)
Interest income - cash basis	65,017	68,850	577,006
Interest expense - cash basis	(6,042)	(5,703)	(53,621)
Other - net	8,623	(23,896)	76,526
Total adjustments	70,318	133,482	624,050
Net cash provided by operating activities	92,207	171,710	818,308
Investing Activities:			
Purchases of securities	(818,991)	(723,522)	(7,268,291)
Proceeds from sales of securities	469,639	727,260	4,167,900
Proceeds from maturities of securities	197,283	169,816	1,750,825
Purchases of premises and equipment	(3,707)	(3,258)	(32,898)
Purchases of intangible assets	(2,186)	(2,050)	(19,400)
Proceeds from sales of premises and equipment	198	443	1,757
Other - net	(109)	(149)	(967)
Net cash (used in) provided by investing activities	(157,873)	168,540	(1,401,074)
Financing Activities:			
Repayment of subordinated loans	(3,000)	(10,000)	(26,624)
Proceeds from sales of treasury stock	1	2	9
Acquisition of treasury stock	(20)	(20,105)	(178)
Dividends paid	(2,998)	(2,844)	(26,606)
Net cash used in financing activities	(6,017)	(32,947)	(53,399)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(15)	29	(133)
Net (Decrease) Increase in Cash and Cash Equivalents	(71,698)	307,332	(636,298)
Cash and Cash Equivalents, Beginning of Year	398,995	91,663	3,540,957
Cash and Cash Equivalents, End of Year (Note 4)	¥327,297	¥398,995	$2,904,659

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Juroku Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2016, include the accounts of the Bank and its six (seven in 2015) significant subsidiaries, including Juroku Business Service Co., Ltd., Juroku Research Institute Co., Ltd., Juroku Card Co., Ltd., Juroku Lease Co., Ltd., Juroku Computer Service Co., Ltd., and Juroku Credit Guarantee Co., Ltd. (together, the "Group").

One consolidated subsidiary is excluded from consolidation as of March 31, 2016, because it has merged with Juroku Credit Guarantee Co., Ltd., another consolidated subsidiary.

Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in six (six in 2015) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

The balance sheet date for all consolidated subsidiaries is the end of March for each year, which is consistent with the balance sheet date of the Group.

b. Business Combination

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

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

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

(a) *Transactions with noncontrolling interest* - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

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

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

(d) *Provisional accounting treatments for a business combination* - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs* - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

As a result, income before income taxes for the year ended March 31, 2016, decreased by ¥353 million ($3,135 thousand) and capital surplus at March 31, 2016, increased by ¥353 million ($3,135 thousand).

c. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading securities

Trading securities are stated at fair value and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

e. Securities

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows: 1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and 2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings. Securities included in money held in trust for other purpose are accounted for by the same method as the above 2) available-for-sale securities.

f. Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank, except for leased assets, is computed by the declining-balance method over the estimated useful lives of the assets.

The range of useful lives is principally from 15 to 50 years for buildings and from four to 20 years for other premises and equipment.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

Under certain conditions, such as exchanges of premises and equipment for similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The deferred gain on premises and equipment resulting from the reduction of the cost of the assets acquired, which is taxable for tax purposes in the future, was ¥999 million ($8,866 thousand) and ¥1,048 million as of March 31, 2016 and 2015, respectively.

g. Long-lived assets

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

h. Land revaluation

Under the "Law of Land Revaluation," the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥19,645 million ($174,343 thousand) and ¥20,275 million as of March 31, 2016 and 2015, respectively.

i. Intangible assets

Amortization of intangible assets is calculated by the straight-line method.

Amortization cost for software for internal use is calculated by the straight-line method over the estimated useful life, principally, five years.

j. Reserve for possible loan losses

The Bank implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which the customers are classified into five categories such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." The credit rating system is used for the self-assessment of asset quality.

For normal and caution loans, the reserve for possible loan losses is calculated based on actual past loss ratios. For loans such as possible bankruptcy, the reserve for possible loan losses is calculated based on an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the reserve for possible loan losses is calculated based upon the loan amount after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers and a rescheduled loan, if the exposure to a customer after deducting the estimated value of the collateral or guaranteed amount exceeds a certain amount, the discounted cash flow method is applied for reserve provision, under which the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

Reserve for possible loan losses of consolidated subsidiaries is provided based on historical loan loss experience and estimated collectability of specific claims.

k. Liability for retirement benefits

The Bank has a contributory funded defined benefit pension plan and lump-sum payment severance plan for employees, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that should be paid if employees retired at the consolidated balance sheet date.

The liability for retirement benefits is provided based on projected benefit obligations and plan assets at the end of the fiscal year. The projected benefit obligations are attributed to periods on a benefit formula basis. Any actuarial differences are amortized by the straight-line method mainly over 10 years within the average of employees' remaining service period, starting in the fiscal year following the occurrence of such differences.

(Additional information)

The Bank has transferred a portion of its defined benefit corporate pension plan to a defined contribution pension plan, effective from April 1, 2016.

The Bank recognized a loss on revision of retirement benefit plan arising from the transfer to a defined contribution pension plan, amounting to ¥244 million ($2,165 thousand), in accordance with ASBJ Guidance No. 1,"Accounting for Transfer Between Retirement Benefit Plans" and ASBJ Practical Issues Task Force ("PITF") No. 2, Practical Solution on Accounting for Transfer between Retirement Benefit Plans".

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 30).

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

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

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

With respect to (c) above, the Bank changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, increased by ¥4,998 million.

Liability for retirement benefits for directors and Audit & Supervisory Board members of consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the balance sheet date.

l. Stock option

ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non employees based on the fair value of either the stock options or the goods or services received. In the consolidated balance sheet, the stock options are presented as a stock acquisition rights as a separate component of equity until exercised.

m. Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

(As lessor)

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

The Group applied the revised accounting standard effective April 1, 2008. For the finance lease contracts that existed on adoption and do not transfer ownership of the leased property to the lessee, the appropriate carrying amount of the leased assets (after deducting accumulated depreciation) at adoption is used as the beginning value of the investments in leases. Interest revenues of these finance lease contracts that existed at the adoption are calculated by the straight-line method over the remaining lease period as accepted by ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transaction." As a result of this treatment, income before income taxes is ¥30 million ($266 thousand) and ¥85 million larger than the same calculated using the new standards for the contracts that existed at the adoption for the years ended March 31, 2016 and 2015, respectively.

In regard to finance lease, sales and cost of sales are accounted when lease payments are paid.

All other leases are accounted for as operating leases.

n. Bonuses to directors and Audit & Supervisory Board members

Bonuses to directors and Audit & Supervisory Board members of consolidated subsidiaries are accrued at the end of the year to which such bonuses are attributable.

o. Provision for losses from reimbursement of inactive accounts

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

p. Provision for contingent losses

The Bank provides a provision for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

q. Income taxes

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

r. Foreign currency transactions
Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

s. Derivatives and hedging activities
The Bank uses a variety of derivative financial instruments.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The Bank applies the deferral method of hedge accounting to hedges of interest rate risk associated with financial assets and liabilities in accordance with Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA) (the JICPA Industry Audit Committee Report No. 24, February 13, 2002). Under JICPA Industry Audit Committee Report No. 24, hedges to offset changes in fair value of fixed rate instruments (such as securities) ("fair value hedges") are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items. All other derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statement of income.

t. Consumption taxes
The Bank and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method.

u. Per share information
Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

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

v. Accounting Changes and Error Corrections
In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following a revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

w. New Accounting Pronouncements
Tax Effect Accounting—On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the JICPA. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

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

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

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

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

3. BUSINESS COMBINATION
For the year ended March 31, 2015
On April 1, 2014, a consolidated subsidiary, Juroku JCB Co., Ltd. was merged into Juroku DC Card Co., Ltd., another consolidated subsidiary. This transaction was made to advance the credit card business and the effectiveness of Group management. The transaction was accounted for as a business combination under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." As a result, the Bank recognized gain on change in equity included in other income in the amount of ¥284 million for the year ended March 31, 2015.

