JOYO BANK

Annual Report 2016

未来協創プロジェクト PLUS

常陽銀行

PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank, both of which were founded in 1878.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, Joyo Bank, with the philosophy of “Practicing sound management, creation of values, and partnership with the home region,” is contributing to the growth of its home region by providing stable and comprehensive financial services.

Management Philosophy

“Sound management, creation of value, and partnership with the home region”

(1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.

(2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.

(3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

Action Guidelines

We will

— Provide the most appropriate products and services based on a keen understanding of our customers.

— Undertake steady banking activities and grow together with our customers.

— Seek to further improve our financial skills.

CONTENTS

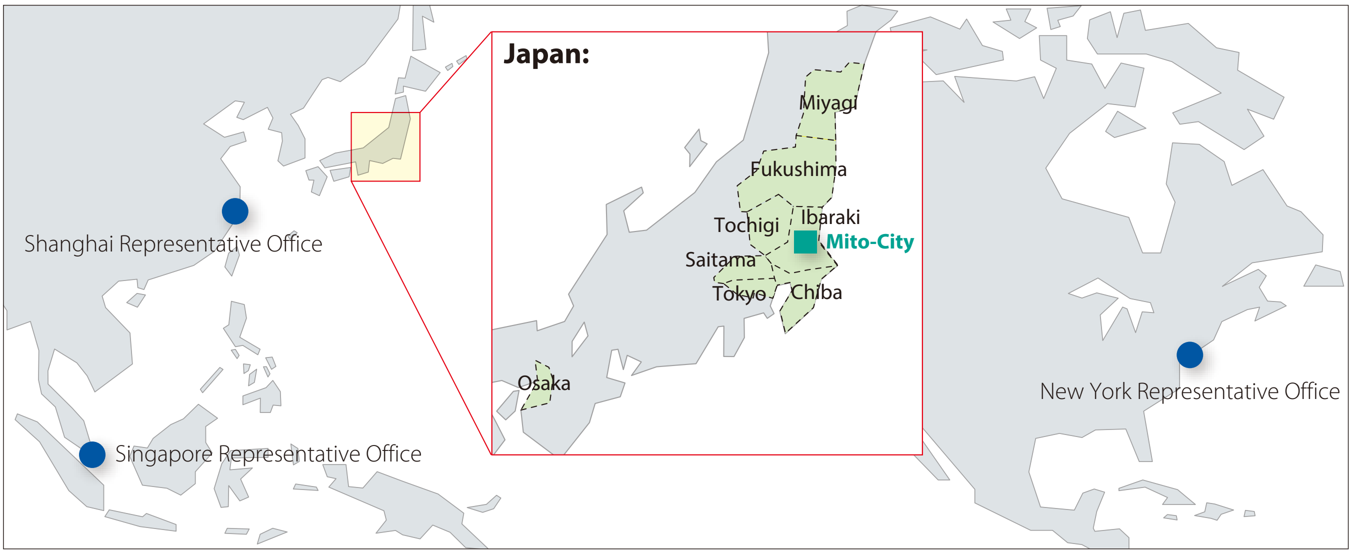
Corporate Data

As of March 31, 2016

Date of Establishment	July 30, 1935
Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 URL: http://www.joyobank.co.jp/ http://www.joyobank.co.jp/eng/ (English Page)
Domestic Network	Head Office, Tokyo Business Division (Tokyo Main Office), and 150 Branches, 29 Sub-branches
Overseas Network	3 Representative Offices: Shanghai, Singapore, New York
Number of Employees	3,638
Stock Exchange Listing	Tokyo Stock Exchange
Paid-in Capital	¥85,113 million
Number of Shares (as of March 31, 2016)	Authorized 2,167,515 thousand Issued and Outstanding 766,231 thousand
Number of Shareholders (1 trading unit = 1,000 shares)	28,250

Service Network

As of March 31, 2016



Japan:

- Miyagi Pref. (1 Branch)
- Fukushima Pref. (10 Branches)
- Tochigi Pref. (7 Branches, 1 Sub-Branch)
- **Mito-City** (Head Office, International Business Office, International Operations Office)
- Ibaraki Pref. (Head Office, 117 Branches, 28 Sub-Branches)
- Saitama Pref. (3 Branches)
- Chiba Pref. (6 Branches)
- Tokyo (Tokyo Business Div. (Tokyo Main Office), 5 Branches)
- Treasury and Securities Div.
  Markets Administration and International Div.
- Osaka Pref. (1 Branch)

MESSAGE FROM THE PRESIDENT

We will contribute to customers and communities through the provision of comprehensive financial services.

In fiscal 2015, Japan's economy showed signs of a gradual recovery from the start of the fiscal year, with the impact of a consumption tax increase running its course and companies posting favorable results. The turnaround was generally weak, however, in light of concerns about slowdowns in China and other emerging nations, as well as declining business confidence as the yen rose and share prices slid from the start of the year.

The economy in Ibaraki Prefecture was generally weak, mainly due to observable lackluster production, despite firm personal consumption throughout the year.

Operating in this economic environment, Joyo Bank is carrying out its 12th Medium-Term Business Plan (from fiscal 2014 to fiscal 2016), which represents our vision for becoming the "Best Partner Bank for the Collaborative Creation of the Region's Future." The fiscal year under review was the middle year of the plan, and we carried out the following policies, centering on the "PLUS+" Project for the Collaborative Creation of the Region's Future. Our objective is to help customers and communities solve local issues arising due to structural changes in society and the economy through provision of comprehensive financial services while translating these efforts into our own growth as the Joyo Bank Group.

In July 2015, we celebrated our 80th anniversary. We are deeply grateful to our customers, the local community, and our shareholders for the support over the years that enabled us to reach that milestone. We marked the occasion by carrying out commemorative programs to express our gratitude and our commitment to collaborative creation for the future.

In corporate banking, we continued to streamline funding to customers. We set up the Joyo Establishment Support Plan to provide funding to support starting up a business, and began handling medical institution debentures for medical institution customers. These initiatives were part of efforts to diversify funding vehicles for customers launching operations, creating new businesses, or pursuing growth.

We again held food fairs and forums for manufacturing enterprises. We also held fairs and business seminars in Asian nations in which growth is expected as part of efforts to reinforce support for customers seeking to deploy operations overseas.

We helped to commemorate our 80th anniversary by creating the Joyo Mirai Kyoso Juku. This educational program promotes learning and the exchange of ideas among young managers and business owners who are vital to the future of Ibaraki Prefecture as part of a focus on cultivating local human resources.

In retail banking, we bolstered our investment trust and insurance product lineup. We also worked to accommodate the diversifying asset management needs of our customers. For example, we began handling Mirai Select, an offering for new investors that combines several investment trust products and allows people to diversify their portfolios with small payments. We also started offering a workplace reserve fund program, which is used in the Nippon Individual Savings Account ("NISA") tax exemption system for small investments in corporate welfare programs and asset formation for employees and officers.

In the area of individual financing, we continued to increase our handling of housing loans that encourage long-term residency in coordination with a municipal grant program. We also enhanced our range of loan products for women in keeping with ongoing contributions to regional social and economic progress as a financial intermediary.

On the sales channel front, we enhanced our branch network along the Tsukuba Express Line. We launched the Tsukuba Shintoshi Branch in August 2015 and opened a Loan Plaza within the Misato Branch. We opened Money Advice Desks in three branches in Ibaraki Prefecture from April 2016 to provide more finely tuned financial services. These desks provide asset management and other information on weekday evenings and weekends.

Our range of social contribution activities included advising people affected by the Kanto-Tohoku Heavy Rainfall Disaster of September 2015 and providing a temporary ATM service through our mobile customer inquiry vehicle.

One regional initiative was our creation of the Ibaraki Shopping Street Revitalization Fund, which draws on cooperation with the Regional Economy Vitalization Corporation of Japan. We stepped up efforts to resolve local issues through public and private-sector cooperation. For example, we signed the Partnership Agreement on the Promotion of Relocation to Ibaraki Prefecture with the Ibaraki Prefectural Government and the Japan Trans-Housing Institute. This accord focuses on using the Yutori Life Ibaraki Appeal Residual Value Guarantee-type Relocation Plan, a pioneering new housing loan product that incorporates a rental guarantee from the Japan Trans-Housing Institute.

As a result of these initiatives, in fiscal 2015 non-consolidated net income increased ¥3.8 billion, to ¥27.7 billion. On a consolidated basis, profit attributable to owners of parent rose ¥2.3 billion, to ¥31.0 billion. The consolidated return on equity was 5.2%. The capital ratio, an indicator of banking soundness remained high, at 12.00%.

In recognition of our shareholders' support over the years, we have increased the annual dividend for fiscal 2015 by ¥3.0 per share, to ¥13.0 per share. The increase included a special dividend of ¥1.0 to commemorate our 80th anniversary. We plan to pay an interim dividend of ¥6.0 per share in fiscal 2016.

On November 2, 2015, we entered into a basic agreement for business integration with Ashikaga Holdings Co., Ltd. We set up an Integration Preparation Committee and engaged in deliberations and assessments.

On April 25, 2016, we concluded share exchange and business integration agreements. We aim to launch the Mebuki Financial Group, Inc., on October 1, 2016. While maintaining and enhancing customer relations and the deep understanding of local communities that we and Ashikaga Holdings subsidiary The Ashikaga Bank, Ltd., have built over the years, we will provide more convenient, high-quality comprehensive financial services that can only come from the integration of leading regional banks.

Everyone at Joyo Bank will continue striving to meet the expectations of customers, community members, and shareholders. We look forward to your ongoing support and encouragement for our efforts in the year ahead.

Kazuyoshi Terakado
President

Kazuyoshi Terakado
President
July 2016

12th Medium-Term Business Plan (Plan duration: Fiscal 2014 through fiscal 2016)

Vision

Best Partner Bank for the Collaborative Creation of the Region's Future

In the environment surrounding the regional economy, along with changes to the socioeconomic structure such as the decline in the total population and further decrease in the birthrate and aging of the population, and the decline in the potential economic growth rate, a multitude of challenges are expected to emerge.

In the 12th Medium-Term Business Plan, we aim to solve — together with our customers and the region — the local challenges accompanying socioeconomic changes by contributing more than ever to the reconstruction and growth of our customers and the region and providing comprehensive financial services based on original and creative ideas, which we tackled in the 11th Medium-Term Business Plan, and also to contribute to the Joyo Bank Group's growth.

To define this approach, we established the vision of becoming the "Best Partner Bank for the Collaborative Creation of the Region's Future" and we will execute our five basic strategies starting with "collaborative creation."

Five Basic Strategies to Achieve Our Vision

1. Collaborative Creation

We will share the various challenges brought about by changes in the socioeconomic structure with customers and local communities, and demonstrate collaborative creation*1 to contribute to solving customers' and communities' problems by providing comprehensive financial services that are original and creative.

As part of these efforts, we will launch the **"PLUS+" Project for the Collaborative Creation of the Region's Future** and move forward working together as a group.

2. Expansion of Customer Base

In demonstrating collaborative creation, it is essential to spread business and expand our customer network based on strong relationships of trust, which are a prerequisite for sharing and solving the challenges facing customers and local communities, and we will expand our customer base in the Ibaraki region*2.

