ANNUAL REPORT 2016

THE OITA BANK, LTD.

THE OITA BANK, LTD.

OITA BANK PROFILE

The Oita Bank, Ltd., was founded in 1893 in Oita Prefecture, Kyushu, in the southwest of the Japanese archipelago. For more than a century, the Bank has provided outstanding financial services to individual and corporate clients, contributing significantly to the economic growth and prosperity of Oita Prefecture and the greater Kyushu region.

In Oita Prefecture, there was a steady stream of capital investment from some of the world's most prominent enterprises in the high-tech and automotive industries, which has had a major impact on the economy of the prefecture. At the same time, the prefecture continues to reinforce infrastructure to support its development as a hub of international business.

As the leading bank native to Oita Prefec ture, the Oita Bank strives to strengthen its management structure and enhance financial services, thereby contributing to the region's prosperity.

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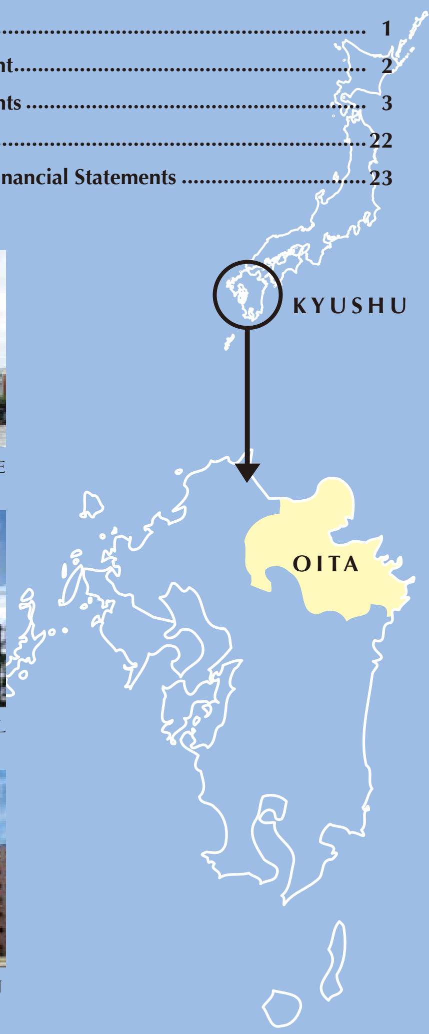
HEAD OFFICE


RED BRICK HALL


SORINKAN



BOARD OF DIRECTORS AND AUDITORS

Chairman
Shoji Himeno

President
Tomiichiro Goto

Senior Managing Directors
Nobuhide Shimizu

Managing Directors
Masaki Kodama
Kunihiro Kikuguchi
Hideyuki Tanaka

Directors
Kenji Tanaka

Outside Directors
Norio Shimoda
Izumi Kuwano

Standing Auditors
Nobuhiko Iwata
Hideki Eto

Outside Auditors
Tsunemasa Kojima
Kunihiko Okamura

Managing Executive Officers
Masayuki Takeshima

Executive Officers
Tadashi Kimoto
Nobuhiko Okamatsu
Takanori Achiha
Yasuhide Takahashi
Masayuki Sagara
Kazuyoshi Kai

(As of June 30, 2016)

CONSOLIDATED FINANCIAL HIGHLIGHTS

THE OITA BANK, LTD. and Subsidiaries
Years Ended March 31, 2016, 2015 and 2014

	Millions of Yen		
	2016	2015	2014
Deposits	**¥2,744,483**	¥2,678,965	¥2,664,735
Loans and bills discounted	**1,788,221**	1,779,883	1,731,593
Investment securities	**1,102,051**	1,099,579	1,049,786
Common stock	**19,598**	19,598	19,598
Total equity	**188,148**	191,601	164,927
Total assets	**3,162,073**	3,076,987	3,006,805
Net income	**9,736**	9,664	8,271
Number of branches (Nonconsolidated)	**97**	98	101
Number of employees (Nonconsolidated)	**1,668**	1,708	1,762

CORPORATE DATA

HEAD OFFICE
4-1, Funaimachi 3-chome, Oita 870-0021
Telephone: (097) 534-1111

INTERNATIONAL BUSINESS OFFICE
4-1, Funaimachi 3-chome, Oita 870-0021
Telephone: (097) 538-7513
Fax: (097) 533-6383
Swift: OITA JPJT

Hong Kong Representative Office
Room 1108, 11/F, The Metropolis Tower,
10 Metropolis Drive, Hung Hom,
Kowloon, Hong Kong
Telephone: 852-2522-8862
Fax: 852-2522-7298

FOREIGN EXCHANGE OFFICES
Main Office
4-1, Funaimachi 3-chome, Oita 870-0021
Telephone: (097) 534-1111

Osaka Branch
8-7, Hiranomachi 1-chome,
Chuo-ku, Osaka 541-0046
Telephone: (06) 6231-6067

Saiki Branch
2-7, Jyokanishimachi,
Saiki, Oita 876-0847
Telephone: (0972) 22-3311

Tokyo Branch
3-4, Nihonbashi 2-chome,
Chuo-ku, Tokyo 103-0027
Telephone: (03) 3273-0081

Fukuoka Branch
6-20, Nakasu 5-chome,
Hakata-ku, Fukuoka 810-0801
Telephone: (092) 281-4381

Kokura Branch
1-21, Komemachi 1-chome,
Kokurakita-ku, Kita-Kyusyu 802-0003
Telephone: (093) 521-8336

Beppu Branch
18-21, Noguchinakamachi,
Beppu, Oita 874-0932
Telephone: (0977) 21-2121

Nakatsu Branch
2-10, Toyodamachi,
Nakatsu, Oita 871-0058
Telephone: (0979) 24-2211

Tsurusaki Branch
1-12, Minami-Tsurusaki 3-chome,
Oita 870-0104
Telephone: (097) 527-2121

Hita Branch
1-2, Sanbonmatsu 1-chome,
Hita, Oita 877-0016
Telephone: (0973) 23-2101

NUMBER OF MONEY EXCHANGE OFFICES
35

NUMBER OF OFFICES BY DISTRICT

Oita Prefecture	84
Miyazaki Prefecture	2
Kumamoto Prefecture	1
Fukuoka Prefecture	6
Osaka	1
Tokyo	1
Total	95

(As of September 30, 2016)

Best Quality—Medium-Term Management Plan 2016—

Oita Bank sincerely appreciates the continued patronage of all our stakeholders.

On April 1, 2016, Shoji Himeno was appointed Chairman, Tomiichiro Goto was appointed President and a new management structure was launched.

Since its founding in 1893, the Oita Bank has continued to operate as a regional financial institution built on solid foundations. We extend our warmest thanks to all our stakeholders for your support over the years.

In the Medium-Term Management Plan 2016 (three-year period), launched under a new management structure in April 2016, to take over and advance community-based strategies implemented up to now, the Bank will unite to engage in various measures focused on Creating Shared Value (CSV) as a fundamental policy under its basic theme "Best Quality."

The Bank has a symbiotic relationship with regional communities; if the communities do not develop, neither will the Bank. The Bank aims to grow and develop along with regional communities by creating shared value through proactive engagement in the resolution of numerous issues facing regional communities, including declining populations and sluggish growth in the number of companies.

FY2015 Consolidated Operating Performance

Deposits

As of March 31, 2016, total deposits, including negotiable certificates of deposit, amounted to ¥2,744.4 billion, up ¥65.5 billion from a year earlier, owing to an increase in individual deposits and corporate deposits.

Loans

Total loans outstanding amounted to ¥1,788.2 billion on March 31, 2016, up ¥8.3 billion from one year earlier, owing to an increased volume of loans to businesses and individuals within the prefecture.

Marketable Securities

Despite a reduction in stock valuation gains due to falling stock prices, as a result of increases in corporate bonds and investment trusts, etc., owing to portfolio rebalancing, marketable securities on March 31, 2016, totaled ¥1,102.0 billion, ¥2.4 billion higher than the previous fiscal year-end.

Foreign Exchange

Foreign exchange transactions, including international trade transactions, overseas remittances and foreign currency deposits, totaled US$2,010 million, US$103 million higher than the previous fiscal year-end.

Earnings

Ordinary profit was down ¥1,734 million year on year, to ¥60,092 million. This was due to growth in interest income from increased interest on loans and discounts and gains on the sale of shares as well as higher fees and commissions. Despite increased other operating income, decreases from reversal of reserve for possible loan losses resulted in a decrease in other income. Ordinary income fell ¥1,873 million year on year, to ¥14,573 million. Profit attributable to owners of the parent advanced ¥72 million, to ¥9,736 million, due to a decrease in income taxes, etc.

Dividend Policy

In due consideration of its responsibility to the public as a financial institution, the Bank's fundamental dividend policy is stable and continuous profit distribution. To this end, we are striving to strengthen its financial structure by reinforcing the long-term stability of its management base, improving management efficiency and building sufficient reserves.

In FY2015, the Bank's annual dividend was ¥7.00 per share (including an interim dividend per share of ¥3.50).

Capital Adequacy Ratio

As of March 31, 2016, the Bank's capital adequacy ratio was 10.21% on a non-consolidated basis and 10.84% on a consolidated basis, both of which easily exceed the domestic standard of 4%.

For customers to be able do transactions with us with peace of mind, we will strive to further increase our capital adequacy and strengthen our management structure.

Credit Rating

On September 29, 2000, the Bank attained an "A+" long-term preferred debt rating from Japan Credit Rating Agency, Ltd. (JCR), and the Bank has maintained that rating to the present.

Given that "A+" is the highest of the three kinds of "A," the JCR rating attests to the stability and soundness of the Oita Bank.

Conclusion

Oita Bank recognizes its responsibilities as a regional bank with Oita Prefecture as its base of operations. Accordingly, we work proactively to contribute to regional communities through our banking operations.

We ask our stakeholders for their understanding and support of the Bank's endeavors.