4. CASH AND DUE FROM BANKS
Cash and due from banks as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash	¥ 71,861	¥ 76,450	$ 637,744
Due from banks	255,609	322,691	2,268,450
Total	¥327,470	¥399,141	$2,906,194

A reconciliation between the cash and due from banks in the consolidated balance sheet and the cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and due from banks	¥327,470	¥399,141	$2,906,194
Due from banks other than the Bank of Japan	(173)	(146)	(1,535)
Cash and cash equivalents	¥327,297	¥398,995	$2,904,659

5. TRADING SECURITIES AND SECURITIES
Trading securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
National government bonds	¥1,061	¥1,419	$9,416
Local government bonds	42	38	373
	¥1,103	¥1,457	$9,789

The Bank records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2016 and 2015, the Bank recorded net valuation losses of ¥49 million ($435 thousand) and net valuation losses of ¥10 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Equity securities	¥ 128,746	¥ 146,206	$ 1,142,581
National government bonds	588,890	613,382	5,226,216
Local government bonds	235,540	211,650	2,090,344
Corporate bonds	331,353	395,790	2,940,655
Other securities	507,045	291,249	4,499,867
Total	¥1,791,574	¥1,658,277	$15,899,663

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥43,683 million ($387,673 thousand) and ¥15,119 million as of March 31, 2016 and 2015, were included in national government bonds and other securities, respectively.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2016 and 2015, was as follows:

March 31, 2016	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 64,168	¥59,931	¥2,605	¥ 121,494
Debt securities	1,108,668	28,225	1,344	1,135,549
Other	495,136	11,587	3,027	503,696
Held-to-maturity:				
Debt securities	20,235	285	15	20,505

March 31, 2015	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 60,908	¥79,801	¥1,622	¥ 139,087
Debt securities	1,174,002	19,808	363	1,193,447
Other	275,236	13,725	553	288,408
Held-to-maturity:				
Debt securities	27,375	199	39	27,535

March 31, 2016	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 569,471	$531,869	$23,119	$ 1,078,221
Debt securities	9,839,084	250,488	11,927	10,077,645
Other	4,394,178	102,831	26,863	4,470,146
Held-to-maturity:				
Debt securities	179,580	2,529	133	181,976

Proceeds from sales of available-for-sale securities for the years ended March 31, 2016 and 2015, consisted of the following:

March 31, 2016	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 4,774	¥1,067	¥ 530
Debt securities:			
National government bonds	241,059	2,299	342
Local government bonds	17,389	161	78
Corporate bonds	10,171	396	—
Other	196,788	5,397	2,212
Total	¥470,181	¥9,320	¥3,162

March 31, 2015	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 12,946	¥ 5,973	¥ 133
Debt securities:			
National government bonds	226,109	2,619	—
Local government bonds	179,054	3,919	17
Corporate bonds	26,640	464	3
Other	259,118	5,956	964
Total	¥703,867	¥18,931	¥1,117

March 31, 2016	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 42,368	$ 9,469	$ 4,704
Debt securities:			
National government bonds	2,139,324	20,403	3,035
Local government bonds	154,322	1,429	692
Corporate bonds	90,264	3,514	—
Other	1,746,432	47,897	19,631
Total	$4,172,710	$82,712	$28,062

In addition, held-to-maturity securities amounting to ¥385 million ($3,417 thousand) and ¥399 million were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2016 and 2015. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2016, was ¥125 million ($1,109 thousand), which consisted of ¥16 million ($142 thousand) of equity securities and ¥109 million ($967 thousand) of debt securities.
There was no impairment loss on available-for-sale equity securities for the year ended March 31, 2015.

Unrealized gain on available-for-sale securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain before deferred tax on:			
Available-for-sale securities	¥92,839	¥111,010	$823,917
Money held in trust-other	12	—	107
Deferred tax liabilities	(27,229)	(34,360)	(241,649)
Unrealized gain on available-for-sale securities before interest adjustments	65,622	76,650	582,375
Noncontrolling interests	(309)	(361)	(2,742)
Unrealized gain on available-for-sale securities	¥65,313	¥ 76,289	$579,633

Unrealized gain before deferred tax on available-for-sale securities includes ¥72 million ($639 thousand) and ¥214 million of revaluation gain on available-for-sale securities as of March 31, 2016 and 2015, respectively, which are held by an investment limited partnership and similar groups.

Investments in and advances to subsidiaries and associated companies as of March 31, 2016 and 2015, were ¥241 million ($2,139 thousand) and ¥285 million, respectively.

6. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2016 and 2015, was as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Money held in trust classified as trading purpose	¥6,001	¥ 6,029	$53,257
Money held in trust-other	1,011	5,620	8,972
Total	¥7,012	¥11,649	$62,229

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Bills discounted	¥ 25,731	¥ 27,325	$ 228,355
Loans on bills	140,181	156,728	1,244,063
Loans on deeds	3,353,134	3,253,719	29,758,023
Overdrafts	408,057	414,175	3,621,379
Others	2,463	2,648	21,858
Total	¥3,929,566	¥3,854,595	$34,873,678

"Nonaccrual loans," which include loans to borrowers in bankruptcy and past due loans, are defined as loans upon which the Bank has discontinued the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to the ultimate collectability of either the principal or interest and if the loans are past due for a certain period of time or for other reasons.

"Loans to borrowers in bankruptcy" represent nonaccrual loans to debtors who are legally bankrupt, which is defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporate Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2016 and 2015, were ¥3,900 million ($34,611 thousand) and ¥4,774 million, respectively.

"Past due loans" are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of a debtor in financial difficulty. Past due loans as of March 31, 2016 and 2015, were ¥96,146 million ($853,266 thousand) and ¥99,242 million, respectively.

"Accruing loans past due three months or more" are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded from accruing loans past due three months or more. Accruing loans past due three months or more as of March 31, 2016 and 2015, were ¥26 million ($231 thousand) and ¥175 million, respectively.

"Restructured loans" are defined as loans in which the Group is providing financial support to a borrower by a reduction of interest rates, deferral of interest payments, extension of maturity dates, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans and accruing loans past due three months or more are excluded from restructured loans. Restructured loans as of March 31, 2016 and 2015, were ¥5,431 million ($48,198 thousand) and ¥9,920 million, respectively.

The total amount of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2016 and 2015, were ¥105,503 million ($936,306 thousand) and ¥114,111 million, respectively.

Bills discounted are accounted for as financing transactions in accordance with "Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry" issued by the Japanese Institute of Certified Public Accountants. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions. The total fair value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2016 and 2015, were ¥26,712 million ($237,061 thousand) and ¥28,836 million, respectively.

8. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets:			
Due from foreign correspondent account	¥3,792	¥10,262	$33,653
Foreign bills of exchange bought	981	1,512	8,706
Foreign bills of exchange receivable	1,316	1,631	11,679
Total	¥6,089	¥13,405	$54,038
Liabilities:			
Due to foreign correspondent account	¥ 700	¥ 838	$ 6,212
Foreign bills of exchange payable	887	236	7,872
Total	¥1,587	¥ 1,074	$14,084

9. OTHER ASSETS

Other assets as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Accrued income	¥ 6,296	¥ 6,769	$ 55,875
Accounts receivable	9,386	10,004	83,298
Installment receivables	10,348	9,395	91,835
Derivative assets	5,540	3,650	49,166
Other	9,890	9,907	87,770
Total	¥41,460	¥39,725	$367,944

10. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥46,624	¥46,661	$413,773
Building	13,452	13,548	119,382
Construction in progress	495	1	4,393
Other	5,900	5,397	52,361
Total	¥66,471	¥65,607	$589,909

The accumulated depreciation of premises and equipment as of March 31, 2016 and 2015, amounted to ¥59,230 million ($525,648 thousand) and ¥60,984 million, respectively.