3. Strengthening Investment Return

In light of advancing globalization and securitization, we will strengthen investment returns by increasing returns on securities and foreign currency loans in order to not only raise money for lending, but to also enhance profitability.

4. Renewal of Operation

Seek to strengthen points of contact with customers in order to share and solve challenges facing customers and local communities, innovate marketing channels by strengthening direct channel marketing, strengthen collaboration among channels, and construct effective marketing channels. In addition, we will pursue innovations in marketing and administrative processes through ongoing construction of business process re-engineering (BPR) systems.

5. Remaking Human Resources Portfolio

In the area of human resources, our most important business resource for achieving our vision, we will increase support for self-directed development, strengthen the organizational human resources development structure including the restructuring of the development system, and expand opportunities to participate in comprehensive financial resources.

*1. Collaborative creation refers to sharing the various challenges brought about by changes in the socioeconomic structure with customers and local communities and contribute to solving the challenges facing customers' and communities' by providing comprehensive financial services based on creative and original ideas that leverage consulting, information technology (IT) and other services.

*2. The Ibaraki region is that area where the provision and development of the transportation infrastructure is advancing and includes the Tsukuba Express, Kita-Kanto Expressway, Metropolitan Inter-City Expressway (Ken-Ō Expressway) and is forming a deeper connection with Ibaraki Prefecture.

未来協創
プロジェクト PLUS

[About the logo]

- Orange rectangles show "customers," "local communities," and "Joyo Bank," and the red rectangle shows "additional value."
- Spread made by four rectangles shows a "+" shape , and projects the image of four rectangles making new value like a wind mill.

To "demonstrate collaborative creation" centered on the basic strategies of the 12th Medium-Term Business Plan, we started the "PLUS+" Project for the Collaborative Creation of the Region's Future. We will make ever-greater efforts to recover from the Great East Japan Earthquake and contribute to solving the various challenges of the region.

Project Policy

Seeking possibilities to utilize comprehensive financial services to resolve challenges in the local area, and to collaboratively create the region's future by business development through valuable planning and actions.

Three "PLUS's"

1. Aiming to create additional values for customers, local communities and Joyo Bank by solving challenges in our home region and to provide greater support for recovery after the Great East Japan Earthquake.
2. Aiming to provide "advanced comprehensive financial services" which are essential services for the economy in our home region, such as "investment, funding, and settlement" and mixed creative functions such as "consulting and information technology."
3. Acting to resolve agendas with positive thinking, which improves motivation and brings about better business opportunities.

Three components

1. Resolving challenges by smooth financial functions
2. Business development through activation of the local community and economy
3. Social contribution to region's future

(Individual)
Contribution to satisfied lives
(Corporate)
Assistance for growing sector
(Public)
Creating active local communities

"Best Partner Bank for the Collaborative Creation of the Region's Future"

Management Goals

Expand consolidated net income

Aiming for record-high consolidated and non-consolidated net income in final fiscal year of plan (FY2016)

Numerical targets (FY2016)

Consolidated net income after tax	¥30.0 billion or more
Non-consolidated net income after tax	¥27.0 billion or more
Non-consolidated ordinary profit	¥40.0 billion or more
Non-consolidated gross business profit	¥120.0 billion or more

OHR*1	under 60%
ROE*2	approx. 5%
Capital adequacy ratio	approx. 12%

*1. OHR is a primary indicator of management efficiency and shows the amount of expenses used to generate one unit of gross business profit.

*2. ROE is a primary indicator of capital efficiency and shows how much profit was raised using shareholders' equity.

Initiatives of "PLUS+" Project for the Collaborative Creation of the Region's Future

Under the 12th Medium-Term Business Plan launched in April 2014 for becoming the "Best Partner Bank for the Collaborative Creation of the Region's Future" and centering on "PLUS+" Project for the Collaborative Creation of the Region's Future, we aim to solve — together with our customers and the region — local challenges.

Provide solutions with the ample provision of funds

Joyo Bank will continue to engage in smooth capital supply for customers and enhance various capital supply methods responding to customers' business stages, such as forming funds for new business creation toward regional economic revitalization.

General Agreement Reached with the Japan Bank for International Cooperation to Support the Overseas Business Development of Small and Medium-Sized Companies

In February 2016, Joyo Bank signed a general agreement with the Japan Bank for International Cooperation ("JBIC") to financially support the overseas business development of small and medium-sized companies ("SMEs"). JBIC established a credit line for procuring U.S. dollars in a two-step loan scheme, facilitating the effective provision of medium- and long-term funds for corporate customers of SMEs developing business overseas.

Joyo Collaborative Community Creation Fund

Joyo Bank formed the Joyo Collaborative Community Creation Fund with the aim of revitalizing regional economies through the creation of new business, and is working to funnel growth money into the Fund. To date, the Fund has provided financing totaling ¥3,994 million for 11 projects, backing the commercialization of innovative and creative new business plans by utilizing a diverse range of funding methods including the acquisition of classified stocks and the provision of subordinated loans.

Business creation through the revitalization of local economies and industrial promotion

15th Joyo Commercial Food Fair 2016 in Tsukuba

In February 2016, Joyo Bank held the 15th Joyo Commercial Food Fair 2016 in Tsukuba with the aim of expanding sales channels for food-related companies, supporting the procurement of food ingredients, and encouraging the exchange of information. Approximately 250 companies representing agricultural producers, food processors, wholesalers and retailers came to the event, which was attended by 2,700 visitors and 1,200 companies.

Joyo Bank also invited two overseas buyers to the event and facilitated business negotiations with food-related companies. We also had foreign exchange students taste and judge the foods on display as a marketing event.

Conclusion of a Partnership Agreement on the Promotion of Relocation to Ibaraki Prefecture

Through Japan's first public-private partnership initiative, Joyo Bank has signed a partnership agreement with Ibaraki Prefecture and the Japan Trans-housing Institute ("JTI") to encourage people to live in Ibaraki Prefecture. This initiative aims to revitalize the region by having people relocate to Ibaraki Prefecture from the over-populated Tokyo metropolitan area or live in both Tokyo and Ibaraki Prefecture. Based on this agreement, Joyo Bank began offering Yutori Life housing loans with JTI providing rent guarantees, as a new product that is Japan's first to encourage people to move to the prefecture.

4th Joyo Business Award

Joyo Bank has continued to hold the Joyo Business Award event, where Joyo Bank solicits and awards innovative and creative new business plans in growth fields that are likely to revitalize the local economy.

This year, we added the "Regional Revitalization Category" to the Grand Prize and also created the "Hitachi Award" with help from Hitachi, Ltd., and presented awards to 17 business plans out of the 261 business plan ideas received. The Joyo Bank Group continues to support the commercialization of business in various ways.

Creation of Startup Support Consulting Service and Joyo Establishment Support Plan (80th Anniversary Commemorative Event)

As an event celebrating the 80th anniversary of its founding, in October 2015 Joyo Bank newly created the Startup Support Consulting Service within its Living and Business Consulting Center, and published the Startup Support Handbook. Partnering with the Ibaraki Prefecture Yorozu Support Center*, we offer consulting services for starting a first or second business, and began providing the Joyo Establishment Support Plan, a financing plan that supports the creation of new businesses, as a part of our proactive efforts to provide financial support.

* A consulting service set up by Ibaraki Small and Medium Enterprise Promotion Public Corporation for the purpose of helping SMEs in Ibaraki Prefecture solve their business problems.

Joyo Mirai Kyoso Juku (80th Anniversary Commemorative Event)

We created the Joyo Mirai Kyoso Juku for the purpose of fostering young proprietors and successors of local businesses for the next generation of business.

This school holds study sessions a total of 10 times to give business owners an opportunity to learn essential knowledge, meet people from other types of business, and forge relationships.

Starting in October 2015, study sessions and field trips to observe industrial technology were held based on such topics as management strategy and corporate value. In its inaugural year, 29 students participated in the school.

Social Contribution for the Region's Future

Responding to the damage caused by heavy rain in the Kanto and Tohoku regions in September 2015

Torrential rainfall in the Kanto and Tohoku regions caused significant damage in many communities, such as Joso City, where a river washed out. We sincerely hope that everyone affected by this torrential downpour has been able to recover.

Joyo Bank has taken the following initiatives with the aim of helping the people and communities affected by the torrential rainfall recover and return to normal as soon as possible.

[Main Initiatives]

- Setting up consultation offices and exclusive consultation telephone services for the disaster victims
- Handling support financing for the victims (for individuals and corporate customers)
- Providing free storage for valuables and other items
- Volunteer activities performed by Joyo Bank's officers and employees
- Donations to charities helping affected regions (Ibaraki Prefecture, Joso City, etc.)

BUSINESS INTEGRATION WITH ASHIKAGA HOLDINGS

We and The Ashikaga Bank, Ltd., a subsidiary of Ashikaga Holdings Co., Ltd., maintain solid financial capabilities as leading financial institutions with primary business platforms in the northern Kanto region, centered on Ibaraki and Tochigi Prefectures.

With the operating climate changing, both banks will collaborate to mutually maintain their solid local platforms. They aim to expand their operational underpinnings through integration, while drawing on each other's management resources and expertise to grow together with their communities.

The specific arrangement for the business integration is to exchange Joyo Bank shares for those in Ashikaga Holdings to create a new company and financial group with a common philosophy. Joyo Bank and Ashikaga Bank will operate alongside each other. They will draw on synergies to offer speedy, high-quality services that they can not deliver independently, thereby meeting the expectations of their customers, communities, and shareholders.

Name of holding company

Mebuki Financial Group, Inc.

Note: Ashikaga Holdings will be renamed Mebuki Financial Group, Inc.

The significance of the new company name

Mebuki is Japanese for "green shoots." The name reflects a Group company commitment to call upon a great amount of expertise and creativity to produce fresh ideas and new values after another.

This company name expresses our desire to bring new value and vitality to our communities and grow sustainably with them.

Head Office Location: (Registered address)

7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan

Note: The headquarters of Ashikaga Holdings will move to the above address. The headquarters of subsidiaries Joyo Bank and Ashikaga Bank will not change.

Head Office Location: (Office address)

Mito Head Office

5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan

Utsunomiya Head Office

1-25, Sakura 4-chome, Utsunomiya City, Tochigi 320-8610, Japan

Note: The head office of Mebuki Financial Group, Inc., will consist of full-time officers and employees and concurrent officers and employees of Joyo Bank and Ashikaga Bank, and will be located in Mito, Ibaraki Prefecture, and Utsunomiya, Tochigi Prefecture.

Group Management Philosophy

Provide high-quality comprehensive financial services to continue creating a prosperous future with local communities.

The new financial group will maintain and enhance the customer bases, regional ties, relationships, and deep community understandings of both banks. It will leverage regional networks to grow together with the regions by broadening economic exchange throughout the regions and expanding the scale and scope of comprehensive financial services to cultivate regional industries, revitalize the regional economy, and create new markets.