August 2016

Shoji Himeno
Chairman

S. Himeno

Tomiichiro Goto
President

T. Goto

Consolidated Balance Sheet

THE OITA BANK, LTD. and Consolidated Subsidiaries
March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
ASSETS:			
Cash and due from banks (Notes 19 and 20)	**¥ 180,909**	¥ 100,784	**$ 1,605,511**
Commercial paper and other debt purchased	**7,481**	7,839	**66,391**
Trading account securities (Note 3)	**26**	16	**230**
Money held in trust (Note 4)	**4,572**	5,033	**40,575**
Investment securities (Notes 3, 9 and 20)	**1,102,051**	1,099,579	**9,780,360**
Loans and bills discounted (Notes 5, 10 and 20)	**1,788,221**	1,779,883	**15,869,905**
Foreign exchange assets	**3,389**	4,186	**30,076**
Lease receivables and leased investment assets (Note 9)	**17,245**	16,932	**153,044**
Other assets (Note 9)	**20,930**	16,436	**185,747**
Premises and equipment (Note 6)	**35,822**	36,666	**317,909**
Intangible assets (Note 7)	**4,175**	5,493	**37,051**
Asset for retirement benefits (Note 14)	**8,492**	12,644	**75,363**
Deferred tax assets (Note 17)	**1,078**	1,217	**9,566**
Customers' liabilities for acceptances and guarantees (Note 8)	**16,949**	20,464	**150,417**
Reserve for possible loan losses (Note 20)	**(29,275)**	(30,189)	**(259,806)**
TOTAL	**¥3,162,073**	¥3,076,987	**$28,062,415**
LIABILITIES:			
Deposits (Notes 9, 11 and 20)	**¥2,744,484**	¥2,678,966	**$24,356,443**
Call money (Notes 9 and 20)		38,411	
Payables under securities lending transactions (Notes 9 and 20)	**107,972**	31,936	**958,217**
Borrowed money (Notes 9, 12 and 20)	**29,801**	30,527	**264,474**
Foreign exchange liabilities	**24**	17	**212**
Bonds with subscription rights to shares (Note 13)	**11,268**	12,017	**100,000**
Other liabilities	**44,104**	44,609	**391,409**
Liability for retirement benefits (Note 14)	**8,181**	10,467	**72,603**
Reserve for reimbursement of deposits	**1,346**	1,349	**11,945**
Deferred tax liabilities (Note 17)	**4,948**	11,449	**43,911**
Deferred tax liabilities for land revaluation excess	**4,843**	5,170	**42,980**
Acceptances and guarantees (Note 8)	**16,949**	20,464	**150,417**
Total liabilities	**2,973,924**	2,885,385	**26,392,651**
EQUITY (Notes 15 and 25):			
Common stock- authorized, 300,000,000 shares; issued, 162,436,342 shares in 2016 and 2015	**19,598**	19,598	**173,926**
Capital surplus	**13,809**	10,745	**122,550**
Stock acquisition rights (Note 16)	**130**	123	**1,153**
Retained earnings	**120,463**	111,806	**1,069,071**
Treasury stock- at cost, 5,233,034 shares in 2016 and 7,987,641 shares in 2015	**(2,375)**	(3,552)	**(21,077)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**32,279**	40,340	**286,466**
Deferred loss on derivatives under hedge accounting	**(1,161)**	(1,157)	**(10,303)**
Land revaluation excess	**9,329**	9,158	**82,791**
Defined retirement benefit plans (Note 14)	**(3,975)**	(234)	**(35,276)**
Total	**188,098**	186,827	**1,669,311**
Noncontrolling interests	**50**	4,773	**443**
Total equity	**188,148**	191,601	**1,669,755**
TOTAL	**¥3,162,073**	¥3,076,987	**$28,062,415**

See notes to consolidated financial statements.

Consolidated Statement of Income

THE OITA BANK, LTD. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
INCOME:			
Interest on:			
Loans and discounts	**¥24,390**	¥24,173	**$216,453**
Securities	**12,590**	12,151	**111,732**
Other	**121**	110	**1,073**
Total interest income	**37,102**	36,435	**329,268**
Fees and commissions	**8,795**	8,316	**78,052**
Other operating income	**9,289**	10,286	**82,436**
Reversal of reserve for possible loan losses		4,058	
Gains on sales of stocks and other securities	**3,875**	1,387	**34,389**
Other income	**1,042**	1,341	**9,247**
Total income	**60,105**	61,826	**533,413**
EXPENSES:			
Interest on:			
Deposits	**1,169**	1,303	**10,374**
Borrowings and rediscounts	**81**	243	**718**
Other	**591**	499	**5,244**
Total interest expenses	**1,842**	2,047	**16,347**
Fees and commissions	**1,572**	1,467	**13,951**
Other operating expenses	**8,447**	9,018	**74,964**
General and administrative expenses	**31,892**	32,186	**283,031**
Provision for possible loan losses	**577**		**5,120**
Other expenses	**1,477**	1,039	**13,107**
Total expenses	**45,810**	45,759	**406,549**
INCOME BEFORE INCOME TAXES	**14,294**	16,066	**126,854**
INCOME TAXES (Note 17):			
Current	**4,969**	2,365	**44,098**
Deferred	**(720)**	3,768	**(6,389)**
Total income taxes	**4,248**	6,133	**37,699**
NET INCOME	**10,045**	9,933	**89,146**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**309**	268	**2,742**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 9,736**	¥ 9,664	**$ 86,403**

	Yen		U.S. Dollars
	2016	2015	**2016**
PER SHARE OF COMMON STOCK (Notes 2.s and 24):			
Basic net income	**¥ 62.84**	¥ 60.88	**$ 0.55**
Diluted net income	**54.31**	58.24	**0.48**
Cash dividends applicable to the year	**7.00**	7.00	**0.06**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE OITA 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	**¥ 10,045**	¥ 9,933	**$ 89,146**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	**(8,069)**	18,348	**(71,609)**
Deferred gain (loss) on derivatives under hedge accounting	**(3)**	15	**(26)**
Land revaluation excess	**253**	534	**2,245**
Defined retirement benefit plans	**(3,741)**	1,311	**(33,200)**
Total other comprehensive income (loss)	**(11,560)**	20,209	**(102,591)**
COMPREHENSIVE INCOME (LOSS)	**¥ (1,514)**	¥30,143	**$ (13,436)**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	**¥ (1,815)**	¥29,866	**$ (16,107)**
Noncontrolling interests	**301**	276	**2,671**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE OITA 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	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	160,582	¥19,598	¥10,745	¥ 73	¥102,658	¥ (655)	¥21,999	¥(1,172)	¥8,724	¥(1,545)	¥160,426	¥ 4,501	¥164,927
Cumulative effect of accounting change (Note 2.l)					355						355		355
BALANCE, APRIL 1, 2014 (as restated)	160,582	19,598	10,745	73	103,014	(655)	21,999	(1,172)	8,724	(1,545)	160,781	4,501	165,282
Net income attributable to owners of the parent					9,664						9,664		9,664
Cash dividends, ¥6.00 per share					(968)						(968)		(968)
Purchase of treasury stock	(6,498)					(3,007)					(3,007)		(3,007)
Disposal of treasury stock	364		(5)			110					105		105
Transfer from land revaluation excess					100						100		100
Transfer to capital surplus from retained earnings			5		(5)								
Net change in the year				49			18,340	15	433	1,311	20,151	272	20,423
BALANCE, MARCH 31, 2015	154,449	19,598	10,745	123	111,806	(3,552)	40,340	(1,157)	9,158	(234)	186,827	4,773	191,601
Net income attributable to owners of the parent					9,736						9,736		9,736
Cash dividends, ¥7.00 per share					(1,162)						(1,162)		(1,162)
Purchase of treasury stock	(16)					(7)					(7)		(7)
Disposal of treasury stock	2,770		40			1,184					1,225		1,225
Transfer from land revaluation excess					82						82		82
Change in the parent's ownership interest due to transactions with noncontrolling interests			3,023								3,023		3,023
Net change in the year				7			(8,061)	(3)	170	(3,741)	(11,627)	(4,723)	(16,350)
BALANCE, MARCH 31, 2016	157,203	¥19,598	¥13,809	¥130	¥120,463	¥(2,375)	¥32,279	¥(1,161)	¥9,329	¥(3,975)	¥188,098	¥ 50	¥188,148

	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	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2015	$173,926	$ 95,358	$1,091	$ 992,243	$(31,522)	$358,004	$(10,268)	$81,274	$ (2,076)	$1,658,031	$ 42,358	$1,700,399
Net income attributable to owners of the parent				86,403						86,403		86,403
Cash dividends, $0.06 per share				(10,312)						(10,312)		(10,312)
Purchase of treasury stock					(62)					(62)		(62)
Disposal of treasury stock		354			10,507					10,871		10,871
Transfer from land revaluation excess				727						727		727
Change in the parent's ownership interest due to transactions with noncontrolling interests		26,828								26,828		26,828
Net change in the year			62			(71,538)	(26)	1,508	(33,200)	(103,186)	(41,915)	(145,101)
BALANCE, MARCH 31, 2016	$173,926	$122,550	$1,153	$1,069,071	$(21,077)	$286,466	$(10,303)	$82,791	$(35,276)	$1,669,311	$ 443	$1,669,755