11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007, and effective from the fiscal years beginning on and after April 1, 2006. The Bank offsets customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥20,666 million ($183,404 thousand) and ¥27,640 million arising from guarantees of private placement securities as of March 31, 2016 and 2015, respectively.

12. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets pledged as collateral:			
Securities	¥490,601	¥309,295	$4,353,932
Lease receivables and investments in leases	126	459	1,118
Other assets	93	46	825
Total	¥490,820	¥309,800	$4,355,875
Relevant liabilities to above assets:			
Deposits	¥ 98,364	¥ 95,208	$ 872,950
Payables under repurchase agreements	108,475	—	962,682
Payables under securities lending transactions	267,253	192,513	2,371,787
Borrowed money	13,584	16,825	120,554
Total	¥487,676	¥304,546	$4,327,973

In addition, the following assets were pledged or deposited with respect to foreign exchange settlements and derivatives as of March 31, 2016 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Securities	¥64,281	¥64,222	$570,474
Other assets	8	8	71
Total	¥64,289	¥64,230	$570,545

Additionally, initial margins of futures markets, cash collateral received for financial instruments liabilities, and guarantee deposits included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Initial margins of future markets	¥1,032	¥ 76	$ 9,158
Cash collateral received for financial instruments liabilities	97	—	861
Guarantee deposits	2,147	2,160	19,054
Total	¥3,276	¥2,236	$29,073

13. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current deposits	¥ 294,305	¥ 298,698	$ 2,611,866
Ordinary deposits	2,228,684	2,096,768	19,778,878
Deposits at notice	32,782	36,488	290,930
Savings deposits	90,549	92,281	803,594
Time deposits	2,506,855	2,606,608	22,247,560
Other deposits	96,967	96,526	860,552
Total	¥5,250,142	¥5,227,369	$46,593,380

14. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Borrowings due serially to September 2022 with weighted average interest rates of 0.57% in 2016 and 0.66% in 2015	¥45,848	¥54,997	$406,887
Lease obligation	125	171	1,109

Weighted average interest rates of lease obligation are not represented because lease obligation is disclosed on the balance sheet without deducting the interest portion which is included in the amount of lease obligation.

Annual maturities of borrowings as of March 31, 2016 and 2015, were as follows:

Year Ending March 31, 2016	Millions of Yen	Thousands of U.S. Dollars
2017	¥24,045	$213,392
2018	6,179	54,837
2019	4,017	35,650
2020	2,223	19,728
2021	1,048	9,301
2022 and thereafter	8,336	73,979
Total	¥45,848	$406,887

Year Ending March 31, 2015	Millions of Yen
2016	¥27,002
2017	7,360
2018	5,075
2019	2,913
2020	1,119
2021 and thereafter	11,528
Total	¥54,997

Borrowings include subordinated borrowings of the Bank, which amounted to ¥8,000 million ($70,998 thousand) and ¥11,000 million as of March 31, 2016 and 2015, respectively.

Annual maturities of lease obligation as of March 31, 2016 and 2015, were as follows:

Year Ending March 31, 2016	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 46	$ 408
2018	46	408
2019	33	293
2020	—	—
2021	—	—
Total	¥125	$1,109

Year Ending March 31, 2015	Millions of Yen
2016	¥ 46
2017	46
2018	46
2019	33
2020	—
Total	¥171

15. BONDS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unsecured Yen subordinated bonds due December 2022 (*)	¥10,000	¥10,000	$88,747
Total	¥10,000	¥10,000	$88,747

(*) The interest rates of the bonds are 1.01% for the period from December 22, 2012 to December 21, 2017 and the six-month Euroyen London InterBank Offered Rate plus 2.20% for the period from December 22, 2017 to December 21, 2022.

16. OTHER LIABILITIES

Other liabilities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Domestic exchange settlement account, credit (*)	¥ 75	¥ 54	$ 666
Income taxes payable	3,235	5,273	28,710
Accrued expenses	4,825	5,250	42,820
Deferred income	12,705	12,072	112,753
Employees' deposits	2,877	2,845	25,532
Derivative liabilities	5,360	6,152	47,568
Accounts payable	6,890	6,974	61,147
Other	15,007	11,169	133,182
Total	¥50,974	¥49,789	$452,378

(*) The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks which have not been settled.

17. RETIREMENT AND PENSION PLANS

The Bank has a contributory funded defined benefit pension plan and lump-sum payment severance plan for employees and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date. The Bank contributed certain assets to the employee retirement benefit trust for the Bank's contributory funded defined benefit pension plan and the assets in this trust are qualified as plan assets.

(Additional information)

The Bank has transferred a portion of its defined benefit corporate pension plan to a defined contribution pension plan, effective from April 1, 2016.

The Bank recognized a loss on revision of retirement benefit plan arising from the transfer to a defined contribution pension plan, amounting to ¥244 million ($2,165 thousand), in accordance with ASBJ Guidance No. 1,"Accounting for Transfer Between Retirement Benefit Plans" and ASBJ Practical Issues Task Force ("PITF") No. 2, Practical Solution on Accounting for Transfer between Retirement Benefit Plans".

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥43,999	¥50,925	$390,477
Cumulative effect of accounting change	—	(7,665)	—
Balance at beginning of year (as restated)	43,999	43,260	390,477
Current service cost	2,022	2,009	17,945
Interest cost	543	535	4,819
Actuarial losses	6,747	306	59,878
Benefits paid	(1,899)	(2,111)	(16,853)
Balance at end of year	¥51,412	¥43,999	$456,266

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥46,192	¥40,093	$409,940
Expected return on plan assets	1,125	1,005	9,984
Actuarial (losses) gains	(2,897)	5,125	(25,710)
Contributions from the employer	1,759	1,714	15,610
Benefits paid	(1,633)	(1,745)	(14,492)
Balance at end of year	¥44,546	¥46,192	$395,332

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥44,803	¥38,112	$397,613
Plan assets	(44,546)	(46,192)	(395,332)
Effect of the transfer to a defined contribution pension plan	244	—	2,165
	501	(8,080)	4,446
Unfunded defined benefit obligation	6,609	5,887	58,653
Net liability (asset) arising from defined benefit obligation	¥ 7,110	¥(2,193)	$ 63,099

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits for employees	¥7,110	¥ 5,887	$63,099
Asset for retirement benefits for employees	—	(8,080)	—
Net liability (asset) arising from defined benefit obligation	¥7,110	¥(2,193)	$63,099

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥2,022	¥2,009	$17,945
Interest cost	543	535	4,819
Expected return on plan assets	(1,125)	(1,005)	(9,984)
Recognized actuarial (gains) losses	(234)	125	(2,077)
Net periodic benefit costs	¥1,206	¥1,664	$10,703
Gain or loss on from the transfer to a defined contribution pension plan	¥ 244	¥ —	$ 2,165

(*1) The loss is recognized as "Loss on revision of retirement benefit plan" in the consolidated statement of income for the year ended March 31, 2016.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial (gains) losses	¥(9,878)	¥4,944	$(87,664)
Total	¥(9,878)	¥4,944	$(87,664)

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial losses (gains)	¥6,270	¥(3,608)	$55,644
Total	¥6,270	¥(3,608)	$55,644

(7) Plan assets

(a) Components of plan assets

Plan assets consisted of the following:

	2016	2015
Debt investments	28%	31%
Equity investments	38	47
General account for life insurance	20	17
Others	14	5
Total	100%	100%

(*1) The retirement benefit trust that contributed to the pension plan is included in the plan assets and constitutes 15% and 18% of the total plan assets as of March 31, 2016 and 2015, respectively.