Objectives and Basic Strategies

A comprehensive financial group that creates a new regional future

- Consolidate ingenuity for regional revitalization
- Expand comprehensive financial services
- Expand area and channels
- Innovate operations
- Build a management structure for the new financial group

Synergy Goals for Fiscal 2020

Fiscal 2015 results

	常陽銀行 Joyo Bank	足利銀行 Ashikaga Bank	Simple aggregations
Deposits	¥8.1033 trillion	¥5.2245 trillion	¥13.3279 trillion
Loans	¥5.9127 trillion	¥4.2744 trillion	¥10.1871 trillion
Ordinary profit (consolidated)	¥47.6 billion	¥30.3 billion	¥78.0 billion

Gains from synergies with loans and bills discounted
+¥700.0 billion

Top-line cost synergies
About +¥15.0 billion

Shift personnel to sales and strategy areas
About +150 people

Open 15 new branches (including leasing and securities branches)

Schedule

Saturday, October 1, 2016: Scheduled effective date of share exchange

Form a new financial group, Mebuki Financial Group, under which Joyo Bank and Ashikaga Bank will engage in operations.

Note: The integration is subject to regulatory and other approvals.

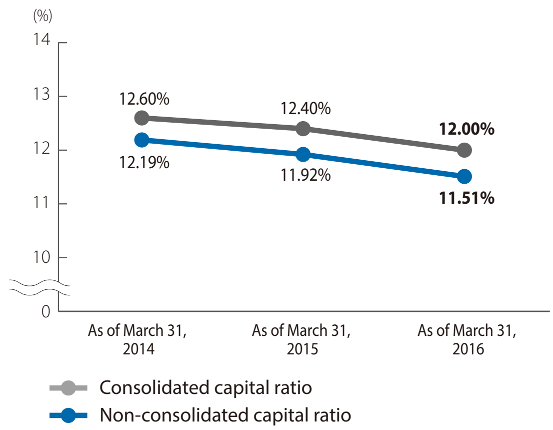
FINANCIAL HIGHLIGHTS

On a non-consolidated basis, business profit rose ¥3.6 billion year on year to ¥43.9 billion, while ordinary profit increased by ¥2.3 billion year on year to ¥42.7 billion and net income by ¥3.8 billion year on year to ¥27.7 billion in fiscal 2015, all of which were increases compared to the previous fiscal year, and exceeded official announcement levels. Net income rose for the fifth consecutive year.

The capital ratio remained at the high level of 11.51% on a non-consolidated basis and 12.00% on a consolidated basis.

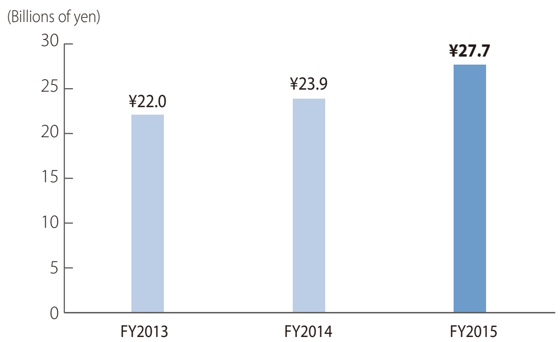
Consolidated capital ratio

Remained at high levels



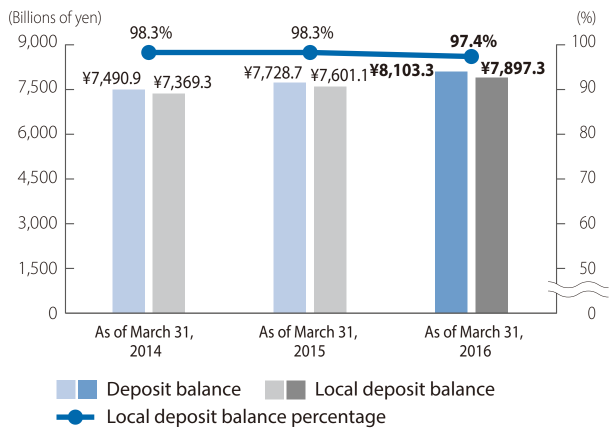
Net income

Net income climbed ¥3.8 billion to ¥27.7 billion year on year.



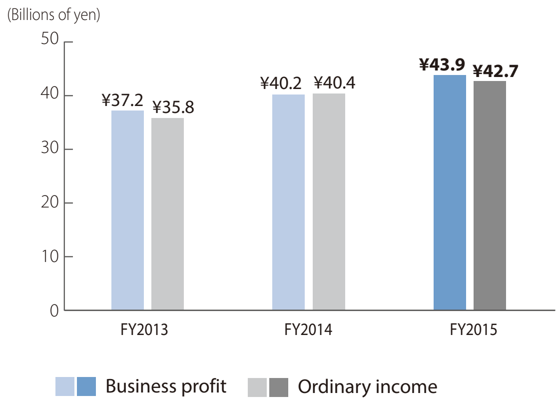
Deposits

Deposits increased 4.8% from the previous fiscal year-end to ¥8,103.3 billion



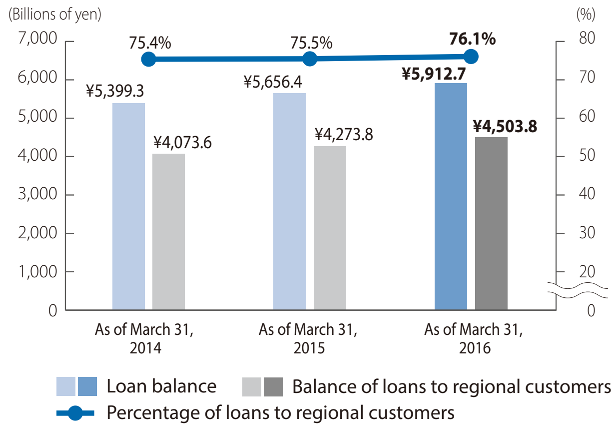
Business profit, Ordinary income

Business profit increased ¥3.6 billion year on year to ¥43.9 billion, and ordinary income increased ¥2.3 billion to ¥42.7 billion.



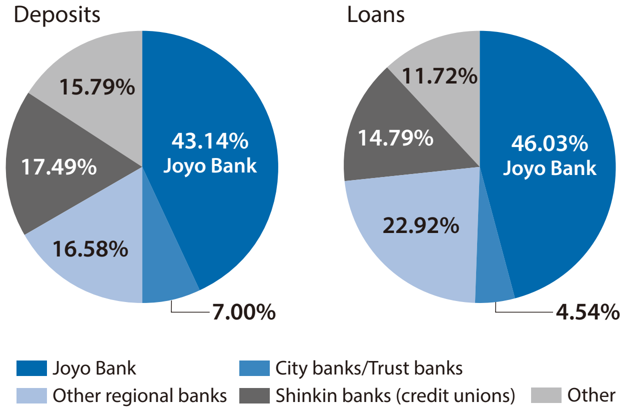
Loans (Percentage of loans to regional customers)

Loans increased 4.5% from the previous fiscal year-end to ¥5,912.7 billion



Market share within Ibaraki Prefecture

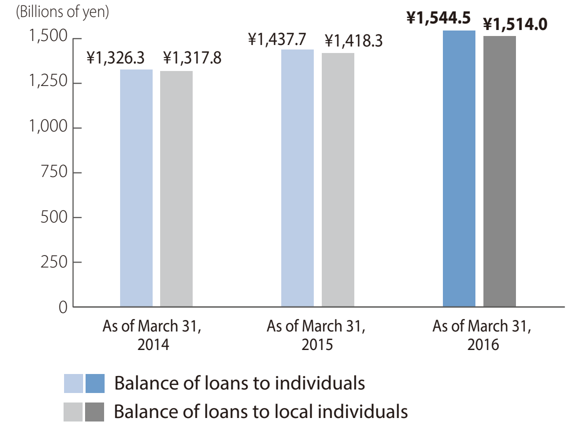
Secured an ongoing high share of both deposits and loans of over 40%.



Note: Market share is calculated on the basis of private financial institutions.

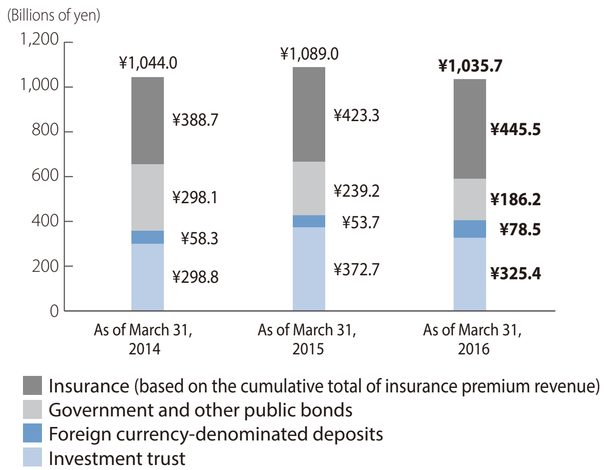
Loans to individuals

Loans to individuals stood at ¥1,544.5 billion due to the ongoing firm performance of housing loans.

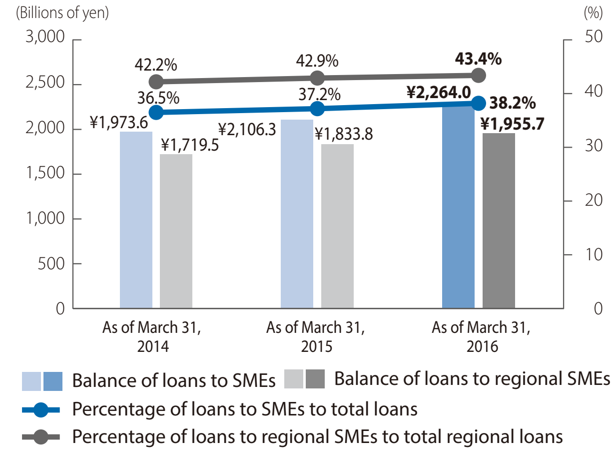


Assets in custody

Assets in custody decreased 4.8% from the previous fiscal year-end to ¥1,035.7 billion.

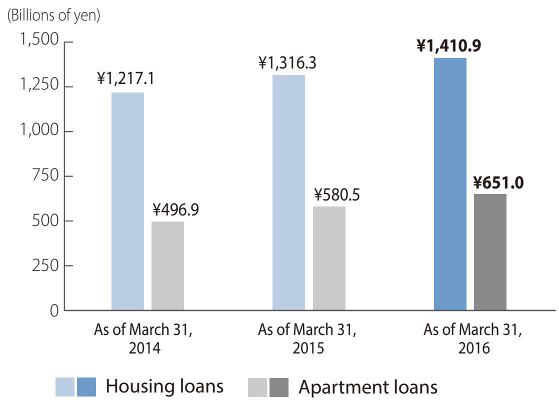


Loans to SMEs

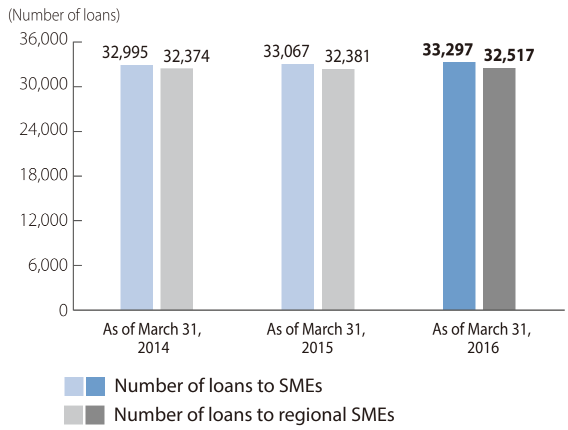


Housing loans

Housing loans increased 7.1% from the previous fiscal year-end to ¥1,410.9 billion.