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE OITA BANK, LTD. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 14,294	¥ 16,066	$ 126,854
Adjustments for:			
Income taxes-refunded	363	90	3,221
Income taxes-paid	(2,286)	(2,088)	(20,287)
Depreciation and amortization	4,031	3,699	35,773
Impairment losses	199	258	1,766
Accumulation of negative goodwill		(7)	
Decrease in reserve for possible loan losses	(914)	(7,168)	(8,111)
Decrease in liability for retirement benefits	(3,236)	(402)	(28,718)
Increase in asset for retirement benefits	(270)	(1,370)	(2,396)
Decrease in reserve for reimbursement of deposits	(3)	(136)	(26)
Interest income-accrued basis	(37,102)	(36,435)	(329,268)
Interest expenses-accrued basis	1,842	2,047	16,347
Net gain on investment securities	(3,313)	(1,360)	(29,401)
Net gain on money held in trust	(38)	(295)	(337)
Foreign exchange gains	(708)	(24)	(6,283)
Net loss on disposal of fixed assets	79	121	701
Net increase in trading account securities	(9)	(2)	(79)
Net increase in loans and bills discounted	(8,338)	(48,289)	(73,997)
Net increase in deposits	65,518	14,230	581,451
Net decrease in borrowed money	(726)	(1,065)	(6,443)
Net decrease in due from banks (excluding due from The Bank of Japan)	841	20,135	7,463
Net decrease in call loans	357	17,181	3,168
Net decrease in call money	(38,411)	(1,657)	(340,885)
Net increase in payables under securities lending transactions	76,036	17,111	674,795
Net (increase) decrease in foreign exchange assets	796	(262)	7,064
Net increase (decrease) in foreign exchange liabilities	6	(11)	53
Net (increase) decrease in lease receivables and leased investment assets	(312)	389	(2,768)
Interest income-cash basis	37,175	36,396	329,916
Interest expenses-cash basis	(1,999)	(2,375)	(17,740)
Other-net	(8,645)	(1,450)	(76,721)
Total adjustments	80,930	7,258	718,228
Net cash provided by operating activities	95,225	23,325	845,092
INVESTING ACTIVITIES:			
Purchases of investment securities	(246,085)	(317,742)	(2,183,927)
Proceeds from sales of investment securities	66,271	161,665	588,134
Proceeds from maturities of investment securities	169,464	132,599	1,503,940
Payments for increase in money held in trust		(1,000)	
Proceeds from decrease in money held in trust		932	
Purchases of premises and equipment	(1,905)	(3,196)	(16,906)
Purchases of intangible assets	(510)	(562)	(4,526)
Proceeds from sales of premises and equipment	508	151	4,508
Payments for asset retirement obligations		(1)	
Net cash used in investing activities	(12,257)	(27,153)	(108,777)
FINANCING ACTIVITIES:			
Repayment of subordinated debt		(10,000)	
Proceeds from issuance of bonds with subscription rights to shares		11,823	
Dividends paid	(1,163)	(972)	(10,321)
Dividends paid by consolidated subsidiaries to noncontrolling shareholders	(5)	(4)	(44)
Repayment of lease obligations	(44)	(45)	(390)
Purchases of treasury stock	(7)	(3,007)	(62)
Proceeds from sales of treasury stock	211	139	(1,872)
Purchases of ownership interests in subsidiaries without a change in consolidation scope	(951)		(8,439)
Net cash used in financing activities	(1,961)	(2,067)	(17,403)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(40)	24	(354)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,966	(5,870)	718,548
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,446	105,316	882,552
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 19)	¥ 180,413	¥ 99,446	$ 1,601,109

See notes to consolidated financial statements.

THE OITA BANK, LTD. and Consolidated Subsidiaries
Year Ended March 31, 2016

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. Amounts of less than one million yen have been omitted in the accompanying consolidated financial statements as permitted by the Japanese Financial Instruments and Exchange Act. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation 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 translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation* - The consolidated financial statements include the accounts of the Bank and its nine significant subsidiaries (together, “the Companies”). The fiscal periods of all consolidated subsidiaries end on March 31.

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

Investments in the remaining 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.

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

b. *Business Combinations* - In October 2003, the Business Accounting Council (the “BAC”) 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 (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.

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 the 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 Bank 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, operating income and income before income taxes for the year ended March 31, 2016, decreased by ¥3,023 million ($26,828 thousand) and capital surplus at March 31, 2016, increased by ¥3,023 million ($26,828 thousand).

For the effects on per share information, please refer to "Note 24. NET INCOME PER SHARE."

c. ***Cash and Cash Equivalents*** - For the purpose of reporting cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. ***Trading Account Securities*** - Trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings. The cost of trading account securities sold is determined by the moving-average method.

e. ***Investment Securities and Money Held in Trust*** - All applicable securities are classified and accounted for, depending on management's intent, as follows:

(i) 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 (ii) available-for-sale securities, which are not classified as either of trading account securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of available-for-sale securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost or amortized cost determined by the moving-average method.

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

Securities managed through money held in trust accounts are reported at fair value and the related unrealized gains and losses are included in earnings.

f. ***Premises and Equipment*** - Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment is principally computed using the declining-balance method over the estimated useful lives of the assets and depreciation of leased premises and equipment is provided on the straight-line method over the lease periods.

g. ***Software*** - Cost of computer software obtained for internal use is amortized using the straight-line method over the estimated useful lives of five years.

h. ***Long-Lived Assets*** - The Companies review their long-lived assets for impairment whenever events or changes in circumstance 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.

i. ***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 excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the 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 excess account and related deferred tax liabilities.

As March 31, 2016 and 2015, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥12,073 million ($107,144 thousand) and ¥12,078 million, respectively.

j. ***Foreign Currency Items*** - All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rates at each balance sheet date.

k. ***Reserve for Possible Loan Losses*** - The Bank determines the amount of the reserve for possible loan losses by means of management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The Bank implemented the self-assessment system for its asset quality. The quality of all loans are assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

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

Reserve for possible loan losses is calculated based on the actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including value of future cash flows for other self-assessment categories. For loans such as possible bankruptcy, the reserve for possible loan losses is provided for in 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 provided based upon the loan amount, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

In addition, for loans which were mainly classified into possible bankruptcy and restructured loans as defined in Note 5 below, if the exposure to an obligor exceeds a certain specific amount and if future cash flows of the principal and interest can be reasonably estimated, the discounted cash flow method is used to calculate the reserve for possible loan losses, under which method the reserve is determined as the difference between the book value of the loan and the present value of future cash flows discounted using the contractual interest rate before the loan was classified as one of the above loans.

The consolidated subsidiaries determine the amount of the reserve for possible loan losses by a comparable self-assessment system as the Bank.

l. ***Retirement and Pension Plans*** - The Bank has a contributory funded pension plan and an unfunded retirement benefit plan. Consolidated subsidiaries have unfunded retirement benefit plans. The amount of liability for employees' retirement benefits is determined based on the projected benefit obligations and the pension assets at the balance sheet date. Prior service cost is amortized using the straight-line method over ten years. Net actuarial gain or loss is amortized using the straight-line method over ten years commencing from the next fiscal year of occurrence.

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 BAC in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 14).

(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, all 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 Companies 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, 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 ¥355 million.

Retirement allowances for directors and Audit & Supervisory Board members of consolidated subsidiaries are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at the balance sheet date.

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

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

o. ***Reserve for Reimbursement of Deposits*** - Reserve for reimbursement of deposits is provided for the deposits derecognized from the liabilities at the estimated amount of future claims for withdrawal.

p. ***Leases*** - As Lessor, lease revenue is recognized at the date of each lease payment according to the lease contracts. As Lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

q. ***Derivatives and Method of Hedge Accounting*** - The Bank's policy is to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives as a part of its trading activities. Consolidated subsidiaries do not utilize any derivatives.

The Bank enters into interest rate swaps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency swaps, futures and options to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies.

The Bank applies deferred hedge accounting, which is stipulated in the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee, Report No. 24), to the interest risk caused by its financial assets and liabilities.

In evaluating the effectiveness of a hedge, the hedged item, such as loans and deposits, and the hedge instruments, such as interest rate swaps, are specified and evaluated regarding the hedging approach. Effectiveness of the hedging approach is evaluated by verifying the correlation of the interest fluctuation factor of the hedged item and the hedge instruments.

r. ***Accounting for Trust-type Employee Stock Ownership Incentive Plan*** - The Bank introduced an incentive plan for employees named the "Employee Stock Ownership Plan Trust" (ESOP Trust) and entered into a trust agreement with trustee on November 15, 2010.

Because the Bank guarantees the liability of the ESOP Trust, the ESOP Trust is substantially a part of the Bank and is treated as the same entity for accounting purposes. Accordingly, stocks held by the ESOP Trust are recognized and treated as treasury stock and assets, liabilities and expenses of the ESOP Trust are included in the accompanying consolidated financial statements.

s. ***Per Share Information*** - The weighted-average number of shares of common stock used in the computation of basic net income per share during the year excludes treasury stock held by the Bank in its own name, as well as shares of treasury stock owned by the ESOP Trust (285 thousand shares and 611 thousand shares for the years ended March 31, 2016 and 2015, respectively). The average number of common shares used in the computation was 154,921 thousand shares and 158,747 thousand shares for the years ended March 31, 2016 and 2015, respectively.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options and convertible bonds were exercised. Diluted net income per share assumes full exercise of the outstanding stock options and convertible bonds at the beginning of the year (or at the time of grant).

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

t. ***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 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.

3 TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

Trading account securities at March 31, 2016 and 2015, consisted of Japanese government bonds and local government bonds.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Japanese government bonds	**¥ 269,218**	¥ 299,044	**$2,389,226**
Local government bonds	**105,095**	92,027	**932,685**
Debentures	**320,576**	310,561	**2,845,012**
Equity securities	**54,651**	66,657	**485,010**
Other securities	**352,509**	331,288	**3,128,407**
Total	**¥1,102,051**	¥1,099,579	**$9,780,360**

The costs and aggregate fair value of securities at March 31, 2016 and 2015, were as shown in the table below. Securities below include trading account securities and investment securities.