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the current and future asset portfolio and the long-term rates of return which are expected currently and in the future from the variety of plan assets in the asset portfolio.

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

	2016	2015
Discount rate:		
Lump-sum payment	0.084%	0.824%
Pension plan	0.382%	1.302%
Expected rate of return on plan assets	3.000%	3.000%

18. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

Asset retirement obligations are calculated based on the estimated available periods of 10 to 47 years depending on the expected useful lives of buildings using discount rates from 1.395% to 2.461%.

The changes in asset retirement obligations, which are included in other liabilities, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥196	¥193	$1,739
Reconciliation associated with passage of time	4	4	36
Decrease due to fulfillment of asset retirement obligations	(5)	(1)	(44)
Balance at end of year	¥195	¥196	$1,731

19. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet the criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Treasury stock and treasury stock acquisition rights

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

Other than above, the Japanese Banking Law provides that an amount equal to at least 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 100% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Bank's legal reserve amount, which is included in retained earnings, totals ¥20,155 million ($178,869 thousand) and ¥20,155 million as of March 31, 2016 and 2015, respectively.

20. STOCK OPTIONS

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option	11 directors	126,200 shares	2013.7.23	¥1 ($0.01)	From July 24, 2013 to July 23, 2043
2014 Stock Option	11 directors	155,500 shares	2014.7.23	¥1 ($0.01)	From July 24, 2014 to July 23, 2044
2015 Stock Option	10 directors	96,000 shares	2015.7.23	¥1 ($0.01)	From July 24, 2015 to July 23, 2045

The stock option activity is as follows:

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Year Ended March 31, 2016			
Non-vested			
March 31, 2015—Outstanding	—	38,875	—
Granted	—	—	96,000
Canceled	—	—	—
Vested	—	38,875	72,000
March 31, 2016—Outstanding	—	—	24,000
Vested			
March 31, 2015—Outstanding	77,100	116,625	—
Vested	—	38,875	72,000
Exercised	7,400	7,600	—
Canceled	—	—	—
March 31, 2016—Outstanding	69,700	147,900	72,000
Exercise price	¥ 1 ($0.01)	¥ 1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥493 ($4.38)	¥493 ($4.38)	—
Fair value price at grant date	¥365 ($3.24)	¥320 ($2.84)	¥464 ($4.12)

The Assumptions Used to Measure the Fair Value of the 2015 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	30.851%
Estimated remaining outstanding period:	8.7 years
Estimated dividend:	¥7 per share
Risk free interest rate:	0.328%

21. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gains on sales of Japanese government bonds and other	¥ 7,643	¥11,073	$ 67,829
Income on lease transaction and installment receivables	19,774	19,435	175,488
Other	2,198	1,907	19,507
Total	¥29,615	¥32,415	$262,824

22. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gain on sales of stock and other securities	¥1,684	¥ 7,864	$14,945
Other	2,756	3,226	24,458
Total	¥4,440	¥11,090	$39,403

23. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Salaries and wages	¥23,064	¥22,970	$204,686
Other	32,246	32,845	286,173
Total	¥55,310	¥55,815	$490,859

24. OTHER EXPENSE

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loss on sales of stock and other securities	¥1,541	¥ 153	$13,676
Other	1,639	1,377	14,546
Total	¥3,180	¥1,530	$28,222

25. INCOME TAXES

The Bank and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 32.28% and 34.80% for the years ended March 31, 2016 and 2015, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Reserve for possible loan losses	¥ 9,017	¥ 10,010	$ 80,023
Liability for retirement benefits for employees	4,101	1,858	36,395
Write-down of securities	2,336	2,505	20,731
Depreciation	1,319	1,451	11,706
Tax loss carryforwards	—	15	—
Other	2,250	2,383	19,968
Less: Valuation allowance	(5,481)	(6,063)	(48,642)
Total	13,542	12,159	120,181
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(27,229)	(34,360)	(241,649)
Gain on contribution of available-for-sale securities to employees' retirement benefit trusts	(1,018)	(1,072)	(9,034)
Asset for retirement benefits for employees	—	(522)	—
Other	(481)	(544)	(4,269)
Total	(28,728)	(36,498)	(254,952)
Net deferred tax assets	¥(15,186)	¥(24,339)	$(134,771)

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

	2016	2015
Normal effective statutory tax rate	32.28%	34.80%
Expenses not deductible for income tax purposes	0.51	0.37
Income not taxable for income tax purposes	(1.01)	(1.22)
Per capita tax	0.40	0.21
Net change in valuation allowance	(1.34)	0.74
Reduction in year-end deferred tax assets (liabilities) due to tax-rate change	2.16	2.69
Gain on negative goodwill	—	(0.01)
The effect of variance with the future effective statutory tax rate	0.33	—
Other – net	0.57	0.11
Actual effective tax rate	33.90%	37.69%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, from 31.51% to approximately 30.14%, 30.15%, and 29.92% for the fiscal year beginning on or after April 1, 2016, 2017, and 2018, respectively. The effect of this change was to decrease deferred tax assets by ¥11 million ($98 thousand), to decrease deferred tax liabilities by ¥882 million ($7,828 thousand), to increase unrealized gain on available-for-sale securities by ¥1,445 million ($12,824 thousand), and to decrease defined retirement benefit plan by ¥100 million ($887 thousand) in the consolidated balance sheet as of March 31, 2016, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥474 million ($4,207 thousand). Also, deferred tax liabilities for land revaluation surplus decreased by ¥395 million ($3,506 thousand), and land revaluation surplus increased by the same amount in the consolidated balance sheet as of March 31, 2016.

26. LEASES

Finance leases

(Lessee)

A subsidiary leases certain premises.

There was no rental expense including lease payments under the finance leases for the year ended March 31, 2016.

Total rental expenses including lease payments under the finance leases for the years ended March 31, 2015, were ¥17 million.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥46,625	¥44,726	$413,782
Unguaranteed residual values	1,416	1,321	12,567
Deferred interest income	(4,401)	(4,335)	(39,058)
Total	¥43,640	¥41,712	$387,291

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

Year Ending March 31, 2016	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 968	$ 8,591
2018	708	6,283
2019	540	4,792
2020	409	3,630
2021	434	3,852
2022 and thereafter	476	4,224
Total	¥3,535	$31,372

Year Ending March 31, 2015	Millions of Yen
2016	¥ 839
2017	711
2018	475
2019	298
2020	204
2021 and thereafter	437
Total	¥2,964

Maturities of investment in leases for finance leases that were deemed not to transfer ownership of the leased assets to the lessee are as follows:

Year Ending March 31, 2016	Millions of Yen	Thousands of U.S. Dollars
2017	¥12,176	$108,058
2018	10,316	91,551
2019	8,461	75,089
2020	6,210	55,112
2021	4,221	37,460
2022 and thereafter	5,241	46,512
Total	¥46,625	$413,782

Year Ending March 31, 2015	Millions of Yen
2016	¥11,899
2017	9,894
2018	7,920
2019	6,059
2020	3,846
2021 and thereafter	5,108
Total	¥44,726

Operating leases

(Lessee)

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 307	¥ 231	$ 2,725
Due after one year	3,422	2,802	30,369
Total	¥3,729	¥3,033	$33,094

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 456	¥ 379	$ 4,047
Due after one year	856	848	7,597
Total	¥1,312	¥1,227	$11,644

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group provides banking services and comprehensive financial services including leasing business. The Group meets the needs of local business through providing various products and services in the banking services, lending services, trading of securities, securities investments and other financial services such as derivatives business. The Group has aligned its operations with local personnel and businesses and raises funds from deposits from customers, which are low cost and stable. The Group also raises funds by borrowing.