Number of loans to SMEs



Support for Overseas Business Expansion

We are also assisting our corporate customers to expand business overseas through the issuance of local currency stand-by credit and by providing local information, based on our business alliances with foreign financial institutions and government agencies. In February 2016 we formed one such business alliance with the state authorities of Aguascalientes and Jalisco of the United Mexican States to strengthen our coordination with foreign banks and various other institutions.

In addition, we also host business conferences to help our customers expand their sales channels overseas. In fiscal 2015, this included our co-sponsorship and support of the FBC Shanghai 2015 manufacturing forum in China, the Mfair Bangkok 2015 manufacturing forum in Thailand, and Oishii Japan 2015, an exhibition of Japanese food and beverages in Singapore, at which we served as an intermediary providing contact and business opportunities between local companies and our exhibiting customers.

Overseas Network

Thailand
- Kasikorn Bank
- Bangkok Bank

Indonesia
- Bank Negara Indonesia (BNI)

Philippines
- BDO Unibank

India
- State Bank of India

China
- Bank of Communications
- Bank of China

Taiwan
- Chinatrust Commercial Bank

Vietnam
- Foreign Investment Agency
- Vietcombank

Mexico
- Jalisco
- Aguascalientes

Provides information on each country's domestic banking conditions and offers a variety of financial services, beginning with opening accounts

Representative Office

New York

Representative Office

Singapore

Japan

Representative Office

Japan
- Sompo Japan Nipponkoa Insurance Inc.
- Tokio Marine & Nichido
- Mitsui Sumitomo Insurance Company, Ltd.
  Manages a variety of overseas business risks
- Nippon Export and Investment Insurance (NEXI)
  Provides export insurance to manage the risks associated with overseas export transactions
- Nippon Express (Tokyo Branch Office)
  Offers a full range of logistical services and expertise
- Hitachi Regional Technical Support Center (HITS)
  Supports the overseas development of small- to medium-sized businesses in the Hitachi area in the northern part of Ibaraki Prefecture
- Secom Co., Ltd.
- SOHGO SECURITY SERVICES CO., LTD. (ALSOK)
  Provides and sells security systems and devices overseas
  Proposes and provides overseas security services
- Japan Bank for International Cooperation (JBIC)
  Provides information on countries' domestic banking conditions and offers a variety of financial services, beginning with opening accounts

ESG Initiatives

Joyo Bank conducts a variety of initiatives to help customers and communities from the perspective of ESG, namely, the Environment, Social (as in regional society), and Governance, based on the recognition that a company's social responsibilities (CSR) comprise working to bring about a sustainable society.

Environment

Environmental Preservation Initiatives

Joyo Furusato no Mori forestation activities

Joyo Bank participates in Save The Forest In Japan, an association established by regional banks throughout Japan to preserve the beauty and health of the country's provincial woodlands for future generations. Joyo Bank entered an Ibaraki Cooperative Forest Partners Pact with Ibaraki Prefecture and the Ibaraki Forestry Support Center and established Joyo Furusato no Mori in Naka City. The Bank is working to protect and nurture provincial woodlands and to create forests through activities such as forest maintenance and tree planting. In other activities, as a part of their training program, all new employees take part in tree-planting activities in Naka City and the Mt. Tsukuba area.

Social

Measures to Support Female Employees Playing Active Roles

Appointing Female Employees as Bank Officers

We believe that it is extremely important that the perspectives and mindsets of women are integrated into an organization if that organization is to thrive. Accordingly, we actively appoint talented and motivated female employees as bank officers.

As of March 31, 2016, we had 316 female bank officers comprising 17.6% of the total.

Expanding Measures to Promote Work-Life Balance

Joyo Bank has advanced measures to promote work-life balance so that employees can work more flexibly around their lifestyles, including child rearing and nursing care. We have in place systems for employees to take time off for nursing care, and for employees to take time off when a spouse is transferred to a different location for work. We also provide allowances for employees to assist with child rearing and childcare.

Universal Design Initiatives

Communication Tools

All of our bank branches have hearing aids and writing boards to facilitate communication with customers who have hearing impediments. Some bank branches are also equipped with comuoon speakers for the hard of hearing.

Financial Consulting Services in Sign Language

At the Tsukuba Loan Plaza, Joyo Bank offers reservation-based financial consulting services in sign language. A sign language interpreter is available for meetings with a financial consultant. Joyo Bank holds training sessions for employees so that they are able to conduct basic banking transactions using sign language or writing on boards.

Interacting with Local Communities

Financial Education Initiatives

Joyo Bank also engages in initiatives to provide financial education to children, the leaders of tomorrow, about the importance of money and the role of banks in society.

The financial classes are a fun way for children to learn about the history of banknotes, how to use their money wisely, and interact with our humanoid communication robot PALRO.

Lifting the equivalent of ¥100 million in banknotes at the Joyo Historical Materials Museum

Humanoid communication robot PALRO

Governance

Corporate Governance

To more securely earn the trust of all stakeholders including customers, local communities, employees, and shareholders, Joyo Bank believes that its management must be rooted firmly in compliance, sound and efficient, and extremely fair and transparent. Always aware of the importance of corporate ethics, Joyo Bank has established a corporate philosophy comprising eight basic principles under which it is striving to strengthen and enhance corporate governance.

Corporate Governance at Joyo Bank

Joyo Bank became a company with an Audit & Supervisory Committee following passage of a resolution to change the articles of incorporation by the General Meeting of Shareholders on June 28, 2016. The organization includes the General Meeting of Shareholders, directors, Board of Directors, Audit & Supervisory Committee, and an auditing company.

The Board of Directors meets once a month, in principle, to exercise decision-making and supervisory functions. To the extent possible under the scope stipulated by laws and regulations and the articles of incorporation, decision-making and supervisory functions should be separated, and the chair of the Board of Directors should in principle be a Chairman and non-executive director who ensures high quality discussion during Board of Directors meetings, and operates them effectively and efficiently.

The Audit & Supervisory Committee consists of five people, all of whom are directors, and three are outside members. The Committee meets once a month in principle. Based on an auditing policy and plan formulated by the

The Joyo Bank Corporate Philosophy

Corporate Social Responsibly (CSR) and Public Mission

Always keep in mind Joyo Bank's CSR and public mission, and deepen trust through sound and open business management.

Compliance

Comply with the legal and social code and execute honest and open business activities.

Fight Against Crime

We will resolutely build countermeasures and refuse all relationships with organized crime and other antisocial forces, which threaten public law and order and safety and stand in the way of sound economic development.

Provide Valuable Financial Services

We will contribute to economic and social development with valuable financial services that respond to customers' needs and pay due consideration to the protection of their interests. To this end, we will apply creativity and ingenuity to provide infrastructure and functions to support customers' economic activity, while upgrading the security level of our services and ensuring business continuity in the event of a disaster.

Relationship with the Regional Community

We will strive to disclose data such as business information actively and fairly, and to communicate broadly and openly with society.

Respecting the Human Rights of our Employees

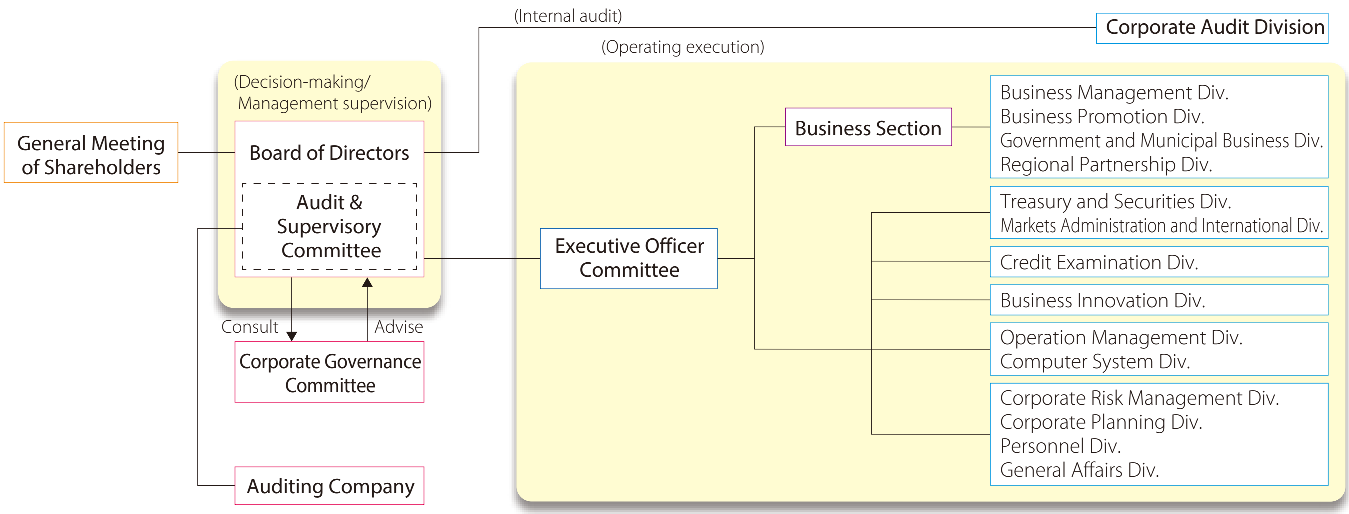
We will respect the human rights and individuality of our employees, ensuring a safe and productive work environment in which people from diverse backgrounds can achieve their full potential.

Environmental Initiatives

We will strive to reduce environmental burdens by efficiently using resources and reducing waste, while working through our main business as a bank to address environmental problems and provide financial services contributing to environmental protection.

Community Contribution Activities

We recognize that our continued existence and development is supported by regional society, and as a good corporate citizen, we will develop together with local communities and actively contribute to them.



Audit & Supervisory Committee, the Audit & Supervisory Committee members audit the directors' execution of duties by attending important meetings, examining documentation of important resolutions, and investigating the status of Joyo Bank's business operations and assets.

Joyo Bank has also adopted the Executive Officer Committee system to expedite business execution. Under this system, important decisions for business execution other than matters to be resolved exclusively by the Board of Directors are discussed and approved by the Executive Officer Committee.

Furthermore, Joyo Bank has established a Corporate Governance Committee to upgrade corporate governance with a view to sustaining growth and enhancing corporate value from a medium- to long-term perspective. As an advisory body to the Board of Directors, composed in majority by independent directors, the Corporate Governance Committee nominates candidates for appointment to the Board and deliberates matters such as the compensation of directors, and reports back to the Board of Directors. Special committees are established by Joyo Bank to deal with important management themes (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee, and Sound Asset Committee). The committees conduct discussions and make determinations, and follow procedures in their respective bylaws to report their findings and recommendations to the Board of Directors and other pertinent bodies.