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				**¥ 26**
Available-for-sale:				
Equity securities	**¥ 36,065**	**¥16,806**	**¥ 458**	**52,414**
Debt securities	**676,833**	**17,901**	**44**	**694,691**
Other	**335,341**	**14,662**	**2,822**	**347,180**
Held-to-maturity:				
Debt securities	**198**	**6**		**205**

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				¥ 16
Available-for-sale:				
Equity securities	¥ 33,788	¥30,574	¥ 75	64,287
Debt securities	686,241	14,308	114	700,435
Other	312,567	14,509	965	326,111
Held-to-maturity:				
Debt securities	1,198	6		1,205

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				**$ 230**
Available-for-sale:				
Equity securities	**$ 320,065**	**$149,148**	**$ 4,064**	**465,157**
Debt securities	**6,006,682**	**158,865**	**390**	**6,165,166**
Other	**2,976,047**	**130,120**	**25,044**	**3,081,114**
Held-to-maturity:				
Debt securities	**1,757**	**53**		**1,819**

The information related to available-for-sale securities which were sold during the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥14,369**	**¥3,761**	**¥469**
Debt securities	**22,544**	**254**	**0**
Other	**15,537**	**491**	**426**
Total	**¥52,452**	**¥4,506**	**¥896**

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 7,219	¥1,220	¥ 29
Debt securities	121,986	1,388	12
Other	32,543	285	1,206
Total	¥161,750	¥2,894	¥1,248

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$127,520**	**$33,377**	**$4,162**
Debt securities	**200,070**	**2,254**	**0**
Other	**137,886**	**4,357**	**3,780**
Total	**$465,495**	**$39,989**	**$7,951**

No impairment losses on available-for-sale securities for the years ended March 31, 2016 and 2015 were recognized.

Net unrealized gain on available-for-sale securities for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Valuation differences:			
Available-for-sale securities	**¥ 46,045**	¥ 58,238	**$ 408,635**
Deferred tax liabilities	**(13,740)**	(17,864)	**(121,938)**
Noncontrolling interests	**(24)**	(32)	**(212)**
Net unrealized gain on available-for sale securities	**¥ 32,279**	¥ 40,340	**$ 286,466**

4 MONEY HELD IN TRUST

The carrying amounts and unrealized gains (losses) of money held in trust, as of March 31, 2016 and 2015, were as follows:

Money held in trust held for trading

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Carrying amounts	**¥4,572**	¥5,033	**$40,575**
Unrealized gains (losses) credited to income	**(427)**	257	**(3,789)**

5 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	**¥ 7,829**	¥ 8,999	**$ 69,479**
Loans on notes	**77,246**	81,010	**685,534**
Loans on deeds	**1,534,465**	1,523,316	**13,617,900**
Overdrafts	**168,680**	166,555	**1,496,982**
Total	**¥1,788,221**	¥1,779,883	**$15,869,905**

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥7,838 million ($69,559 thousand) and ¥9,029 million at March 31, 2016 and 2015, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Loans to obligors in bankruptcy	**¥ 2,615**	¥ 1,809	**$ 23,207**
Past due loans	**53,288**	56,885	**472,914**
Restructured loans	**1,858**	3,149	**16,489**
Total	**¥57,763**	¥61,844	**$512,628**

Loans to obligors in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, which are defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans, which include loans classified as “possible bankruptcy” and “virtual bankruptcy.”

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) in which the Companies discontinue the accruing of interest income when substantial doubt is judged to exist as to the ultimate collectability of either principal or interest if they are past due for a certain period or for other reasons.

Accruing loans contractually past due three months or more are loans in which the principal or interest is three months or more past due. The Companies do not have any such loans and bills discounted.

Restructured loans, designed to assist in the recovery of the financial soundness of debtors, are loans on which the Companies granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more are excluded.

6 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**
Buildings	**¥ 7,699**	¥ 6,939	**$ 68,326**
Land	**24,205**	24,584	**214,811**
Leased assets	**12**	12	**106**
Construction in progress	**3**	1,047	**26**
Other	**3,901**	4,083	**34,620**
Total	**¥35,822**	¥36,666	**$317,909**

Accumulated depreciation at March 31, 2016 and 2015, amounted to ¥36,368 million ($322,754 thousand) and ¥36,143 million, respectively.

As of March 31, 2016 and 2015, deferred gains for tax purposes of ¥1,970 million ($17,483 thousand) and ¥1,984 million, respectively, on premises and equipment sold and replaced with similar assets have been deducted from the cost of newly-acquired premises and equipment.

The Companies review their long-lived assets for impairment continuously. As of March 31, 2016 and 2015, the Bank recognized impairment losses of ¥199 million ($1,766 thousand) and ¥258 million as other expense for certain idle fixed assets and assets held for sale due to the carrying amounts of the assets exceeded their recoverable amounts and the carrying amounts of the relevant assets were written down to the recoverable amount.

The Companies principally group operating assets by branch office, which is the minimum unit for management accounting, idle fixed assets and assets held for sale are individually assessed for impairment.

The recoverable amount of operating assets, idle assets and assets held for sale are measured at its net selling price determined by quotations from third-party vendors.

7 INTANGIBLE ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Software	**¥4,056**	¥5,373	**$35,995**
Other	**119**	119	**1,056**
Total	**¥4,175**	¥5,493	**$37,051**

8 CUSTOMERS’ LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ Liabilities for Acceptances and Guarantees” are shown on the asset side representing the Bank’s right of indemnity from the applicants.

9 ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets pledged as collateral:			
Investment securities	¥173,765	¥148,943	$1,542,110
Leased investment assets	1,088	2,019	9,655
Relevant liabilities to above assets:			
Deposits	17,198	13,052	152,626
Call money		30,000	
Payables under securities lending transactions	107,972	31,936	958,217
Borrowed money	20,765	21,624	184,282

In addition, investment securities and others totaling ¥37,504 million ($332,836 thousand) and ¥38,269 million were pledged as collateral or security deposits for exchange settlement and futures contracts at March 31, 2016 and 2015, respectively.

Guarantee deposits on office space amounting to ¥390 million ($3,461 thousand) and ¥453 million were included in other assets at March 31, 2016 and 2015, respectively.

10 LOAN COMMITMENTS

Contracts of overdraft facilities and loan commitment limits are contracts where the Companies lend to customers up to the prescribed limits in response to customers' applications for loans as long as there is no violation of any conditions in the contracts. The unused amounts within the limits totaled ¥590,436 million ($5,239,936 thousand) at March 31, 2016, and ¥578,437 million at March 31, 2015, for these contracts. Of the above, the amounts for which the original agreement period was within a year or agreements which the Companies could cancel at any time without penalty totaled ¥576,436 million ($5,115,690 thousand) at March 31, 2016, and ¥562,771 million at March 31, 2015.

Since many of these commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Companies can refuse a customers' application for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Companies obtain real estate, securities, etc., as collateral if considered necessary. Subsequently, the Companies perform periodic reviews of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees, if necessary.

11 DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current deposits	¥ 86,557	¥ 88,301	$ 768,166
Ordinary deposits	1,522,468	1,478,168	13,511,430
Savings at notice	28,362	29,676	251,703
Deposits at notice	3,581	3,436	31,780
Time deposits	914,534	908,999	8,116,205
Installment savings	9,717	9,446	86,235
Negotiable certificates of deposit	137,273	125,744	1,218,255
Other deposits	41,988	35,191	372,630
Total	¥2,744,484	¥2,678,966	$24,356,443

12 BORROWED MONEY

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Borrowings from other financial institutions	¥29,801	¥30,527	$264,474
Total	¥29,801	¥30,527	$264,474

The weighted average interest rates of Borrowings from other financial institutions were 0.22% and 0.27% at March 31, 2016 and 2015, respectively.

Annual maturities of long-term debt as of March 31, 2016, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥22,761	$201,996
2018	2,637	23,402
2019	1,660	14,731
2020	1,015	9,007
2021	522	4,632
2022 and thereafter	1,203	10,676
Total	¥29,801	$264,474

Please see Note 9 for assets pledged as collateral and their relevant borrowed money.

13 BONDS WITH SUBSCRIPTION RIGHTS TO SHARES

Bonds with subscription rights to shares at March 31, 2016 and 2015, consisted of the following:

	Rate (%)	Millions of Yen		Thousands of U.S. Dollars
		2016	2015	2016
Unsecured convertible bonds with subscription rights to shares, payable in U.S. dollars, due December 2019	Non-interest	¥11,268	¥12,017	$100,000
Total		¥11,268	¥12,017	$100,000

Annual maturities of bonds with subscription rights to shares at March 31, 2016 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017		
2018		
2019		
2020	¥11,268	$100,000
2021		
Total	¥11,268	$100,000

Outline of bonds with subscription rights to shares at March 31, 2016 were follows:

	Unsecured convertible bonds with subscription rights to shares, payable in U.S. dollars, due December 2019
Type of stock involved	Common stock
Issue price of stock acquisition rights	Gratis
Issue price of stock	$4.17
Total amount of issue	U.S. $100,000,000
Total amount of stock acquisition rights exercised	—
Percentage of stock acquisition right granted	100.0%
Exercise period of stock acquisition rights	From January 5, 2015 to December 4, 2019

Upon exercise of the subscription rights to shares from the bondholders, the bonds related to the subscription rights to shares shall be used to pay, and the value of the bonds to be used for payment shall be equal to the face value.

14 RETIREMENT AND PENSION PLANS

The Companies have severance payment plans for employees, directors and Audit & Supervisory Board members. The Bank terminated its retirement benefits plan for directors and Audit & Supervisory Board members at the Bank's general shareholders meeting held on June 26, 2012.

Under most circumstances, employees whose service with the Companies is terminated are entitled to retirement and pension benefits determined by reference to base rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for retirement benefits for directors and Audit & Supervisory Board members of consolidated subsidiaries is ¥44 million ($390 thousand) and ¥41 million at March 31, 2016 and 2015, respectively.