As for loans and bills discounted in the money management system, the Group finances local companies based on their capital demands and individuals mainly for home mortgages. As its main resources are bank deposits from customers, the Group aims to ensure the soundness of the assets through appropriate credit decisions and credit rating by understanding the current credit status and managing the credit portfolio to prevent concentrations in specific customers or industries. In marketable securities, considering the nature that it is engaged in excess fund management relating to lending services and its responsibility as a bank to provide settlement services, the Group focuses on running a fund based on public bonds, which is superior in security and liquidity. To build up a portfolio that is less subject to rising interest rates, the Group invests in risk assets such as securities whose values are expected to be less correlated with bonds.

The Group executes derivative transactions to fund and invest capital to meet the various needs of its customers as well as to meet its own needs. In trading transactions, the Group avoids excessive risk by restricting the type of transactions and limiting the volume of transactions. Also, the Group will not trade a particular investment if its fair value is volatile compared to that of the underlying assets (i.e. high leverage-effect transaction).

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

The loans and bills discounted are to general business enterprises, individuals, and local public bodies, and there is a risk (credit risk) that the value of loaned money is reduced by financial deterioration of the borrower and a risk (interest risk) of losses due to changes in interest rates.

In securities, the Group holds domestic bonds which are comprised mainly of public bonds such as government bonds and local government bonds, foreign securities, which are comprised of mainly US Treasury, stocks, investment trusts, and investment partnerships and so forth for investment purposes. Also, the Group holds certain domestic bonds for held-to-maturity purposes. In trading securities, the Group holds domestic bonds for trading. These items have interest risk, risk of changes in price, credit risk, and market liquidity risk. Market liquidity risk represents the risk that market trades cannot be performed due to market turmoil and that the Group may suffer losses due to significantly unfavorable financing conditions.

Deposits and borrowed money hold interest risk and cash flow risk (liquidity risk). Cash flow risk refers to the risk that securing necessary financing becomes difficult or significant unfavorable financing conditions result in recording of loss due to a mismatch of periods between operations and financing and unexpected outflows of money. Derivative transactions related to interest are comprised of interest-rate swap agreements, cap agreements, floor agreements, and interest futures.

Derivative transactions related to currency are comprised of exchange contracts, non-deliverable forwards (NDF), currency swap agreements, and currency option contracts. Derivative transactions related to securities are comprised of bond futures, options on bond futures, OTC bond options, stock index futures, options on stock index futures, and individual security options.

The Group utilizes derivative transactions to meet customer needs and to control risk so that interest risk, risk of changes in prices, and foreign currency exchange risk are not excessive. In trading transactions, the Group utilizes derivative transactions to earn a profit and to accumulate the know-how related to the transactions and understand market trends.

The derivative transactions the Group utilizes are exposed to interest risk, currency exchange risk, the risk of change in prices, and credit risk. In utilizing derivative transactions, the Group performs effective covering of transactions to meet customers' needs, and in trading transactions, the Group preliminarily establishes a risk limit to avoid exposing the Group to an excessive degree of market risk. Transactions such as listed futures are exposed to limited credit risk and OTC transactions such as interest swaps are assumed to have low risk since the counterparties are comprised of highly credible financial institutions and companies.

Some of the derivatives utilized to control the risks from securities are recorded on the basis of hedge accounting in accordance with JICPA Accounting Practice Committee Report No. 14, "Practical Guideline for Accounting for Financial Instruments". Such derivatives are interest rate swaps that are utilized to control the risks from securities. The Bank reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

(3) Risk management for financial instruments

Integrated Risk

The Group defines integrated risk management policies and regulations, and strengthens integrated risk management to ensure the soundness of management.

The Group monitors various risks holistically including measurement by statistical methods and aims to control risks within the range of management vitality. Specifically, the Group allocates risk capital to credit risk, market risk, and operational risk based on Value at Risk ("VaR") calculations according to assumptions about the market fluctuation rate and its half year business plan. In each operation division, the

Group aims to control risk and obtain returns within the range of risk capital. Integrated risk is managed by the risk management department and is reported monthly to the ALM committee and quarterly to the Board of Directors meetings. Necessary actions such as risk control are taken promptly.

Credit Risk Management
The Group defines credit risk management policy and rules such as credit risk management regulation to understand, manage and take actions on credit risk appropriately.

In screening requests for loans, the Group clearly separates the credit department from the operating department and the Group performs strict examination by the type of business. Also, the Group analyzes if repayment resources are ensured and reasonably secured on individual loans based on the purpose of the loan, business plans and investment effects.

For portfolio management, the Group aims to improve its credit portfolio by preventing concentrations in particular customers or industries and by ensuring profits to meet credit costs.

In addition, in order to improve credit risk, the Group seeks to implement management and business restructuring for customers experiencing difficult business conditions.

Regarding credit risk management, the Group defines a credit rating system where the Group evaluates the degree of credit risk by an integrated scale objectively and makes arrangements to reevaluate credit ratings close to fiscal year end or when there are any changes in credit status.

As for the level of credit risk and degree of concentration of credit granting, the risk controlling department manages credit risk, reports monthly to the ALM committee and quarterly to management and discusses necessary actions.

Market risk management (foreign exchange risk and interest rate risk)
The Group considers interest risk, currency risk and the risk of change in prices as the main market risks and institutes a market risk management policy to manage the risks properly to avoid a reduction in the value of assets and losing credit. The Group also institutes market risk management regulations according to the market risk management policy to clarify the identification of market risk, the role of the department in charge, the method of evaluation and monitoring and the methods for controlling and reducing market risk.

Under integrated risk management, the Group allocates risk capital to each business (deposit, loan, investment securities and other securities) and establishes a cap on the investment amount and a maximum loss amount and matters to be discussed (level of loss to be re-examined). The Group handles market transactions within these risk limits expeditiously and effectively. With regard to these risks, the risk controlling department manages and reports monthly to the ALM committee and quarterly to the Board of Directors meetings and discusses necessary actions.

Regarding derivative transactions, the Group follows internal regulations and policies. The market-risk-management department (middle office) and office-work department (back office) manage and monitor the balance, fair value, profit and loss and measurement of risk of the transactions and report to top-management regularly to ensure mutual supervision of risks. Especially in trading transactions, the market-risk-management department (middle office) manages the positions, measurement of risk and application for loss cut rule closely.

The Group holds financial instruments which are exposed to market risks (e.g. interest-rate risk, price-volatility risk and exchange risk) such as loans and bills discounted, securities, deposits, negotiable deposits, borrowed money and corporate bonds. To manage these market risks, the Group calculates VaR, which is used for quantitative analysis.

The Group calculates VaR of private placement bonds, borrowed money and corporate bonds which are exposed to interest-rate risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥25,573 million ($226,952 thousand) and ¥16,471 million in aggregate as of March 31, 2016 and 2015, respectively.

The Group calculates VaR of investment securities which are exposed to price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥42,693 million ($378,887 thousand) and ¥33,772 million in aggregate as of March 31, 2016 and 2015, respectively.

In addition, the Group calculates VaR of securities, excluding investment securities, which are exposed to interest-rate risk or the price volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥50,611 million ($449,157 thousand) and ¥23,601 million in aggregate as of March 31, 2016 and 2015, respectively.

The Group compares VaR calculated by the formula with the actual fluctuation of realized gains and losses to verify that the calculated VaR reflects market risks with a high degree of accuracy.

However, VaR might not reflect market risks in circumstances such as unforeseen wide fluctuations in market circumstances because VaR reflects a certain amount of market risks calculated statistically based on historical fluctuation.