Internal Controls and Risk Management System

Joyo Bank is working to establish and strengthen internal control to enable the Audit & Supervisory Committee and Board of Directors to execute their duties and for the Joyo Bank Group, including subsidiaries, to conduct appropriate execution of duties through the following systems, based on a "Basic Policy on Internal Control Systems " approved by the Board of Directors.

System for ensuring directors and employees are executing their duties in compliance with laws and regulations and Joyo Bank's Articles of Incorporation

Compliance is the highest management priority under Joyo Bank's Management Philosophy of "Practicing sound management, creation of values, and partnership with the home region." To ensure compliance, Joyo Bank also has a Corporate Philosophy and Action Guidelines providing basic guidance for its corporate activities. Moreover, rules governing the compliance system have been established and disseminated to the directors and employees to ensure that Joyo Bank remains in compliance with laws and regulations and its Articles of Incorporation.

Board of Directors Regulations govern the operation of Joyo Bank's Board of Directors. These regulations guide the Board's business decisions and supervision of directors' execution of duties. The regulations also stipulate separation of duties among directors to ensure that Joyo Bank's business is carried out appropriately.

Joyo Bank also has a Compliance and Risk Management Division to supervise and rigorously enforce compliance. This division implements a compliance program approved by the Board of Directors to supervise compliance throughout Joyo Bank and periodically report back to the Board of Directors. Joyo Bank has also established a Compliance Hotline that serves as an internal whistleblower system.

Important matters of compliance are discussed by Joyo Bank's Compliance Committee, while a Compliance Audit Committee comprising a panel of outside experts periodically verifies Joyo Bank's overall compliance standing.

Independent of Joyo Bank's business execution divisions, there is also a Corporate Audit Division that conducts internal audits to ensure Joyo Bank's internal controls are functioning properly.

Regulations and system for managing the risk of loss

Joyo Bank has regulations for managing the risk of loss and aims to manage various risks appropriately and establish systems for comprehensively monitoring and managing the risks to ensure sound management and a steady stream of revenue and income. At the same time, Joyo Bank is building up a framework of business continuity plans (BCPs) in preparation for emergency situations such as natural disasters and core ICT system failures.

The management of risk is the responsibility of various risk management departments, as established in the in-house regulations. Comprehensive risk management is carried out by one department that oversees risk management for the entire Bank. The Board of Directors has appointed the director to oversee the risk management program.

The Risk Management Committee was set up to periodically assess Joyo Bank's overall risk exposure, as well as measure individual risks and deliberate policies for countering them. The director in charge of risk management periodically reports back to the Board of Directors on the status of Joyo Bank's risk management and countermeasures.

System for ensuring the efficient execution of duties by directors

Joyo Bank formulates business plans to clarify its management vision and earnings targets, and compiles a general budget, among other details, each fiscal year to make the plans more specific.

To carry out operations efficiently, Joyo Bank has established Standards on Head Office Decision-Making Authority that clarify the decision-making authority attached to the business assignments and duties of each director.

Joyo Bank has an Executive Officer Committee and Executive Officer Committee Regulations prescribing details such as the committee's role and when it meets. The committee is tasked with deliberating important business execution matters. Various other committees made up of executive directors, executive officers, and division general managers have also been established as needed to address various business issues.

System for ensuring the reliability of financial reporting

Joyo Bank and each of its Group companies have regulations governing the structure, organization, and implementation of internal control systems for financial reporting to ensure that it is reliable.

Matters relating to directors and employees who should assist the Audit & Supervisory Committee

Joyo Bank is to assign at least one employee as the Audit & Supervisory Committee staff for assisting the Audit & Supervisory Committee members with their duties. Furthermore, a director responsible for assisting the Audit and Supervisory Committee will not be appointed.

Furthermore, Joyo Bank is to assign Audit & Supervisory Committee staff with knowledge and capabilities suitable for assisting with auditing duties, and having no involvement in Joyo Bank's business execution.

Matters relating to the independence of the above employees from the Board of Directors (excluding directors who are members of the Audit & Supervisory Committee) and ensuring that the employees carry out instructions from the Audit & Supervisory Committee

In the event that Audit & Supervisory Committee staff are to be reassigned, the director in charge is to give advance notice to the Audit & Supervisory Committee, and the Audit & Supervisory Committee is allowed to give its opinion.

Furthermore, the Audit & Supervisory Committee staff are to assist the Audit & Supervisory Committee members with their duties by exclusively following their instructions.

System relating to reports to the Audit & Supervisory Committee from officers and employees of the Joyo Bank Group (excluding directors who are members of Joyo Bank's Audit and Supervisory Committee) and other reports to the Audit & Supervisory Committee

Audit & Supervisory Committee members attend the Executive Officer Committee and other important meetings of the Joyo Bank Group, at which they are given the opportunity to confirm their opinions.

Officers and employees of the Joyo Bank Group are encouraged to report matters that could cause significant damage to Joyo Bank to the Audit & Supervisory Committee or Audit and Supervisory Committee members, take advantage of the internal whistleblower system to report the details confidentially and otherwise provide information considered necessary by the Audit & Supervisory Committee.

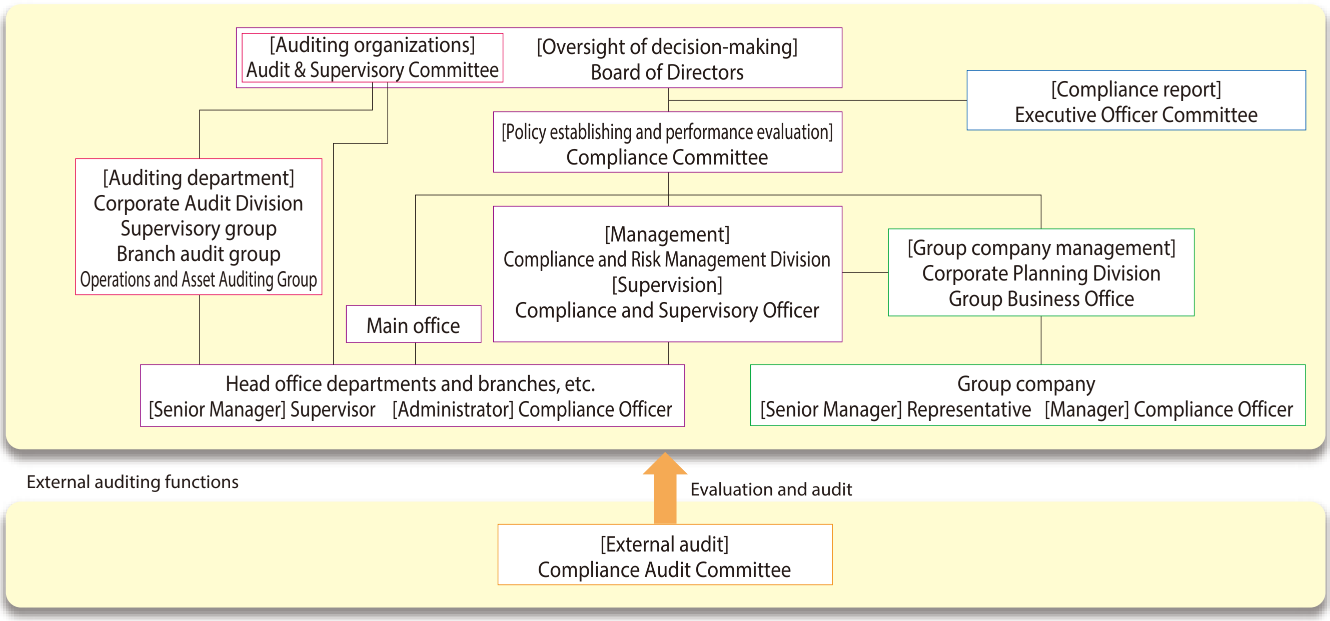
Officers and employees are not to be treated unfairly for having divulged such information to the Audit & Supervisory Committee and Audit & Supervisory Committee members.

Matters relating to advances or reimbursements for expenses incurred by Audit & Supervisory Committee members when executing their duties (only relating to the duties of the Audit & Supervisory Committee) and policy on accounting for the expenses and reimbursements

Joyo Bank is to bear the necessary expenses requested by the Audit & Supervisory Committee members, unless Joyo Bank can prove that the expenses were unnecessary for the execution of the Audit & Supervisory Committee members' duties related to the Audit & Supervisory Committee.

Other systems for ensuring effectiveness of audits carried out by the Audit & Supervisory Committee

The Audit & Supervisory Committee, Corporate Audit Division for internal audits, and other business divisions and departments cooperate with one another to raise the



Code of Conduct

We will

- get to know our customers and offer optimal products and services
- expand business scale and grow with our customers
- increase our financial expertise

Policy Regarding Solicitations for Financial Products

In accordance with the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

1. Financial product solicitation is based on tailoring products to the level of understanding, experience, and financial status of the customer.
2. To ensure that our customers make choices based on their own judgment and at their own liability, we will provide easy-to-understand explanations so that the customer has sufficient understanding of financial products and the risks attached.
3. We assure that sales are never based on the provision of misleading or false statements or information, nor do we act in a manner leading to any misunderstanding by our customers.
4. Our solicitations will not be conducted at times or in locations that cause inconvenience.
5. We are setting up a training system within Joyo Bank to ensure proper solicitation to our customers.

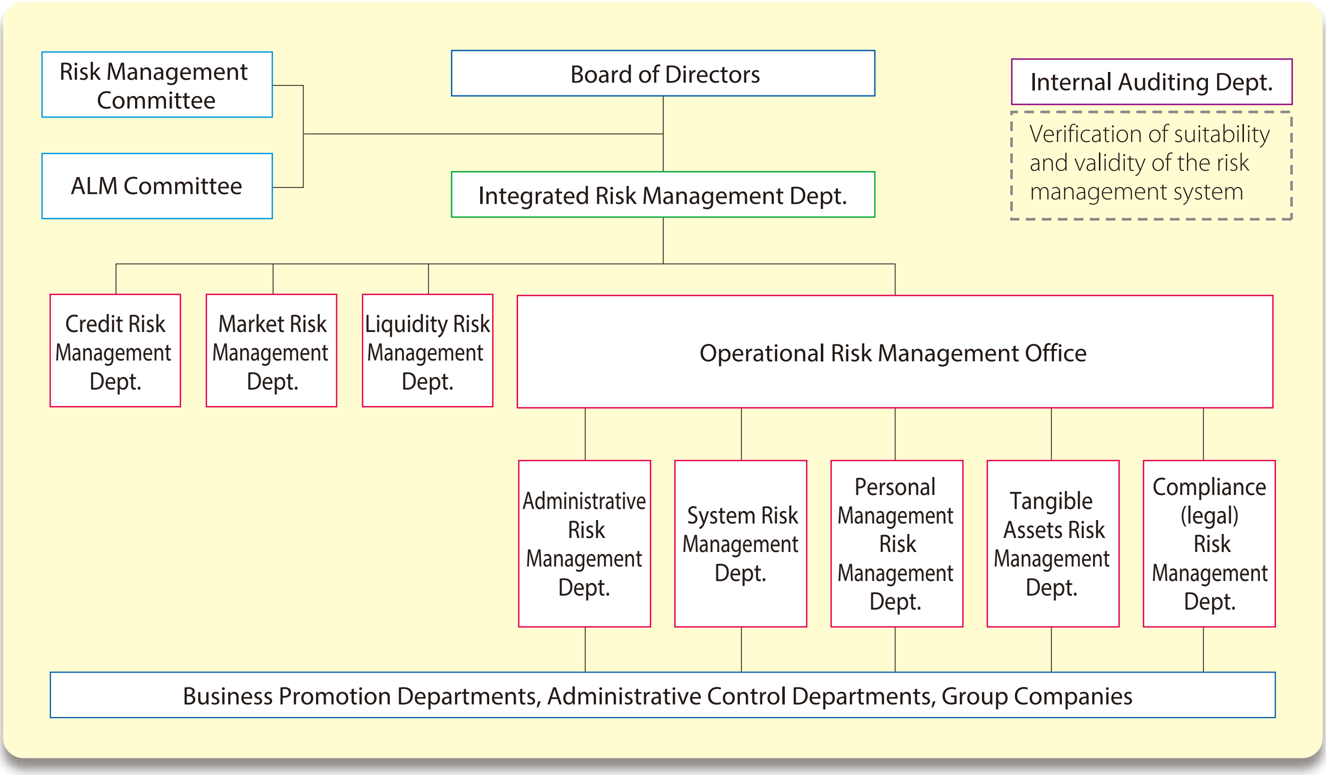
effectiveness of the auditing system.