(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)	**¥30,159**	¥30,588	**$267,651**
Cumulative effect of accounting change		(550)	
Balance at beginning of year (as restated)	**30,159**	30,037	**267,651**
Current service cost	**920**	843	**8,164**
Interest cost	**449**	447	**3,984**
Actuarial losses	**4,114**	599	**36,510**
Benefits paid	**(1,704)**	(1,768)	**(15,122)**
Balance at end of year	**¥33,939**	¥30,159	**$301,198**

(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	**¥32,378**	¥28,429	**$287,344**
Expected return on plan assets	**454**	294	**4,029**
Actuarial gains (losses)	**(1,308)**	2,368	**(11,608)**
Contributions from the employer	**523**	1,994	**4,641**
Benefits paid	**(752)**	(708)	**(6,673)**
Contributions to retirement benefit trust	**3,000**		**26,624**
Balance at end of year	**¥34,293**	¥32,378	**$304,339**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Funded defined benefit obligation	**¥ 33,728**	¥ 19,733	**$ 299,325**
Plan assets	**(34,293)**	(32,378)	**(304,339)**
Total	**(565)**	(12,644)	**(5,014)**
Unfunded defined benefit obligation	**210**	10,425	**1,863**
Net liability (asset) arising from defined benefit obligation	**¥ (354)**	¥ (2,218)	**$ (3,141)**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Liability for retirement benefits	**¥ 8,137**	¥ 10,425	**$ 72,213**
Asset for retirement benefits	**(8,492)**	(12,644)	**(75,363)**
Net liability (asset) arising from defined benefit obligation	**¥ (354)**	¥ (2,218)	**$ (3,141)**

(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	**¥ 920**	¥ 843	**$ 8,164**
Interest cost	**449**	447	**3,984**
Expected return on plan assets	**(454)**	(294)	**(4,029)**
Amortization of prior service cost	**(145)**	(145)	**(1,286)**
Recognized actuarial losses	**196**	423	**1,739**
Net periodic benefit costs	**¥ 965**	¥1,274	**$ 8,564**

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Prior service cost	**¥ (145)**	¥ (145)	**$ (1,286)**
Actuarial losses	**(5,227)**	2,192	**(46,388)**
Total	**¥(5,372)**	¥2,047	**$(47,674)**

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized prior service cost		¥(145)	
Unrecognized actuarial losses	**¥5,717**	490	**$50,736**
Total	**¥5,717**	¥ 344	**$50,736**

(7) Plan assets

a. Components of plan assets

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

	2016	2015
Debt investments	**26%**	33%
Equity investments	**36**	42
Cash and cash equivalents	**4**	3
Others	**34**	22
Total	**100%**	100%

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

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

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

	2016	2015
Discount rate	**0.6%**	1.5%
Expected rate of return on plan assets	**2.0**	1.5
Expected rate of salary increases	**6.2**	6.2

15 EQUITY

Japanese companies 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. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

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

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

16 STOCK OPTIONS

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	9 directors (excluding outside directors) of the Bank	179,700 shares	August 6, 2012	¥1 ($0.01)	From August 7, 2012 to August 6, 2042
2013 Stock Option	10 directors (excluding outside directors) of the Bank	144,800 shares	August 19, 2013	¥1 ($0.01)	From August 20, 2013 to August 19, 2043
2014 Stock Option	8 directors (excluding non-permanent directors) and 8 executive officers of the Bank	162,100 shares	August 18, 2014	¥1 ($0.01)	From August 19, 2014 to August 18, 2044
2015 Stock Option	7 directors (excluding non-permanent directors) and 7 executive officers of the Bank	106,700 shares	August 17, 2015	¥1 ($0.01)	From August 18, 2015 to August 17, 2045

The stock option activity during the year ended March 31, 2016, was as follows:

Year Ended March 31, 2016	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
	(Shares)	(Shares)	(Shares)	(Shares)
Non-vested				
March 31, 2015- Outstanding	134,700	130,200	162,100	
Granted				106,700
Canceled				
Vested	61,300	49,700	58,700	
March 31, 2016- Outstanding	73,400	80,500	103,400	106,700
Vested				
March 31, 2015- Outstanding				
Vested	61,300	49,700	58,700	
Exercised	61,300	49,700	58,700	
Canceled				
March 31, 2016- Outstanding				
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥527	¥527	¥529	—
Fair value price at grant date	¥215	¥279	¥359	¥521

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

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	29.80%
Estimated remaining outstanding period:	Four years and one month
Estimated dividend:	¥7 per share
Risk free interest rate:	0.07%

17 INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 32.8% and 35.3% for the years ended March 31, 2016 and 2015, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Reserve for possible loan losses	**¥ 9,045**	¥ 9,284	**$ 80,271**
Liability for employees' retirement benefits	**3,015**	1,625	**26,757**
Depreciation	**1,948**	1,772	**17,287**
Other	**3,985**	4,366	**35,365**
Less valuation allowance	**(6,473)**	(7,676)	**(57,445)**
Total	**11,520**	9,372	**102,236**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(13,740)**	(17,864)	**(121,938)**
Unrealized gain on employees' retirement benefit trust	**(1,599)**	(1,683)	**(14,190)**
Other	**(50)**	(56)	**(443)**
Total	**(15,390)**	(19,604)	**(136,581)**
Net deferred tax assets (liability)	**¥ (3,870)**	¥(10,232)	**$ (34,345)**

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

	2016	2015
Normal effective statutory tax rate	**32.8%**	35.3%
Expenses not deductible for income tax purposes	**0.5**	0.8
Income not taxable for income tax purposes	**(0.7)**	(1.1)
Effect of change in tax rate	**2.2**	3.2
Valuation allowance	**(5.7)**	(1.6)
Other-net	**0.6**	1.5
Actual effective tax rate	**29.7%**	38.1%

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 and 2017, to approximately 30.6% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.4%. The effect of these changes was to decrease deferred tax assets and deferred tax liabilities by ¥533 million ($4,730 thousand) and ¥807 million ($7,161 thousand), respectively, and increase unrealized gain on available-for-sale securities by ¥721 million ($6,398 thousand) and land revaluation surplus by ¥253 million ($2,245 thousand), with a decrease of ¥253 million ($2,245 thousand) in related deferred tax liability, 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 ¥328 million ($2,910 thousand).

18 OTHER 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 gain (loss) on available-for-sale securities:			
Gains arising during the year	**¥ (8,887)**	¥26,432	**$ (78,869)**
Reclassification adjustments to profit or loss	**(3,305)**	(1,478)	**(29,330)**
Amount before income tax effect	**(12,193)**	24,954	**(108,209)**
Income tax effect	**4,124**	(6,605)	**36,599**
Total	**¥ (8,069)**	¥18,348	**$ (71,609)**
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	**¥ (348)**	¥ (301)	**$ (3,088)**
Reclassification adjustments to profit or loss	**382**	411	**3,390**
Amount before income tax effect	**34**	110	**301**
Income tax effect	**(38)**	(95)	**(337)**
Total	**¥ (3)**	¥ 15	**$ (26)**
Land revaluation excess:			
Reclassification adjustments to profit or loss			
Amount before income tax effect			
Income tax effect	**¥ 253**	¥ 534	**$ 2,245**
Total	**¥ 253**	¥ 534	**$ 2,245**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥ (5,423)**	¥ 1,768	**$ (48,127)**
Reclassification adjustments to profit or loss	**50**	278	**443**
Amount before income tax effect	**(5,372)**	2,047	**(47,674)**
Income tax effect	**1,630**	(735)	**14,465**
Total	**¥ (3,741)**	¥ 1,311	**$ (33,200)**
Total other comprehensive income (loss)	**¥(11,560)**	¥20,209	**$(102,591)**

19 CASH AND CASH EQUIVALENTS

The reconciliation of cash and due from banks in the consolidated balance sheet to cash and cash equivalents at March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Cash and due from banks	**¥180,909**	¥100,784	**$1,605,511**
Less deposits in other banks except for the Bank of Japan	**(496)**	(1,337)	**(4,401)**
Cash and cash equivalents, end of year	**¥180,413**	¥ 99,446	**$1,601,109**

20 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Bank Policy for Financial Instruments

The Bank's operations mainly include accepting deposits, providing loans, discounting bills, and buying and selling marketable securities and other financial instruments. Through these activities, the Bank holds substantial financial assets and financial liabilities that are subject to fluctuations in interest rates. To protect itself from the negative effects of interest rate fluctuations, the Bank conducts derivative transactions as part of its asset and liability management (ALM) activities.

In addition, the consolidated subsidiaries that engage in leasing and credit card businesses handle financial instruments as their principal business.

(2) Nature and Extent of Risks Arising from Financial Instruments

Of the principal financial assets held by the Companies, loans are subject to credit risk, or default on the part of the customer. The Companies hold trading account securities and investment securities, for holding to maturity and for purely trading purposes, as well as to promote business activities. These securities are subject to issuer credit risk, interest rate fluctuation risk and market price fluctuation risk.

Of financial liabilities, deposits and borrowed money are subject to liquidity risk, or the possibility that the Companies may become unable to meet payment obligations when due in the event that they become unable to utilize markets in certain circumstances.

Among derivative transactions, the Bank employs interest rate swap transactions to hedge risk using ALM. To offset the risk of interest rate increases, the Bank employs variable receipt/fixed payment interest rate swap transactions on loans bearing long-term, fixed rates of interest, and securities.

With respect to currencies, the Bank employs currency swap transactions, forward exchange contracts and coupon swap transactions, primarily to hedge the exchange rate fluctuation risks on foreign currency assets and liabilities.

The Bank engages in bond futures transactions, mainly as part of its dealing operations. With regard to the methods of hedge accounting for interest risks on financial assets and liabilities, the Bank employs deferred hedge accounting as provided in JICPA Industry Audit Committee Report No. 24. To evaluate hedging effectiveness, for hedges designed to offset market fluctuations, the Bank performs specified evaluations of hedged loans at individual hedge stages grouped by (remaining) term.

The consolidated subsidiaries do not conduct derivative transactions.

(3) Risk Management for Financial Instruments

Credit risk management

The Bank has in place various provisions, including a Credit Risk Management Policy and Credit Risk Management Provisions. These provisions, which extent beyond lending activities and include market transactions and off-balance-sheet assets, are in place to manage credit risks related to all manner of banking operations. For each activity, the Bank conducts credit screenings, manages credit limits, manages credit information and employs an internal rating system. The Bank also has in place a credit management system to support management improvements and handle loans that have become delinquent or present collection difficulties. The consolidated subsidiaries also have in place various credit risk management and other provisions. They act in accordance with these provisions to manage credit risks appropriately.

To manage these credit risks, the Companies have established credit risk management divisions, including screening divisions, credit management divisions and problem loan management divisions. The Bank's Credit Risk Management Division takes overall responsibility for credit risk management, including the status of credit risk and accompanying problems.