Liquidity risk management
As to liquidity risk, the Group defines liquidity risk management policies and liquidity risk management regulations, and aims to manage stable cash flow. Also, to be prepared for unforeseeable circumstances, the Group defines a contingency plan for liquidity risks and addresses them in a timely manner.

(4) Fair values of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 29 for the details of the fair value of derivatives. Fair values are calculated based on certain assumptions, therefore fair values may vary according to the assumptions used.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and due from banks	¥ 327,470	¥ 327,470	—
Trading securities	1,103	1,103	—
Money held in trust	7,012	7,012	—
Securities			
Held-to-maturity securities	20,235	20,505	¥ 270
Available-for-sale securities	1,760,739	1,760,739	—
Loans and bills discounted	3,929,566		
Less: Reserve for possible loan losses	(33,990)		
Loans and bills discounted – net	3,895,576	3,924,447	28,871
Total	¥6,012,135	¥6,041,276	¥29,141
Deposits	¥5,250,142	¥5,252,662	¥ 2,520
Negotiable certificates of deposit	72,588	72,588	—
Payables under repurchase agreements	108,475	108,475	—
Payables under securities lending transactions	267,253	267,253	—
Total	¥5,698,458	¥5,700,978	¥ 2,520
Derivatives to which hedge accounting is not applied	¥ 180	¥ 180	—

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and due from banks	¥ 399,141	¥ 399,141	—
Trading securities	1,457	1,457	—
Money held in trust	11,649	11,649	—
Securities			
Held-to-maturity securities	27,375	27,535	¥ 160
Available-for-sale securities	1,620,943	1,620,943	—
Loans and bills discounted	3,854,595		
Less: Reserve for possible loan losses	(36,134)		
Loans and bills discounted – net	3,818,461	3,839,794	21,333
Total	¥5,879,026	¥5,900,519	¥21,493
Deposits	¥5,227,369	¥5,229,682	¥ 2,313
Negotiable certificates of deposit	133,976	133,976	—
Payables under repurchase agreements	—	—	—
Payables under securities lending transactions	192,513	192,513	—
Total	¥5,553,858	¥5,556,171	¥ 2,313
Derivatives to which hedge accounting is not applied	¥ (2,503)	¥ (2,503)	—

March 31, 2016	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and due from banks	$ 2,906,194	$ 2,906,194	—
Trading securities	9,789	9,789	—
Money held in trust	62,229	62,229	—
Securities			
Held-to-maturity securities	179,580	181,976	$ 2,396
Available-for-sale securities	15,626,012	15,626,012	—
Loans and bills discounted	34,873,678		
Less: Reserve for possible loan losses	(301,651)		
Loans and bills discounted – net	34,572,027	34,828,248	256,221
Total	$53,355,831	$53,614,448	$258,617
Deposits	$46,593,380	$46,615,744	$ 22,364
Negotiable certificates of deposit	644,196	644,196	—
Payables under repurchase agreements	962,682	962,682	—
Payables under securities lending transactions	2,371,787	2,371,787	—
Total	$50,572,045	$50,594,409	$ 22,364
Derivatives to which hedge accounting is not applied	$ 1,597	$ 1,597	—

Assets

Cash and due from banks

The carrying amount of cash and due from banks with no maturities represents the fair value because the fair value approximates such carrying amount.

Trading securities

For securities such as bonds that are held for trading, the fair value is determined based on the prices quoted by the exchange or the financial institutions from which these securities are purchased.

Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair value of equity securities is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. For money held in trust due to the securitization of credited loans, the carrying amount represents the fair value because the trust assets consist of ordinary deposits. Information on money held in trust by classification is included in Note 6, "Money Held in Trust."

Securities

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

For privately placed guaranteed bonds held by the Bank, the fair value is determined based on the present value of expected future cash flows, which is adjusted to reflect default risk, amounts to be collected from collateral and guarantees and guarantee fees, and discounted at an interest rate based on the market interest rate as of the date of evaluation with certain adjustments.

Information on securities by classification is included in Note 5, "Trading securities and Securities."

Loans and bills discounted

For loans with variable interest rates, the carrying amount represents the fair value as the fair value approximates such carrying value because it reflects the market interest rate in the short term as long as the credit status of the borrower has not changed significantly. For loans with fixed interest rates, the fair value is calculated by bundling the type of loans and the internal credit rating using the expected future cash flows, which are discounted by the risk free rate and certain management costs. As for certain consumer loans such as home mortgages, fair value is calculated by discounting the total loan principal with the same rate as a similar loan. Also, for consumer loans that mature within one year, the carrying amount represents the fair value as the fair value approximates such carrying value. In addition, as for loans to legally bankrupt borrowers, virtually bankrupt borrowers, and potentially bankrupt borrowers, the fair value is calculated by deducting the allowance, which is calculated based on the present value of the estimated future cash flow or the estimated collection of cash from collateral and guarantee, from the balance in the consolidated balance sheet date. Therefore, the book value approximates the fair value. Regarding loans which do not have repayment terms because the outstanding amount of the loan is limited to the value of collateral assets, the carrying amount represents the fair value as the fair value approximates such carrying amount according to estimated repayment periods and conditions of interest.

Liabilities

Deposits and negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits are grouped by certain maturity lengths and their fair value is calculated by discounting future cash flows with the same interest rate as that of accepted new deposits. For the deposits and negotiable certificates of deposits with the repayment period within one year, the carrying amount represents the fair value because the fair value approximates the carrying amount.

Payables under repurchase agreements and Payable under securities of deposits

For payables under repurchase agreements and payables under securities of deposit, the contract term is short (within one year). Therefore, the carrying amount represents the fair value because the fair value approximates such carrying amount.

Derivatives

Information regarding the fair value for derivatives is included in Note 29.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unlisted equity securities	¥ 7,252	¥7,118	$64,359
Investments in unconsolidated subsidiaries	236	280	2,094
Others	3,112	2,561	27,618
Total	¥10,600	¥9,959	$94,071

Since the fair values of unlisted stocks cannot be reliably determined, their fair values are not disclosed.

The impairment losses on unlisted stocks for the years ended March 31, 2016 and 2015, were ¥50 million ($444 thousand) and ¥30 million, respectively.

(5) Maturity analysis for financial assets, securities and financial liabilities with contractual maturities

March 31, 2016	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	¥ 255,609	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	5,837	¥ 11,545	¥ 2,853	—
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	4,800	378,200	138,400	¥ 45,000
Local government bonds	21,861	121,293	85,963	—
Corporate bonds	49,433	166,789	20,752	67,289
Other	18,700	59,144	349,676	31,244
Loans and bills discounted (*1)	970,293	1,115,091	752,167	969,263
Total	¥1,326,533	¥1,852,062	¥1,349,811	¥1,112,796

March 31, 2016	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	¥4,564,472	¥685,666	¥4	—
Negotiable certificates of deposit	72,588	—	—	—
Payables under repurchase agreements	108,475	—	—	—
Payables under securities lending transactions	267,253	—	—	—
Total	¥5,012,788	¥685,666	¥4	—

March 31, 2015	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	¥ 322,691	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	10,339	¥ 15,307	¥ 1,729	—
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	46,708	341,200	161,200	¥ 47,000
Local government bonds	64,653	128,422	13,863	—
Corporate bonds	84,340	199,755	23,863	54,543
Other	11,280	41,365	134,257	50,389
Loans and bills discounted (*1)	958,652	1,115,151	752,356	892,033
Total	¥1,498,663	¥1,841,200	¥1,087,268	¥1,043,965

March 31, 2015	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	¥4,507,597	¥719,701	¥2	¥70
Negotiable certificates of deposit	133,976	—	—	—
Payables under repurchase agreements	—	—	—	—
Payables under securities lending transactions	192,513	—	—	—
Total	¥4,834,086	¥719,701	¥2	¥70