Meetings are held periodically between the Chairman of the Board of Directors, Joyo Bank's representative directors, the auditing company and the Audit & Supervisory Committee to exchange opinions.

Risk Management

On one hand, deregulation and globalization of finance, advances in ICT, and the growing diversification and sophistication of customer needs have broadened the business

Risk Management System



opportunities for Joyo Bank. However, on the other hand, this has also meant that Joyo Bank's risk exposures have grown much more diversified and complex. Amid this environment, Joyo Bank is striving to increase the sophistication of its risk management, having positioned it as a priority business issue from the perspective of maintaining and improving sound management.

The Risk Management System

In our fundamental rules regarding risk management, we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

In business management, the departments that carry risks when conducting transactions (marketing departments) and the departments that internally manage the results of transactions (business administration departments) are separated, thus creating an organizational structure that allows for mutual checks and balances. The various risks that are incurred during banking operations are managed by specific risk management departments depending on the type of risk.

We also have established a risk management supervision department, which supervises the management systems for all risks and is responsible for holding meetings of the Risk Management Committee, an organ for the examination of Bank-wide solutions to risks. The department also provides regular reports on the overall status of risks to the Board of Directors. Additionally, internal auditing staff verify that risk management is functioning appropriately and effectively through the integrated risk management department and each risk management related department, thereby increasing the effectiveness of the system.

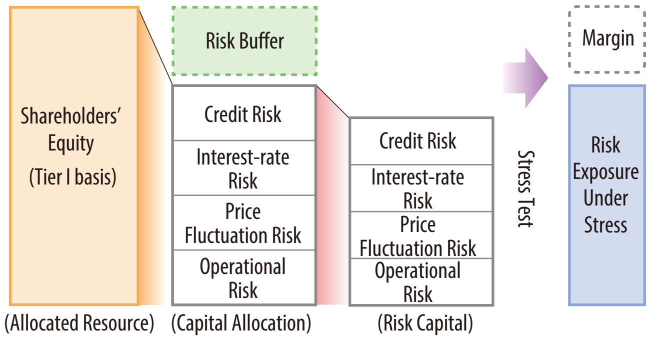
Integrated Risk Management

At a time of increasing diversification and complexity in banking operations, we have adopted a policy of integrated risk management to gain a quantitative understanding of risk, using statistical methods such as Value at Risk (VaR) for individual risk categories (credit risk and market risk), to enable systematic risk management rather than management by individual risk category. By comparing and contrasting comprehensive amounts at risk with Joyo bank's financial resources (own capital), we are committed to maintaining capital at an appropriate level.

Allocation of Risk Capital

We pre-allocate capital to cover risk in terms of individual categories (credit risk, interest-rate risk, price fluctuation risk and operational risk). Each month, we carry out monitoring to confirm that each quantified risk amount (amount of risk capital to be used) is kept within the allocated capital parameters.

With regard to capital allocation, we ensure a risk buffer is in place to position us to deal with losses that exceed scenarios used by our statistical tools, or which are difficult to quantify using statistical methods. To confirm our capital adequacy including the risks mentioned above, we use stress tests that enable us to appraise the impact on Bank capital of scenarios such as a sudden economic slowdown. In addition, back-testing through comparison of risk amounts calculated using VaR formulas and actual profit performance enables us to confirm the appropriateness and effectiveness of our statistical methods..



Credit Risk Management

Credit Risk

Credit risk is the risk of not receiving principal or loan payments as promised on loans due to a deterioration in credibility of the debtor. This is recognized as one of the most serious risks make within banking operations.

In order to prevent the occurrence of nonperforming loans and improve the soundness of our assets, we make every effort to ensure good credit risk management.

Overview of Basic Policy and Procedures with Regard to Credit Risk Management

We have compiled management guidelines for credit risk, which serve as a basic policy for appropriate management of credit risk on individual loans and management of the credit portfolio, focusing on risk dispersion as its basic tool.

Credit Risk Management for Individual Loans

We have separated credit-screening departments from loan departments, and constantly work toward screening more strictly while also focusing on credit management before due date to prevent the status of a claim from deteriorating.

We have created a set of basic parameters for loans, designed to speed up decision-making on loans and to ensure more rigorous risk management. We also have a system for accurately reflecting in the asset self-assessments the business performance achieved by the borrower and changes in the value of collateral.

We have also adopted an automated scoring system for small-amount loans to unify credit screening standards and improve efficiency.

● *Internal Credit Ratings*

We classify our customers into a 12-grade rating class based on quantitative appraisal of financial condition and cash flows, and qualitative appraisal. In addition to serving as the basis for asset self-assessments, ratings for customers' credit worthiness are used across the full range of credit risk management, including monitoring of credit risk exposure, setting of lending rate and allocation of lending authority.

● *Asset Self-Assessment*

In asset self-assessments to evaluate the soundness of assets, the branches carry out a primary evaluation by making a decision on credit category based on a credit rating. Then the head office department in charge of credit screening checks these (secondary assessment), and the Corporate Audit Division audits the results of the asset self-assessment and verifies the appropriateness of procedures. Based on these results, Joyo Bank provides appropriate reserves and writes down problem loans based on the assessments.

● *Quantification of Credit Risk Management*

The quantification of credit risk management refers to the statistical forecasting of future losses (amount of credit risk) that can be expected from the bankruptcy or deterioration of business at borrowers. Based on credit ratings, we calculate credit risk for each customer in view of the security and other factors.

Loan Portfolio Management

We treat loan assets in their entirety as a single portfolio and conduct credit risk management from a macro-perspective. Based on the quantification of credit risk, we carry out periodic monitoring to determine whether or not credit risk is concentrated in specific rating groups, sectors or corporate groups, and analyze and evaluate credit situations by rating, region, and sector.

Market Risk Management

Market risk refers to the possibility of losses arising from exposure to risk of change in the value of assets and liabilities of Joyo Bank and in its earnings, due to fluctuations in interest rates, foreign exchange rates, and stock prices, etc.

We manage all assets and liabilities (deposits, loans, securities, and others) comprehensively based on ALM (asset and liability management) to manage market risks.

Market Risk Management System

The front and back office departments are separated. We have also established middle-office risk management sections to enable a mutual system of checks and balances.

Market Risk Control

To control market risk at appropriate levels, we set loss limits, position limits, and other thresholds for each category of transaction, after setting risk tolerance parameters (capital allocation) reflecting Joyo Bank's financial strength, risk-return profile, and other factors. We also have in place a system in which an ALM Committee decides whether to conduct checks on status of compliance with monthly thresholds and other matters and takes measures when necessary.

In addition to using VaR, we also approach market risk with multifaceted analysis using tools such as basis point value (BPV) analysis, gap analysis, scenario analysis (simulation method), and sensitivity analysis. This enables us to control risks within a tolerable range reflective of Joyo Bank's financial strength.

Liquidity Risk Management

Liquidity risk refers to the possibility of losses arising from exposure to risk due to difficulty in securing needed funding after an unforeseen funding outflow or similar events, or a sharp rise in fund-procurement costs. At Joyo Bank, maintaining liquidity risk at a safe and appropriate level is a basic management policy. As a matter of policy, we maintain a certain level of assets that can be quickly converted into liquid form (liquidity reserve assets), and ensure that any funding gap for a given period of time (the amount necessary for fund procurement) is kept within the parameters of assets that can be quickly converted into liquid form. In addition to continuous monitoring of market trends and liquidity status, we are creating a system enabling us to rapidly respond, to the fullest possible degree, in cases of materialization of liquidity risk events, based on countermeasures drawn up for emergency situations.

Operational Risk Management

Operational risk refers to the risk of losses arising from irregular procedures or employee conduct in operations, or inappropriate system operation or detrimental external events. Joyo Bank divides such risk into five categories: administrative risk, system risk, risk to tangible assets, personnel management risk, and compliance (legal) risk.

We have also established a management office for each risk category, as well as supervision of overall operational risk measures.

Administrative Risk

Administrative risk is the risk of damages due to improper administration resulting in accidents or improprieties. We have taken steps to uphold and improve the quality of our administrative operations, to ensure that customers are not inconvenienced by inappropriate administrative management and that administrative management is as error-free and prompt as possible.

In addition to analyzing and evaluating the circumstances, causes, and processes surrounding administrative mistakes, we verify the effectiveness of countermeasures after their introduction and repeat them as often as necessary to ensure that the problem is resolved. We are drawing up regulations for administrative processes, and ensuring their strict application by all staff from executives down through guidance and training. We are also verifying the effectiveness of internal audits and taking steps to preempt accidents.

System Risk

System risk is the risk of losses due to the breakdown of computer systems, erroneous computer operation, and inappropriate computer use. Measures to ensure appropriate management of such risk is based on protection of data and ensuring stable operation of computer systems.

Tangible Assets Risk, Human Resources Risk and Compliance (Legal) Risk

Risk to tangible assets (inadequate precautions to prevent damage from earthquakes and neglect of building management), personnel management risk relating to safety and hygiene at the workplace, and compliance risk (legality of business, illegal behavior by any executives and employees) are addressed through appropriate measures after identification and evaluation using methods to gauge risk scale and features, and the effect of risk reduction measures is later assessed.

Crisis Management

We have established a set of general emergency guidelines providing specific measures for dealing with situations such as major disasters, system failures and reputational damage, and for minimizing disruption of relations with business partners. We aim to strengthen our crisis management through continuous training and upgrading of procedures.