With regard to credit screening, the Bank's Audit Division checks the Loan Division and consolidated subsidiaries' risk management divisions to ascertain the appropriateness of credit risk management.

Market risk management

The Bank has in place a system for managing market risk. All items that require market risk management, including deposit and loan transactions, market transactions and off-balance-sheet transactions, are managed in accordance with the Bank's Market Risk Management Policy and Market Risk Management Provisions. The ALM divisions manage market risk related to deposits and loans, while market-related divisions mainly manage market risk related to market transactions. The Bank's Risk Management Division provides comprehensive reports to the ALM Risk Management Committee indicating risk amounts, stress test results and other information. Market Risk Management Policies and Provisions are also in place at consolidated subsidiaries, in line with each company's risk profile. In this manner, systems are in place to ensure the appropriate management of market risk.

The market risk management divisions of the Companies manage market risks in this way and the Bank's Risk Management Division serves as the central division for the management of market risk and addressing related problems.

With regard to audits of market risk management, the Audit Division performs checks to determine the appropriateness of market risk management.

(Quantitative information concerning market risks)

Major financial instruments held by the Bank, which are subject to the primary risk parameters such as interest rate risk and price fluctuation risk, are loans, securities (held-to-maturity debt securities and other securities), deposits and negotiable certificates of deposit, and interest rate swap transactions in derivative transactions.

For these financial assets and financial liabilities, the Bank estimates the amount of loss that they will have after specific periods of time by using a statistical method and assumes it as the market risk quantities. Also, the bank employs it as a quantitative analysis to manage the risk of interest rate and price fluctuation. Value at Risk (VaR) is used to calculate the impact amount.

A historical simulation model has been adopted for the current fiscal year to measure VaR. The conditions are an observation period of 1,250 business days, a confidence interval of 99%, and a holding period of 60 business days (125 business days for strategic holdings).

As of March 31, 2016, the Bank's market risk (estimated loss value) on major financial instruments was ¥31,847 million ($282,632 thousand). Of this amount, ¥21,759 million ($193,104 thousand) was attributable to securities and ¥10,087 million ($89,518 thousand) was attributable to instruments other than securities, such as deposits and loans.

The Bank also conducts back-testing, comparing the VaR calculated using this model with actual profits or losses. During the consolidated fiscal year under review, back-testing demonstrated that its approximation model was sufficiently precise to capture market risk.

However, it is important to recognize that VaR estimation is a calculation based on a statistical process, and that results may differ depending on the preconditions and calculation methods used. Further, this process does not forecast maximum losses, and future market conditions may differ substantially from past conditions.

Furthermore, quantitative analysis is not applied to certain financial instruments whose impact is immaterial or those held by consolidated subsidiaries.

Liquidity risk management

The Bank manages liquidity risk in accordance with its Liquidity Risk Management Policy and Liquidity Risk Management Provisions. The Market Financing Division manages cash on a daily basis, and the Risk Management Division, which serves as the management division, monitors this risk, providing comprehensive reports to the ALM Risk Management Committee including the status of risks, the status of assets available for payment, the results of stress tests and other information.

With regard to audits of liquidity risk management, the Audit Division checks to determine the appropriateness of liquidity risk management conducted by the Market Financing Division and Risk Management Division.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Please see Note 21 for the details of fair value for derivatives.

(a) Fair value of financial instruments

March 31, 2016	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and due from banks	¥ 180,909	¥ 180,909	
Investment securities:			
Held-to-maturity securities	198	205	¥ 6
Available-for-sale securities	1,094,286	1,094,286	
Loans and bills discounted	1,788,221		
Reserve for possible loan losses (*1)	(25,513)		
	1,762,708	1,781,456	18,748
Total	¥3,038,103	¥3,056,858	¥18,754
Deposits	¥2,744,484	¥2,744,717	¥ (233)
Payables under securities lending transactions	107,972	107,972	
Borrowed money	29,801	29,801	
Total	¥2,882,258	¥2,882,492	¥ (233)
Derivative instruments (*2):			
Hedge accounting is not applied	¥ 6,055	¥ 6,055	
Hedge accounting is applied	(1,669)	(1,669)	
Total	¥ 4,385	¥ 4,385	

March 31, 2015	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and due from banks	¥ 100,784	¥ 100,784	
Investment securities:			
Held-to-maturity securities	1,198	1,205	¥ 6
Available-for-sale securities	1,090,835	1,090,835	
Loans and bills discounted	1,779,883		
Reserve for possible loan losses (*1)	(26,012)		
	1,753,870	1,764,780	10,909
Total	¥2,946,688	¥2,957,604	¥10,916
Deposits	¥2,678,966	¥2,679,275	¥ (309)
Call money	38,411	38,411	
Payables under securities lending transactions	31,936	31,936	
Borrowed money	30,527	30,527	
Total	¥2,779,841	¥2,780,151	¥ (309)
Derivative instruments (*2):			
Hedge accounting is not applied	¥ (4,402)	¥ (4,402)	
Hedge accounting is applied	(1,704)	(1,704)	
Total	¥ (6,106)	¥ (6,106)	

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and due from banks	$ 1,605,511	$ 1,605,511	
Investment securities:			
Held-to-maturity securities	1,757	1,819	$ 53
Available-for-sale securities	9,711,448	9,711,448	
Loans and bills discounted	15,869,905		
Reserve for possible loan losses (*1)	(226,419)		
	15,643,485	15,809,868	166,382
Total	$26,962,220	$27,128,665	$166,435
Deposits	$24,356,443	$24,358,510	$ (2,067)
Payables under securities lending transactions	958,217	958,217	
Borrowed money	264,474	264,474	
Total	$25,579,144	$25,581,221	$ (2,067)
Derivative instruments (*2):			
Hedge accounting is not applied	$ 53,736	$ 53,736	
Hedge accounting is applied	(14,811)	(14,811)	
Total	$ 38,915	$ 38,915	

(*1) Reserve for possible loan losses relevant to loans and bills discounted have been deducted.
(*2) Derivative instruments are disclosed in the net amount of assets and liabilities.

Cash and Due from Banks

With regard to amounts due from banks that have not matured and short-term due from banks, as these instruments are settled within a short term and their fair value and book value are nearly identical, their book value is assumed to be their fair value. Long-term due from banks with maturities are segmented according to deposit period, and fair value is calculated by discounting them to their present value, using an assumed rate of interest on new amounts due from banks of the same type.

Investment Securities

The fair value of equity securities is determined by their prices on stock exchanges. The fair value of bonds is determined by their prices on exchanges or at rates indicated by financial institutions handling these transactions for the Bank. The fair value of investment trusts is based on the base value publicly disclosed.

Privately placed bonds guaranteed by the Bank are segmented according to internal rating and term, and fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new issue bonds of the same type.

For information pertaining to investment securities by holding purpose, please refer to Note 3.

Loans and Bills Discounted

As loans with floating rates of interest reflect market rates of interest in the short term, unless credit conditions of the lending entity have changed significantly after lending the loans, their fair value and book value are nearly identical, so their book value is assumed to be their fair value. Fixed-rate loans are segmented by loan type, internal rating and period, and their fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new lendings of the same type. However, for items with a short commitment term (within three months), as their fair value and book value are nearly identical, their book value is assumed as their fair value.

The fair value of loans lended to entities that are classified as legal bankruptcy, virtual bankruptcy or possible bankruptcy are determined according to the current value of expected future cash flows or the amount of collateral that is expected to be recoverable or guarantee amounts that are determined to be recoverable. As these amounts are nearly identical to the book value after deducting the allowance for doubtful accounts, these amounts are assumed as their fair value.

For loans that are fully secured by collateral and that have no specified repayment term, since, in terms of their expected repayment periods and interest conditions their fair value and book value are nearly identical, their book value is assumed to be their fair value.

Deposits

For demand deposits, fair value is assumed to be the amount to be paid when demanded on the balance sheet date (i.e., the book value). The fair value of time deposits is determined by segmenting such deposits by term and discounting future cash flows to their current value. The discount rate used is the rate of interest on new deposits of the same type. As the term on deposits is short (within three months), their fair value and book value are nearly identical, so their book value is assumed as their fair value.

Call Money and Payables under Securities Lending Transactions

For items with a short commitment term (within three months), as their fair value and book value are nearly identical, their book value is assumed to be their fair value.

Borrowed Money

For borrowed money, interest rates on floating-rate borrowings reflect market interest rates in the short term. Assuming that credit conditions of the Companies have not changed significantly since the time of borrowing, their fair value and book value are nearly identical, so their book value is assumed to be their fair value. Such borrowings with fixed interest rates are segmented by term, the total amount of principal and interest on the borrowed money is divided by time period, and their present value is calculated by discounting according to the assumed interest rate. For items with a short commitment term (within three months), as their fair value and book value are nearly identical, their book value is assumed to be their fair value.

Derivatives

Fair value information for derivatives is included in Note 21.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Equity securities	**¥2,237**	¥2,369	**$19,852**
Other	**5,328**	5,176	**47,284**
Total	**¥7,566**	¥7,546	**$67,145**

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Due from banks	**¥146,728**			
Investment securities:				
Held-to-maturity securities		**¥ 200**		
Available-for-sale securities	**138,194**	**468,871**	**¥355,557**	**¥ 37,863**
Loans and bills discounted (*1)	**588,023**	**472,313**	**312,256**	**364,030**
Total	**¥872,946**	**¥941,386**	**¥667,815**	**¥401,893**

	Millions of Yen			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Due from banks	¥ 64,279			
Investment securities:				
Held-to-maturity securities	1,000	¥ 100	¥ 100	
Available-for-sale securities	125,920	503,837	327,331	¥ 28,931
Loans and bills discounted (*1)	556,085	484,882	337,767	346,999
Total	¥747,285	¥988,820	¥665,199	¥375,931

	Thousands of U.S. Dollars			
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Due from banks	**$1,302,165**			
Investment securities:				
Held-to-maturity securities		**$ 1,774**		
Available-for-sale securities	**1,226,428**	**4,161,084**	**$3,155,457**	**$ 336,022**
Loans and bills discounted (*1)	**5,218,521**	**4,191,631**	**2,771,175**	**3,230,653**
Total	**$7,747,124**	**$8,354,508**	**$5,926,650**	**$3,566,675**

(*1) Excluded from the loan amount for the years ended March 31, 2016 and 2015, were ¥51,596 million ($457,898 thousand) and ¥54,148 million, respectively, in loans classified as "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy" on which the redemption amount cannot be forecasted.