March 31, 2016	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	$ 2,268,450	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	51,802	$ 102,458	$ 25,320	—
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	42,598	3,356,407	1,228,257	$ 399,361
Local government bonds	194,010	1,076,438	762,895	—
Corporate bonds	438,702	1,480,201	184,167	597,169
Other	165,957	524,885	3,103,266	277,281
Loans and bills discounted (*1)	8,611,049	9,896,086	6,675,249	8,601,908
Total	$11,772,568	$16,436,475	$11,979,154	$9,875,719

March 31, 2016	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	$40,508,271	$6,085,073	$35	—
Negotiable certificates of deposit	644,196	—	—	—
Payables under repurchase agreements	962,682	—	—	—
Payables under securities lending transactions	2,371,787	—	—	—
Total	$44,486,936	$6,085,073	$35	—

(*1) Loans and bills discounted whose cash flow cannot be estimated such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans amounting to ¥97,960 million ($869,365 thousand) and ¥101,679 million as of March 31, 2016 and 2015, respectively, and loans and bills discounted with no contractual maturities amounting to ¥24,792 million ($220,021 thousand) and ¥34,724 million as of March 31, 2016 and 2015, respectively, are not included.

Please see Note 14 for annual maturities of borrowed money.

28. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount, as long as there is no violation of any condition in the contracts.

The total amounts of unused open commitments as of March 31, 2016 and 2015, were ¥1,380,192 million ($12,248,775 thousand) and ¥1,404,748 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2016 and 2015, were ¥715,331 million ($6,348,340 thousand) and ¥738,969 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2016 and 2015, were ¥1,368,828 million ($12,147,923 thousand) and ¥1,395,170 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries can request the customers to pledge collateral such as premises and securities at the execution of the contracts. After execution, the Bank and certain subsidiaries periodically evaluate the customers' financial position based upon the Bank's internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

29. DERIVATIVE INFORMATION

The Bank enters into swaps related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, over-the-counter bond options and stock index options contracts related to securities.

Derivative transactions to which hedge accounting is not applied as of March 31, 2016 and 2015

March 31, 2016	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter Interest-related contracts: Interest rate swap:				
Fixed rate receipt, variable rate payment	¥10,647	¥10,647	¥ (22)	¥ (22)
Variable rate receipt, fixed rate payment	432	432	(15)	(15)
Over-the-counter Currency-related contracts:				
Currency swap	87,002	67,527	(876)	(876)
Foreign exchange forward:				
Sell	39,465	329	1,747	1,747
Buy	32,732	205	(378)	(378)
Currency option:				
Sell	79,277	45,700	(3,571)	681
Buy	80,507	46,483	3,290	(298)
Other:				
Sell	41	14	(12)	(12)
Buy	28	9	14	14
Listed Stock-related contracts: Index option:				
Sell	4,700	—	(19)	5
Buy	1,600	—	22	(1)
Over-the-counter Bond-related contracts:				
Bond option:				
Sell	—	—	—	—

March 31, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter Interest-related contracts: Interest rate swap:				
Fixed rate receipt, variable rate payment	¥10,671	¥10,671	¥(17)	¥(17)
Variable rate receipt, fixed rate payment	5,456	5,456	(17)	(17)
Over-the-counter Currency-related contracts:				
Currency swap	60,429	41,413	(1,765)	(1,765)
Foreign exchange forward:				
Sell	22,492	101	(755)	(755)
Buy	22,481	69	141	141
Currency option:				
Sell	66,677	38,685	(2,778)	1,697
Buy	69,430	40,326	2,695	(1,182)
Other:				
Sell	146	46	(49)	(49)
Buy	91	27	53	53
Listed Stock-related contracts: Index option:				
Sell	—	—	—	—
Buy	—	—	—	—
Over-the-counter Bond-related contracts:				
Bond option:				
Sell	2,000	—	(11)	(0)

March 31, 2016	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter Interest-related contracts: Interest rate swap:				
Fixed rate receipt, variable rate payment	$94,489	$ 94,489	$(195)	$(195)
Variable rate receipt, fixed rate payment	3,834	3,834	(133)	(133)
Over-the-counter Currency-related contracts:				
Currency swap	772,116	599,281	(7,774)	(7,774)
Foreign exchange forward:				
Sell	350,240	2,920	15,504	15,504
Buy	290,486	1,819	(3,355)	(3,355)
Currency option:				
Sell	703,559	405,573	(31,692)	6,044
Buy	714,475	412,522	29,198	(2,645)
Other:				
Sell	364	124	(106)	(106)
Buy	248	80	124	124
Listed Stock-related contracts: Index option:				
Sell	41,711	—	(169)	44
Buy	14,200	—	195	(9)
Over-the-counter Bond-related contracts:				
Bond option:				
Sell	—	—	—	—

Notes:

1. Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.
2. Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Future Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.

30. COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (8,014)	¥53,442	$ (71,122)
Reclassification adjustments to profit or loss	(10,145)	(16,964)	(90,033)
Amount before income tax effect	(18,159)	36,478	(161,155)
Income tax effect	7,130	(9,073)	63,276
Total	(11,029)	27,405	(97,879)
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	(4,656)	—	(41,321)
Reclassification adjustments to profit or loss	4,656	—	41,321
Amount before income tax effect	—	—	—
Income tax effect	—	—	—
Total	—	—	—
Land revaluation surplus:			
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	—	—	—
Income tax effect	395	819	3,506
Total	395	819	3,506
Defined retirement benefit plans:			
Adjustments arising during the year	(9,644)	4,819	(85,587)
Reclassification adjustments to profit or loss	(234)	125	(2,077)
Amount before income tax effect	(9,878)	4,944	(87,664)
Income tax effect	3,013	(1,602)	26,739
Total	(6,865)	3,342	(60,925)
Total other comprehensive (loss) income	¥(17,499)	¥31,566	$(155,298)

31. PER SHARE INFORMATION

1. Net income per share

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

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net income attributable to owners of parent	Weighted Average Shares	EPS	
For the year ended March 31, 2016:				
Net income attributable to owners of parent	¥13,371			
Amount not attributable to common shareholders	—			
Basic EPS—Net income available to common shareholders	13,371	373,663	¥35.78	$0.32
Effect of dilutive securities:				
Dividends on preferred stock	—			
Cancellation differences on preferred stock	—			
	—	—		
Stock acquisition rights		270		
	—	270		
Diluted EPS—Net income for computation	¥13,371	373,933	¥35.76	$0.32

	Millions of Yen	Thousands of Shares	Yen
	Net income attributable to owners of parent	Weighted Average Shares	EPS
For the year ended March 31, 2015:			
Net income attributable to owners of parent	¥22,799		
Amount not attributable to common shareholders	(200)		
Basic EPS—Net income available to common shareholders	22,599	373,685	¥60.48
Effect of dilutive securities:			
Dividends on preferred stock	110		
Cancellation differences on preferred stock	90		
	200	51,807	
Stock acquisition rights		168	
	200	51,975	
Diluted EPS—Net income for computation	¥22,799	425,660	¥53.56

2. Net assets per share

Net assets per share as of March 31, 2016 and 2015, were ¥902.86 ($8.01) and ¥920.80, respectively.

Net assets per share of common stock as of March 31, 2016 and 2015, were calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Total net assets	¥354,182	¥360,183	$3,143,255
Deductions from total net assets:			
Stock acquisition rights	106	66	941
Noncontrolling interests	16,721	16,037	148,393
Net assets attributable to common stock at the end of the fiscal year	337,355	344,080	2,993,921
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares in thousands)	373,650	373,673	

As noted in Note 2.b, the Bank applied the revised accounting standards and guidance for business combinations effective April 1, 2015. As a result of this accounting change, net income per share for the year ended March 31, 2016, decreased by ¥0.95 ($0.01) and diluted EPS for the year ended March 31, 2016, decreased by ¥0.95 ($0.01).