Customer Protection

To ensure peace of mind for our customers, Joyo Bank established the Customer Protection Management Policy, and is developing a management system that includes the establishment of a controlling division.

Adequate Explanations of Products and Services

We always provide explanations of our financial products and services to ensure that customers understand the products or services adequately. We are working to further improve the quality of explanations by perfecting our staff's knowledge of financial products and services, so they can enable customers to understand them more easily.

Listening Attentively to Customer Feedback

Management of customer queries, consultation, requests, complaints and disputes is undertaken on an integrated basis by the Customer Counseling Office in the Business Management Division. We have in place a system for discussing measures for improvement and for prevention of issues arising within the operational departments. We have also signed agreements with designated dispute settlement organizations and also work through external entities to reach settlements.

Ensuring Strict Confidentiality in the Management of Customer Information

We ensure strict confidentiality in our management of customers' personal data. We have drawn up detailed in-house rules for the handling of customer information, practicing strict control of data access and office access as well as the encryption of confidential information. In these ways, we protect our customers from the leakage of their personal information to outside parties as a result of misconduct or human error.

Protection of Confidential Private Information

We have drawn up and made public a privacy policy as a response to the protection of private information, and have put in place safeguards for the protection and appropriate handling of personal information.

Privacy Policy

For the protection of personal data, personal numbers or specific personal information (hereinafter, the personal numbers and specific personal information are referred to as "specific personal information"), we have established the following policy based on our respect for all individuals, and pledge to put all our efforts into the protection of private information and specific personal information.

Policy for Protection of Personal Confidential Information

- ***Strict compliance with laws and regulations***

  We comply with all laws, ordinances, and other regulations regarding confidentiality of personal information and specific personal information.

- ***Appropriate access***

  We acquire personal information and specific personal information only by appropriate and legal methods, and only when necessary for business operations. Personal information is never gathered in an inappropriate way.

- ***Ban on unapproved use of personal information***

  We only use personal information and specific personal information in as much as it is necessary for achievement of business objectives, and do not use such information for any other purpose. In addition, we use specific personal information within the scope of purposes of use permitted under laws and ordinances. Moreover, we use information that is registered with credit-data organizations of which we are a member where appropriate for credit-related purposes.

- ***Ban on provision of personal information to third parties***

  Except when prescribed by laws and ordinances, we never provide personal information to third parties without first obtaining the affected person's agreement. In addition, except when prescribed by laws and ordinances, specific personal information is never provided to third parties. Moreover, when personal information and specific personal information is entrusted to an outside organization under an outsourcing arrangement, we require that protection standards for personal information and specific personal information be contractually assured and managed safely, and carry out checks.

- ***Security management measures***

  We have in place appropriate security management mechanisms to ensure prevention of illegal access, leakage, loss or destruction of personal information or specific personal information. In addition, we conduct appropriate supervision of employees or outside organizations (including subcontractors and the like) who are entrusted to handle personal information or specific personal information.

- ***Appropriate response to complaints***

  When customers have questions or complaints regarding our protection of personal information or specific personal information, we investigate these questions or complaints and deal with them appropriately and promptly, within a reasonable period of time.

- ***Continuous improvement***

  Joyo Bank has compiled regulations for protection of personal information and specific personal information. In addition to ensuring that these measures are familiar to all employees and other affected parties, Joyo Bank continually upgrades them. Regular audits into acquisition, use and provision of personal information and specific personal information are part of our broad and thorough commitment to confidentiality.

Financial Crime Prevention

We are fully committed to preventing crimes involving accounts held at our banks, including preventing remittance fraud, the use of forged ATM cards, online hacking, and to protecting the financial assets of our customers.

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

March 31,	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Assets:			
Cash and due from banks (Notes 3 (z) and 24)	¥ 442,713	¥ 496,348	$ 3,928,946
Call loans and bills purchased	2,000	14,356	17,749
Other debt purchased (Note 25)	9,977	12,509	88,543
Trading assets (Note 25)	5,918	4,999	52,523
Securities (Notes 7, 8, 13, 24 and 25)	2,736,884	2,742,510	24,289,004
Loans and bills discounted (Notes 6, 9, 11 and 24)	5,869,596	5,618,019	52,090,849
Foreign exchanges (Note 6)	4,241	3,296	37,640
Lease receivables and lease investment assets (Note 7)	42,502	38,571	377,199
Other assets (Note 7)	64,583	52,719	573,161
Tangible fixed assets (Notes 3 (x) and 19)	94,300	94,961	836,886
Intangible fixed assets	9,936	10,570	88,187
Net defined benefit asset (Note 14)	—	1,438	—
Deferred tax assets (Note 15)	1,986	1,966	17,628
Customers' liabilities for acceptances and guarantees	14,727	14,961	130,701
Reserve for possible loan losses	(40,659)	(41,765)	(360,840)
Reserve for devaluation of investment securities	(9)	(9)	(79)
Total assets	¥9,258,701	¥9,065,458	$82,168,102
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 7 and 24)	¥8,111,153	¥7,725,643	$71,983,963
Call money and bills sold	45,560	44,324	404,332
Payables under securities lending transactions (Notes 7 and 24)	130,247	143,395	1,155,909
Trading liabilities	895	160	7,947
Borrowed money (Notes 7, 10 and 24)	174,118	345,388	1,545,249
Foreign exchanges	886	551	7,864
Bonds (Note 12)	15,000	15,000	133,120
Bonds with warrant attached (Note 12)	33,804	36,051	300,000
Due to trust account	13	13	117
Other liabilities (Note 10)	78,627	66,084	697,793
Reserve for director's bonuses	48	62	432
Net defined benefit liability (Note 14)	15,475	7,997	137,343
Reserve for directors' retirement benefits	38	39	341
Reserve for reimbursement of dormant deposits	2,354	2,164	20,892
Reserve for frequent users services	145	138	1,290
Reserve for losses on interest refunded	6	7	55
Reserve for other contingent losses	1,045	1,169	9,280
Reserves under the special laws	2	2	17
Deferred tax liabilities (Note 15)	31,295	48,507	277,738
Deferred tax liabilities for land revaluation (Note 3 (x))	9,526	10,136	84,544
Negative goodwill	1,659	1,817	14,725
Acceptances and guarantees	14,727	14,961	130,701
Total liabilities	8,666,631	8,463,618	76,913,662
Net assets (Note 21):			
Common stock	85,113	85,113	755,352
Capital surplus	58,574	58,574	519,826
Retained earnings	333,964	311,093	2,963,831
Treasury stock	(21,569)	(21,619)	(191,423)
Total shareholders' equity (Note 16)	456,082	433,160	4,047,586
Unrealized gains on available-for-sale securities (Note 25)	135,031	159,909	1,198,361
Deferred losses on hedging instruments, net of taxes	(3,073)	(1,725)	(27,273)
Land revaluation excess, net of taxes (Note 3 (x))	13,002	12,666	115,396
Remeasurements of defined benefit plans (Note 14)	(10,667)	(3,756)	(94,670)
Total accumulated other comprehensive income	134,293	167,094	1,191,815
Equity warrants	132	147	1,175
Non-controlling interests	1,562	1,437	13,863
Total net assets	592,070	601,840	5,254,439
Total liabilities and net assets	¥9,258,701	¥9,065,458	$82,168,102

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Income:			
Interest and dividend income:	¥ 96,245	¥ 95,952	$ 854,144
Interest on loans and discounts	66,359	67,788	588,919
Interest and dividends on securities	29,208	27,455	259,218
Other interest income	676	708	6,006
Fees and commissions	26,539	26,297	235,533
Trading income	2,211	1,842	19,626
Other operating income	9,556	5,240	84,808
Other income	28,847	28,574	256,016
Total income	163,400	157,906	1,450,129
Expenses:			
Interest expenses:	6,577	5,120	58,369
Interest on deposits	2,650	2,395	23,520
Interest on borrowings and rediscounts	1,219	903	10,823
Other interest expenses	2,707	1,821	24,025
Fees and commissions	6,477	7,490	57,483
Other operating expenses	4,163	2,263	36,952
General and administrative expenses (Note 17)	70,784	72,161	628,189
Other expenses (Note 18)	28,365	24,926	251,736
Total expenses	116,368	111,963	1,032,731
Profit before income taxes	47,032	45,943	417,398
Income taxes:			
Current	13,937	12,497	123,687
Deferred (Note 15)	1,925	4,517	17,088
Profit	31,169	28,927	276,622
Profit attributable to non-controlling interests	135	247	1,202
Profit attributable to owners of parent	¥ 31,034	¥ 28,680	$275,420
Earnings per share (in yen and dollars) (Note 30)	¥ 42.93	¥ 39.48	$ 0.38

Consolidated Statements of Comprehensive Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Profit	¥ 31,169	¥ 28,927	$ 276,622
Other comprehensive income (Note 20):	(32,649)	76,782	(289,753)
Unrealized gains on available-for-sale securities	(24,888)	73,489	(220,878)
Deferred gains (losses) on hedging instruments, net of taxes	(1,348)	347	(11,963)
Land revaluation excess, net of taxes (Note 3 (x))	498	1,045	4,423
Remeasurements of defined benefit plans (Note 14)	(6,911)	1,900	(61,334)
Comprehensive income	¥ (1,479)	¥105,710	$ (13,130)
(Attributable to)			
Shareholders of parent	¥ (1,605)	¥105,438	$ (14,244)
Non-controlling interests	125	271	1,113

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Shareholders' equity:			
Common stock:			
Balance at end of the previous year	¥ 85,113	¥ 85,113	$ 755,352
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 85,113	¥ 85,113	$ 755,352
Capital surplus:			
Balance at end of the previous year	¥ 58,574	¥ 58,574	$ 519,826
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 58,574	¥ 58,574	$ 519,826
Retained earnings:			
Balance at end of the previous year	¥311,093	¥300,506	$2,760,854
Cumulative effects of changes in accounting policies	—	(748)	—
Restated balance	311,093	299,757	2,760,854
Changes during the year:			
Cash dividends	(8,312)	(6,622)	(73,770)
Net income	31,034	28,680	275,420
Disposal of treasury stock	(12)	(3)	(108)
Retirement of treasury stock	—	(11,283)	—
Transfer from land revaluation excess	161	564	1,435
Total changes during the year	22,871	11,335	202,976
Balance at end of the current year	¥333,964	¥311,093	$2,963,831
Treasury stock:			
Balance at end of the previous year	¥ (21,619)	¥ (21,079)	$ (191,866)
Changes during the year:			
Purchase of treasury stock	(28)	(11,842)	(250)
Disposal of treasury stock	78	19	693
Retirement of treasury stock	—	11,283	—
Total changes during the year	49	(539)	442
Balance at end of the current year	¥ (21,569)	¥ (21,619)	$ (191,423)
Total shareholders' equity:			
Balance at end of the previous year	¥433,160	¥423,113	$3,844,166
Cumulative effects of changes in accounting policies	—	(748)	—
Restated balance	433,160	422,364	3,844,166
Changes during the year:			
Cash dividends	(8,312)	(6,622)	(73,770)
Net income	31,034	28,680	275,420
Purchase of treasury stock	(28)	(11,842)	(250)
Disposal of treasury stock	65	16	585
Retirement of treasury stock	—	—	—
Transfer from land revaluation excess	161	564	1,435
Total changes during the year	22,921	10,795	203,419
Balance at end of the current year	¥456,082	¥433,160	$4,047,586
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities:			
Balance at end of the previous year	¥159,909	¥ 86,445	$1,419,151
Changes during the year			
Net changes in items other than shareholders' equity	(24,878)	73,464	(220,789)
Total changes during the year	(24,878)	73,464	(220,789)
Balance at end of the current year	¥135,031	¥159,909	$1,198,361