(6) Maturity Analysis for Deposits with Contractual Maturities

	Millions of Yen			
March 31, 2016	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	**¥2,470,767**	**¥271,452**	**¥2,264**	

	Millions of Yen			
March 31, 2015	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	¥2,430,373	¥246,476	¥2,115	

	Thousands of U.S. Dollars			
March 31, 2016	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	**$21,927,289**	**$2,409,052**	**$20,092**	

Please see Note 12 for annual maturities of borrowed money.

21 DERIVATIVES

It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities.

The Bank enters into interest rate swaps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency swaps to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest and foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform under a contract. Because the counterparties to these derivatives are limited to major financial institutions and securities companies, the Bank does not anticipate material losses arising from credit risk.

Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions (the Market Financing Division) are clearly separated, while the Asset and Liabilities Management Office synthetically manages the Bank's market risks. In this manner, an internal monitoring system is effectively secured. Derivative transactions entered into by the Bank have been made in accordance with internal policies, which regulate the trading activities, and credit risk management has formal risk limits and credit lines. The Bank's gains and losses on positions and other conditions are periodically reported to management.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Currency swaps	**¥ 45,072**	**¥ 45,072**	**¥1,619**	**¥1,619**
Coupon swaps	**180,650**	**127,462**	**53**	**53**
Foreign currency forward contracts:				
Selling	**88,528**	**48**	**4,047**	**4,047**
Buying	**18,979**		**334**	**334**

March 31, 2015	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency swaps	¥ 30,282	¥12,017	¥(2,748)	¥(2,748)
Coupon swaps	174,092	46,330	49	49
Foreign currency forward contracts:				
Selling	93,626	5,080	(2,680)	(2,680)
Buying	15,591	4,899	977	977

March 31, 2016	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Currency swaps	**$ 400,000**	**$ 400,000**	**$14,368**	**$14,368**
Coupon swaps	**1,603,212**	**1,131,185**	**470**	**470**
Foreign currency forward contracts:				
Selling	**785,658**	**425**	**35,915**	**35,915**
Buying	**168,432**		**2,964**	**2,964**

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2016	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps				
(floating rate payment, fixed rate receipt)	**Loans and bills discounted**	**¥ 7,000**	**¥ 7,000**	**¥ 375**
(fixed rate payment, floating rate receipt)		**26,451**	**25,808**	**(2,045)**

March 31, 2015	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps				
(floating rate payment, fixed rate receipt)	Loans and bills discounted	¥ 7,000	¥ 7,000	¥ 179
(fixed rate payment, floating rate receipt)		30,658	28,950	(1,884)

March 31, 2016	Thousands of U.S. Dollars Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps				
(floating rate payment, fixed rate receipt)	**Loans and bills discounted**	**$ 62,122**	**$ 62,122**	**$ 3,328**
(fixed rate payment, floating rate receipt)		**234,744**	**229,037**	**(18,148)**

The fair value of derivative transactions is calculated by discounting them to their present value.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

22 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 Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how management resources are allocated and in assessing performance. The Companies concentrate on the banking business, and also conduct other financial services including the leasing and the credit-card business. Therefore, the Companies' reportable segments consist of Banking and Lease.

(2) Methods of Measurement for the Amounts of Ordinary 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 Ordinary Income, Profit, Assets and Other Items

	Millions of Yen						
	2016						
	Reportable Segment						
	Banking	Lease	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Ordinary income from external customers	**¥ 50,178**	**¥ 8,101**	**¥ 58,280**	**¥ 1,955**	**¥ 60,235**	**¥ (143)**	**¥ 60,092**
Intersegment ordinary income	**214**	**418**	**632**	**992**	**1,625**	**(1,625)**	
Total	**¥ 50,393**	**¥ 8,519**	**¥ 58,912**	**¥ 2,947**	**¥ 61,860**	**¥ (1,768)**	**¥ 60,092**
Segment profit	**¥ 13,059**	**¥ 496**	**¥ 13,555**	**¥ 1,003**	**¥ 14,558**	**¥ 14**	**¥ 14,573**
Segment assets	**3,142,530**	**23,230**	**3,165,760**	**14,774**	**3,180,534**	**(18,461)**	**3,162,073**
Other:							
Depreciation	**3,904**	**79**	**3,983**	**52**	**4,036**	**(4)**	**4,031**
Total interest income	**36,607**	**11**	**36,618**	**1,002**	**37,621**	**(519)**	**37,102**
Total interest expenses	**1,802**	**99**	**1,901**	**6**	**1,908**	**(65)**	**1,842**
Increase in premises and equipment and intangible assets	**2,370**	**72**	**2,443**	**32**	**2,475**	**(3)**	**2,471**
Impairment losses of assets	**199**		**199**		**199**		**199**

	Millions of Yen						
	2015						
	Reportable Segment						
	Banking	Lease	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Ordinary income from external customers	¥ 51,801	¥ 8,298	¥ 60,100	¥ 1,790	¥ 61,891	¥ (64)	¥ 61,826
Intersegment ordinary income	175	486	661	933	1,594	(1,594)	
Total	¥ 51,976	¥ 8,785	¥ 60,762	¥ 2,723	¥ 63,486	¥ (1,659)	¥ 61,826
Segment profit	¥ 14,976	¥ 616	¥ 15,592	¥ 850	¥ 16,443	¥ 3	¥ 16,446
Segment assets	3,056,614	22,533	3,079,148	13,879	3,093,027	(16,040)	3,076,987
Other:							
Depreciation	3,574	78	3,653	50	3,703	(3)	3,699
Total interest income	35,908	15	35,923	975	36,899	(463)	36,435
Total interest expenses	1,998	113	2,111	6	2,118	(71)	2,047
Increase in premises and equipment and intangible assets	3,654	72	3,726	83	3,809	(5)	3,804
Impairment losses of assets	258		258		258		258

	Thousands of U.S. Dollars						
	2016						
	Reportable Segment						
	Banking	Lease	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Ordinary income from external customers	**$ 445,314**	**$ 71,893**	**$ 517,216**	**$ 17,350**	**$ 534,566**	**$ (1,269)**	**$ 533,297**
Intersegment ordinary income	**1,899**	**3,709**	**5,608**	**8,803**	**14,421**	**(14,421)**	
Total	**$ 447,222**	**$ 75,603**	**$ 522,825**	**$ 26,153**	**$ 548,988**	**$ (15,690)**	**$ 533,297**
Segment profit	**$ 115,894**	**$ 4,401**	**$ 120,296**	**$ 8,901**	**$ 129,197**	**$ 124**	**$ 129,330**
Segment assets	**27,888,977**	**206,159**	**28,095,136**	**131,114**	**28,226,251**	**(163,835)**	**28,062,415**
Other:							
Depreciation	**34,646**	**701**	**35,347**	**461**	**35,818**	**(35)**	**35,773**
Total interest income	**324,875**	**97**	**324,973**	**8,892**	**333,874**	**(4,605)**	**329,268**
Total interest expenses	**15,992**	**878**	**16,870**	**53**	**16,932**	**(576)**	**16,347**
Increase in premises and equipment and intangible assets	**21,033**	**638**	**21,680**	**283**	**21,964**	**(26)**	**21,929**
Impairment losses of assets	**1,766**		**1,766**		**1,766**		**1,766**

Notes: 1. The “Other” segment contains businesses that are not included in these reporting segments, such as the credit card business.
2. Adjustment amounts for the years ended March 31, 2016 and 2015, were as follows:
(1) A downward reconciliation in ordinary income from external customers of ¥143 million ($1,269 thousand) and ¥64 million was made to the adjust gain on reversal of reserve for possible loan losses.
(2) Segment profit reconciliations of ¥14 million ($124 thousand) and ¥3 million were made to eliminate intersegment transactions.
(3) A downward reconciliation in segment assets of ¥18,461 million ($163,835 thousand) and ¥16,040 million was made to eliminate intersegment transactions.
(4) A downward reconciliation in depreciation of ¥4 million ($35 thousand) and ¥3 million was made to eliminate intersegment transactions.
(5) A downward reconciliation in total interest income of ¥519 million ($4,605 thousand) and ¥463 million was made to eliminate intersegment transactions.
(6) A downward reconciliation in total interest expenses of ¥65 million ($576 thousand) and ¥71 million was made to eliminate intersegment transactions.
(7) A downward reconciliation in increase in premises and equipment and intangible assets of ¥3 million ($26 thousand) and ¥5 million was made to eliminate intersegment transactions.
3. Segment profit is reflected as an adjustment to ordinary profit.
4. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
“Ordinary profits” means “Ordinary income” less “Ordinary expenses.”
“Ordinary income” represents total income less certain special income included in other income in the accompanying consolidated statement of income for the year ended March 31, 2016.
“Ordinary expenses” represents total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of income for the years ended March 31, 2016 and 2015.

Related Information

(1) Information by Services

Income regarding major service for the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Loan Businesses	**¥24,327**	¥24,140	**$215,894**
Securities Investment Businesses	**17,097**	15,047	**151,730**
Other	**18,667**	22,638	**165,663**
Total	**¥60,092**	¥61,826	**$533,297**

(2) Geographical Information

(a) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total ordinary income on the consolidated statement of income for the years ended March 31, 2016 and 2015; therefore, geographical ordinary income information is not presented.

(b) Premises and equipment

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment in the consolidated balance sheet at March 31, 2016 and 2015; therefore, geographical premises and equipment information is not presented.

(3) Major Customer Information

Ordinary income from a specific customer did not reach 10% of total ordinary income in the consolidated statement of income for the years ended March 31, 2016 and 2015; therefore, major customer information is not presented.