32. SUBSEQUENT EVENT

Appropriations of Retained Earnings

On June 24, 2016, the Bank's shareholders authorized an appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends:		
¥3.50 ($0.03) per share on common stock	¥1,308	$11,608

33. SEGMENT INFORMATION

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

1. Description of reportable segments

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

The Group consists of the Bank and six (seven in 2015) consolidated subsidiaries. The Group provides banking services-based comprehensive financial services and leasing business. The Group operates its business by units which consists of some branches located in a certain range. However, the Group discloses these units as a segment of the Banking business because their economic nature is similar to each other. Therefore, the Group consists of two reportable segments: banking business and lease business.

Banking business is operated by the Bank. Banking business provides various services such as deposit-taking and lending services, trading securities, securities investment, domestic exchange, foreign exchange, managing bonds, derivatives business and other related businesses at headquarters and branches of the Bank.

Lease business is operated by Juroku Lease Co., Ltd. It provides leasing business to meet local customers' needs.

2. Methods of measurement for the amounts of income, profit, assets and other items for each reportable segment

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

3. Information about income, profit, assets, liabilities and other items

	Millions of Yen						
	Reportable Segment						
2016	Banking	Lease	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
(1) Outside customers	¥ 88,583	¥20,832	¥ 109,415	¥ 5,130	¥ 114,545	—	¥ 114,545
(2) Intersegment transactions	360	313	673	1,007	1,680	¥ (1,680)	—
Total	¥ 88,943	¥21,145	¥ 110,088	¥ 6,137	¥ 116,225	¥ (1,680)	¥ 114,545
Segment profit	19,069	1,445	20,514	1,876	22,390	(44)	22,346
Segment assets	6,156,724	64,719	6,221,443	40,601	6,262,044	(52,262)	6,209,782
Other:							
Depreciation	¥ 3,645	¥ 407	¥ 4,052	¥ 71	¥ 4,123	¥ 152	¥ 4,275
Amortization of goodwill	245	—	245	—	245	—	245
Interest income	62,733	58	62,791	318	63,109	(142)	62,967
Interest expense	5,443	267	5,710	32	5,742	(128)	5,614
Provision (reversal) for possible loan losses	1,734	(76)	1,658	23	1,681	—	1,681
Increase in premises and equipment and intangible assets	5,081	445	5,526	68	5,594	217	5,811

	Millions of Yen						
	Reportable Segment						
2015	Banking	Lease	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
(1) Outside customers	¥ 102,463	¥20,203	¥ 122,666	¥ 4,870	¥ 127,536	—	¥ 127,536
(2) Intersegment transactions	300	296	596	982	1,578	¥ (1,578)	—
Total	¥ 102,763	¥20,499	¥ 123,262	¥ 5,852	¥ 129,114	¥ (1,578)	¥ 127,536
Segment profit	34,917	1,325	36,242	1,832	38,074	(11)	38,063
Segment assets	6,036,337	63,139	6,099,476	37,305	6,136,781	(48,278)	6,088,503
Other:							
Depreciation	¥ 3,320	¥ 353	¥ 3,673	¥ 64	¥ 3,737	¥ 139	¥ 3,876
Amortization of goodwill	245	—	245	—	245	—	245
Interest income	66,416	49	66,465	367	66,832	(160)	66,672
Interest expense	4,986	305	5,291	41	5,332	(146)	5,186
Provision (reversal) for possible loan losses	2,020	34	2,054	(93)	1,961	—	1,961
Increase in premises and equipment and intangible assets	4,384	599	4,983	107	5,090	167	5,257

	Thousands of U.S. Dollars						
	Reportable Segment						
2016	Banking	Lease	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
(1) Outside customers	$ 786,147	$184,877	$ 971,024	$ 45,527	$ 1,016,551	—	$ 1,016,551
(2) Intersegment transactions	3,195	2,778	5,973	8,936	14,909	$ (14,909)	—
Total	$ 789,342	$187,655	$ 976,997	$ 54,463	$ 1,031,460	$ (14,909)	$ 1,016,551
Segment profit	169,231	12,824	182,055	16,649	198,704	(390)	198,314
Segment assets	54,639,013	574,361	55,213,374	360,321	55,573,695	(463,809)	55,109,886
Other:							
Depreciation	$ 32,348	$ 3,612	$ 35,960	$ 630	$ 36,590	$ 1,349	$ 37,939
Amortization of goodwill	2,174	—	2,174	—	2,174	—	2,174
Interest income	556,736	515	557,251	2,822	560,073	(1,260)	558,813
Interest expense	48,305	2,369	50,674	284	50,958	(1,135)	49,823
Provision (reversal) for possible loan losses	15,389	(675)	14,714	204	14,918	—	14,918
Increase in premises and equipment and intangible assets	45,093	3,949	49,042	603	49,645	1,926	51,571

Notes:
1. Ordinary income represents total income less certain extraordinary income included in “Other income” in the accompanying consolidated statement of income.
2. “Other” includes business segments of credit cards, computer services and credit guarantees.
3. Reconciliations mainly represent elimination of intra-segment transactions.
4. Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.

4. Associated Information
(1) Information about services

	Millions of Yen				
2016	Lending Service	Securities Services	Leasing	Other	Total
Ordinary income:					
Outside customers	¥46,320	¥26,197	¥20,764	¥21,264	¥114,545

	Millions of Yen				
2015	Lending Service	Securities Services	Leasing	Other	Total
Ordinary income:					
Outside customers	¥49,347	¥36,531	¥20,141	¥21,517	¥127,536

	Thousands of U.S. Dollars				
2016	Lending Service	Securities Services	Leasing	Other	Total
Ordinary income:					
Outside customers	$411,076	$232,490	$184,274	$188,711	$1,016,551

(2) Geographical information
(a) Operating revenues
This information is not presented because the Group’s revenues in Japan account for more than 90% of revenues in the consolidated statement of income.
(b) Property and equipment
This information is not presented because the Group’s property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(3) Information by major customers
This information is not presented because there are no customers for which income account for more than 10% of revenues in the consolidated statement of income.

(4) Information about impairment loss by reportable segments

	Millions of Yen				
2016	Banking	Lease	Other	Elimination/Corporate	Total
Impairment loss on long-lived assets	¥77	—	—	—	¥77

	Millions of Yen				
2015	Banking	Lease	Other	Elimination/Corporate	Total
Impairment loss on long-lived assets	¥141	—	—	—	¥141

	Thousands of U.S. Dollars				
2016	Banking	Lease	Other	Elimination/Corporate	Total
Impairment loss on long-lived assets	$683	—	—	—	$683

(5) Information about goodwill and negative goodwill by reportable segments

	Millions of Yen				
2016	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	—	—	¥ 245
Goodwill at March 31, 2016	3,609	—	—	—	3,609
Gain on negative goodwill	—	—	—	—	—

	Millions of Yen				
2015	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	—	—	¥ 245
Goodwill at March 31, 2015	3,853	—	—	—	3,853
Gain on negative goodwill	—	—	—	¥8	8

Notes:
1. The Group recorded gain on negative goodwill of ¥8 million arising from acquiring additional shares in a consolidated subsidiary (Juroku Lease Co., Ltd.) on July 1, 2014. Since this gain is not related to a specific segment, the gain was treated as corporate gain.

	Thousands of U.S. Dollars				
2016	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	$ 2,174	—	—	—	$ 2,174
Goodwill at March 31, 2016	32,029	—	—	—	32,029
Gain on negative goodwill	—	—	—	—	—