23 RELATED PARTY TRANSACTIONS

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

		Transactions for the Year		Balance at End of Year	
		Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Related Party	Account Classification	**2016**		**2016**	
Tamanoyu Co., Ltd.	Loans and bills discounted	**¥ 19**	**$ 168**	**¥ 30**	**$ 266**
Tamanoyu Sangyou Co., Ltd.	Loans and bills discounted	**123**	**1,091**	**114**	**1,011**

Notes: 1. A director of the Bank and its close relatives own 100% of voting rights of Tamanoyu Co., Ltd. and Tamanoyu Sangyou Co., Ltd.
2. Terms are substantially the same as for similar transactions with third parties.
3. Amounts of transactions were reported at the average balance for the period.

		Transactions for the Year	Balance at End of Year
		Millions of Yen	Millions of Yen
Related Party	Account Classification	2015	2015
Tamanoyu Co., Ltd.	Loans and bills discounted	¥ 36	¥ 30
Tamanoyu Sangyou Co., Ltd.	Loans and bills discounted	142	132

Notes: 1. The close relatives of a director of the Bank own 100% of voting rights of Tamanoyu Co., Ltd. and Tamanoyu Sangyou Co., Ltd.
2. Terms are substantially the same as for similar transactions with third parties.
3. Amounts of transactions were reported at the average balance for the period.

24 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
Year Ended March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥9,736**	**154,921**	**¥62.84**	**$ 0.55**
Effect of dilutive securities: Stock Option		**24,339**	**(8.53)**	**(0.07)**
Diluted EPS—Net income for computation	**¥9,736**	**179,260**	**¥54.31**	**$ 0.48**
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥9,664	158,747	¥60.88	
Effect of dilutive securities: Stock Option		7,189	(2.64)	
Diluted EPS—Net income for computation	¥9,664	165,936	¥58.24	

As noted in Note 2.b, the Bank applied the revised accounting standard 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, effective April 1, 2015, and (d) provisional accounting treatments for a business combination which occurred on or after April 1, 2015.

As a result, basic and diluted EPS for the year ended March 31, 2016, decreased by ¥19.51 ($0.17) and ¥16.86 ($0.14), respectively.

25 SUBSEQUENT EVENT

At the Bank's general shareholders meeting held on June 28, 2016, the Bank's shareholders' approved the following:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.03) per share	**¥550**	**$4,881**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of THE OITA BANK, Ltd.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 28, 2016

Member of
Deloitte Touche Tohmatsu Limited

Summary of Nonconsolidated Balance Sheet (Unaudited)

THE OITA BANK, LTD.
March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
ASSETS:			
Cash and due from banks	**¥ 180,883**	¥ 99,931	**$ 1,605,280**
Commercial paper and other debt purchased	**7,481**	7,839	**66,391**
Trading account securities	**26**	16	**230**
Money held in trust	**4,572**	5,033	**40,575**
Investment securities	**1,106,088**	1,100,553	**9,816,187**
Loans and bills discounted	**1,794,575**	1,785,875	**15,926,295**
Foreign exchange assets	**3,389**	4,186	**30,076**
Other assets	**13,443**	10,041	**119,302**
Premises and equipment	**34,086**	35,069	**302,502**
Intangible assets	**4,049**	5,342	**35,933**
Prepaid pension cost	**12,553**	12,283	**11,403**
Customers' liabilities for acceptances and guarantees	**16,884**	20,383	**149,840**
Reserve for possible loan losses	**(27,159)**	(27,720)	**(241,027)**
TOTAL	**¥3,150,876**	¥3,058,836	**$27,963,045**
LIABILITIES:			
Deposits	**¥2,755,872**	¥2,688,177	**$24,457,507**
Call money		38,411	
Payables under securities lending transactions	**107,972**	31,936	**958,217**
Borrowed money	**22,266**	22,901	**197,603**
Foreign exchange liabilities	**24**	17	**212**
Bonds with subscription rights to shares	**11,268**	12,017	**100,000**
Other liabilities	**36,486**	37,815	**323,801**
Liability for retirement benefits	**6,271**	9,505	**55,653**
Reserve for reimbursement of deposits	**1,346**	1,349	**11,945**
Deferred tax liabilities	**6,689**	11,556	**59,362**
Deferred tax liabilities for land revaluation excess	**4,843**	5,170	**42,980**
Acceptances and guarantees	**16,884**	20,383	**149,840**
Total liabilities	**2,969,925**	2,879,239	**26,357,161**
EQUITY:			
Common stock- authorized, 300,000,000 shares; issued, 162,436,342 shares in 2016 and 2015	**19,598**	19,598	**173,926**
Capital surplus	**10,623**	10,582	**94,275**
Stock acquisition rights	**130**	123	**1,153**
Retained earnings:			
Legal reserve	**10,431**	10,431	**92,571**
Unappropriated	**102,126**	94,112	**906,336**
Total retained earnings	**112,557**	104,543	**998,908**
Unrealized gain on available-for-sale securities	**32,248**	40,301	**286,190**
Deferred loss on derivatives under hedge accounting	**(1,161)**	(1,157)	**(10,303)**
Land revaluation excess	**9,329**	9,158	**82,791**
Treasury stock- at cost, 5,233,034 shares in 2016 and 7,987,641 shares in 2015	**(2,375)**	(3,552)	**(21,077)**
Total equity	**180,951**	179,596	**1,605,883**
TOTAL	**¥3,150,876**	¥3,058,836	**$27,963,045**

Note: Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at the rate of ¥112.68=U.S. $1, the approximate exchange rate prevailing at March 31, 2016.

Summary of Nonconsolidated Statement of Income (Unaudited)

THE OITA BANK, LTD.
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
INCOME:			
Interest on:			
Loans and discounts	**¥23,916**	¥23,676	**$212,247**
Securities	**12,582**	12,134	**111,661**
Other	**121**	110	**1,073**
Total interest income	**36,619**	35,921	**324,982**
Fees and commissions	**8,119**	7,670	**72,053**
Other operating income	**685**	1,524	**6,079**
Reversal of reserve for possible loan losses		4,036	
Gains on sales of stocks and other securities	**3,792**	1,386	**33,652**
Other income	**1,125**	1,376	**9,984**
Total income	**50,343**	51,914	**446,778**
EXPENSES:			
Interest on:			
Deposits	**1,171**	1,305	**10,392**
Borrowings and rediscounts	**35**	188	**310**
Other	**590**	499	**5,236**
Total interest expenses	**1,797**	1,992	**15,947**
Fees and commissions	**2,026**	1,859	**17,980**
Other operating expenses	**1,118**	1,576	**9,921**
General and administrative expenses	**30,570**	30,937	**271,299**
Other expenses	**2,098**	1,003	**18,619**
Total expenses	**37,611**	37,370	**333,785**
INCOME BEFORE INCOME TAXES	**12,732**	14,544	**112,992**
INCOME TAXES:			
Current	**4,502**	1,958	**39,953**
Deferred	**(864)**	3,594	**(7,667)**
Total income taxes	**3,638**	5,553	**32,286**
NET INCOME	**¥ 9,093**	¥ 8,990	**$ 80,697**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income	**¥ 58.70**	¥ 56.63	**$ 0.52**
Diluted net income	**50.73**	54.18	**0.45**
Cash dividends applicable to the year	**7.00**	7.00	**0.06**

Note: Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at the rate of ¥112.68=U.S. $1, the approximate exchange rate prevailing at March 31, 2016.

Summary of Nonconsolidated Statement of Changes in Equity (Unaudited)

THE OITA BANK, LTD.
Year Ended March 31, 2016

	Thousands	Millions of Yen									
					Retained Earnings						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Legal Reserve	Unappropri-ated	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	160,582	¥19,598	¥10,582	¥ 73	¥10,431	¥ 85,638	¥21,970	¥(1,172)	¥8,724	¥ (655)	¥155,191
Cumulative effect of accounting change						355					355
BALANCE, APRIL 1, 2014 (as restated)	160,582	19,598	10,582	73	10,431	85,994	21,970	(1,172)	8,724	(655)	155,546
Net income						8,990					8,990
Cash dividends, ¥6.00 per share						(968)					(968)
Purchase of treasury stock	(6,498)									(3,007)	(3,007)
Disposal of treasury stock	364		(5)							110	105
Transfer from land revaluation excess						100					100
Transfer to capital surplus from retained earnings			5			(5)					
Net change in the year				49			18,330	15	433		18,829
BALANCE, MARCH 31, 2015	154,449	19,598	10,582	123	10,431	94,112	40,301	(1,157)	9,158	(3,552)	179,596
Net income						9,093					9,093
Cash dividends, ¥7.00 per share						(1,162)					(1,162)
Purchase of treasury stock	(15)									(7)	(7)
Disposal of treasury stock	2,770		40							1,184	1,225
Transfer from land revaluation excess						82					82
Net change in the year				7			(8,052)	(3)	170		(7,877)
BALANCE, MARCH 31, 2016	157,204	¥19,598	¥10,623	¥130	¥10,431	¥102,126	¥32,248	¥(1,161)	¥9,329	¥(2,375)	¥180,951

	Thousands of U.S. Dollars									
				Retained Earnings						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Legal Reserve	Unappropri-ated	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	Total Equity
BALANCE, MARCH 31, 2015	$173,926	$93,911	$1,091	$92,571	$835,214	$357,658	$(10,268)	$81,274	$(31,522)	$1,593,858
Net income					80,697					80,697
Cash dividends, $0.04 per share					(10,312)					(10,312)
Purchase of treasury stock									(62)	(62)
Disposal of treasury stock		354							10,507	10,871
Transfer from land revaluation excess					727					727
Net change in the year			62			(71,458)	(26)	1,508		(69,905)
BALANCE, MARCH 31, 2016	$173,926	$94,275	$1,153	$92,571	$906,336	$286,190	$(10,303)	$82,791	$(21,077)	$1,605,883

Note: Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at the rate of ¥112.68=U.S. $1, the approximate exchange rate prevailing at March 31, 2016.

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