Years ended March 31,	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 2) 2016
Deferred losses on hedging instruments, net of taxes:			
Balance at end of the previous year	¥ (1,725)	¥ (2,072)	$ (15,309)
Changes during the year			
Net changes in items other than shareholders' equity	(1,348)	347	(11,963)
Total changes during the year	(1,348)	347	(11,963)
Balance at end of the current year	¥ (3,073)	¥ (1,725)	$ (27,273)
Land revaluation excess, net of taxes:			
Balance at end of the previous year	¥ 12,666	¥ 12,184	$ 112,408
Changes during the year			
Net changes in items other than shareholders' equity	336	481	2,988
Total changes during the year	336	481	2,988
Balance at end of the current year	¥ 13,002	¥ 12,666	$ 115,396
Remeasurements of defined benefit plans:			
Balance at end of the previous year	¥ (3,756)	¥ (5,656)	$ (33,335)
Changes during the year			
Net changes in items other than shareholders' equity	(6,911)	1,900	(61,334)
Total changes during the year	(6,911)	1,900	(61,334)
Balance at end of the current year	¥ (10,667)	¥ (3,756)	$ (94,670)
Total accumulated other comprehensive income:			
Balance at end of the previous year	¥167,094	¥ 90,900	$1,482,914
Changes during the year			
Net changes in items other than shareholders' equity	(32,801)	76,194	(291,099)
Total changes during the year	(32,801)	76,194	(291,099)
Balance at end of the current year	¥134,293	¥167,094	$1,191,815
Equity warrants:			
Balance at end of the previous year	¥ 147	¥ 113	$ 1,305
Changes during the year			
Net changes in items other than shareholders' equity	(14)	33	(130)
Total changes during the year	(14)	33	(130)
Balance at end of the current year	¥ 132	¥ 147	$ 1,175
Non-controlling interests:			
Balance at end of the previous year	¥ 1,437	¥ 2,843	$ 12,758
Changes during the year			
Net changes in items other than shareholders' equity	124	(1,405)	1,104
Total changes during the year	124	(1,405)	1,104
Balance at end of the current year	¥ 1,562	¥ 1,437	$ 13,863
Total net assets:			
Balance at end of the previous year	¥601,840	¥516,971	$5,341,144
Cumulative effects of changes in accounting policies	—	(748)	—
Restated balance	601,840	516,222	5,341,144
Changes during the year:			
Cash dividends	(8,312)	(6,622)	(73,770)
Net income	31,034	28,680	275,420
Purchase of treasury stock	(28)	(11,842)	(250)
Disposal of treasury stock	65	16	585
Retirement of treasury stock	—	—	—
Transfer from land revaluation excess	161	564	1,435
Net changes in items other than shareholders' equity	(32,691)	74,821	(290,124)
Total changes during the year	(9,769)	85,617	(86,705)
Balance at end of the current year	¥592,070	¥601,840	$5,254,439

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Cash flows from operating activities:			
Profit before income taxes	¥ 47,032	¥ 45,943	$ 417,398
Depreciation	6,173	5,710	54,787
Impairment losses	208	1,020	1,851
Gain on negative goodwill	—	(1,335)	—
Amortization of negative goodwill	(158)	(158)	(1,402)
Net decrease in reserve for possible loan losses	(1,106)	(5,150)	(9,815)
Net decrease in reserve for devaluation of investment securities	—	(26)	—
Net increase (decrease) in reserve for bonuses to directors and corporate auditors	(13)	13	(121)
Net decrease (increase) in net defined benefit asset	1,438	(1,438)	12,766
Net increase (decrease) in net defined benefit liability	7,478	(836)	66,366
Net increase (decrease) in reserve for directors' retirement benefits	(1)	0	(9)
Net increase in reserve for reimbursement of dormant deposits	189	170	1,682
Net increase in reserve for frequent users services	6	10	60
Net decrease in reserve for other contingent losses	(123)	(336)	(1,094)
Net increase (decrease) in reserve for losses on interest refunded	(1)	4	(9)
Interest and dividend income	(103,468)	(103,319)	(918,254)
Interest expenses	6,577	5,120	58,369
Net losses (gains) related to securities transactions	(5,953)	1,658	(52,833)
Foreign exchange losses (gains), net	20,018	(35,769)	177,661
Losses on disposal of tangible fixed assets	444	102	3,946
Net increase in trading assets	(918)	(1,612)	(8,152)
Net increase in trading liabilities	734	19	6,520
Net increase in loans and bills discounted	(251,576)	(254,630)	(2,232,666)
Net increase in deposits	372,864	235,695	3,309,056
Net increase in negotiable certificates of deposit	12,644	15	112,217
Net increase (decrease) in borrowed money excluding subordinated borrowings	(171,269)	132,539	(1,519,966)
Net decrease (increase) in due from banks excluding cash equivalents	(43,084)	11,383	(382,365)
Net decrease (increase) in call loans and others	14,889	(5,024)	132,138
Net increase (decrease) in call money and bills sold	1,235	(27,515)	10,968
Net increase (decrease) in payables under securities lending transactions	(13,147)	37,399	(116,682)
Net increase in foreign exchange (assets)	(944)	(1,045)	(8,381)
Net increase in foreign exchange (liabilities)	334	198	2,966
Net increase in lease investment assets	(3,931)	(2,489)	(34,890)
Net decrease in due to trust account	(0)	(5)	(3)
Interest and dividends received	103,618	102,982	919,580
Interest paid	(6,756)	(5,367)	(59,958)
Others, net	(23,741)	680	(210,698)
Subtotal	(30,307)	134,608	(268,966)
Income taxes paid	(11,713)	(13,624)	(103,952)
Net cash provided by (used in) operating activities	(42,020)	120,983	(372,919)
Cash flows from investing activities:			
Purchases of securities	(881,587)	(863,354)	(7,823,813)
Proceeds from sale of securities	606,454	736,166	5,382,096
Proceeds from redemption of securities	233,760	287,759	2,074,555
Purchases of tangible fixed assets	(3,482)	(4,665)	(30,909)
Proceeds from sales of tangible fixed assets	494	1,941	4,387
Purchases of intangible fixed assets	(1,990)	(2,259)	(17,667)
Purchases of subsidiary stock	—	(339)	—
Net cash provided by (used in) investing activities	(46,350)	155,249	(411,350)
Cash flows from financing activities:			
Repayments of subordinated borrowings	—	(5,400)	—
Proceeds from issuance of bonds with warrant attached	—	30,674	—
Purchases of treasury stock	(28)	(11,842)	(250)
Proceeds from sales of treasury stock	7	3	63
Cash dividends paid	(8,312)	(6,622)	(73,770)
Cash dividends paid to non-controlling interests	(1)	(2)	(8)
Net cash provided by (used in) financing activities	(8,334)	6,810	(73,965)
Translation adjustment for cash and cash equivalents	(13)	27	(121)
Net increase (decrease) in cash and cash equivalents	(96,719)	283,070	(858,357)
Cash and cash equivalents at beginning of year	493,433	210,363	4,379,070
Cash and cash equivalents at end of year (Note 3 (z))	¥ 396,713	¥ 493,433	$ 3,520,713

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

THE JOYO BANK, LTD. and Consolidated Subsidiaries

1. Basis of Preparation

The accompanying consolidated financial statements of The Joyo Bank, Ltd. (the "Bank") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of the Japanese yen amounts at ¥112.68 = US$1.00, the exchange rate prevailing on March 31, 2016.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and nine major subsidiaries (together, the "Group").

There are no unconsolidated subsidiaries. There are no unconsolidated subsidiaries and affiliates that are accounted for by the equity method. Four affiliates, Ibaraki-kizuna Investment Limited Partnership, Ibaraki New Industry Creation Investment Limited Partnership, Ibaraki Creation Investment Limited Partnership and Ibaraki Revitalization Investment Limited Partnership, are not accounted for under the equity method because the amounts of net income, retained earnings and accumulated other comprehensive income of the affiliate are immaterial, and as such, it does not have any significant impacts on the consolidated financial statements when excluded from the scope of equity method.

All significant intercompany transactions have been eliminated in consolidation. Assets and liabilities held by consolidated subsidiaries are stated at fair value at a time of acquisition.

(b) Consolidated subsidiaries' closing date

Closing date of nine consolidated subsidiaries is March 31.

(c) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

(d) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Equity shares and investment trusts listed on Japanese markets are stated at fair value based on their average market prices over the month prior to the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other listed securities are stated at fair value based on the market prices prevailing on the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other available-for-sale securities which are extremely difficult to determine the fair value are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

(e) Derivatives

Derivatives positions held by the Group (not including transactions for trading purposes) are stated at fair value.

(f) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets held by the Bank is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years

Other: 3~20 years

Depreciation of tangible fixed assets held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of intangible fixed assets is calculated using the straight-line method. Software for internal use is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

Depreciation of lease assets in “Tangible fixed assets”, which are the finance leases other than those that transfer the ownership lease property to the lessee is calculated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(g) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank’s historical loan-loss experience.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank’s internal rules for the self-assessment of asset quality.

The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥15,772 million and ¥16,905 million as of March 31, 2016 and 2015, respectively.

(h) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

(i) Reserve for employees’ retirement benefits

In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

(j) Reserve for directors’ bonuses

Reserve for directors’ bonuses represents estimated cost of directors’ (including executive officers) bonuses attributable to the fiscal year.

(k) Reserve for directors’ retirement benefits

Reserve is made for the payments of retirement allowances to directors and corporate auditors of the consolidated subsidiaries based on an estimate of the amount attributable to the fiscal year.

(l) Reserve for reimbursement of dormant deposits
Reserve for reimbursement of dormant deposits which were derecognized as liabilities under certain conditions is provided for possible losses on the future claims.

(m) Reserve for frequent users services
Reserve for frequent users services, which is provided to meet future use of credits granted to credit card customers, is recorded in the amount deemed necessary based on the estimated future use of unused credits. This program applies to cards issued by the Bank and one of its subsidiaries.

(n) Reserve for losses on interest refunded
One consolidated subsidiary provides a provision for losses on interest refunded in an amount deemed necessary based on estimated amounts to be refunded, taking into account historical records of interest refunded on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

(o) Reserve for contingent losses
The Bank makes reserve for possible losses on loans guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

(p) Reserves under special laws
The reserve under the special laws is a reserve for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions in the amount of ¥2 million and ¥2 million as of March 31, 2016 and 2015, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

(q) Negative goodwill
Negative goodwill is amortized using the straight-line method over 20 years.

(r) Deferred charges
Stock issuance costs are charged to expenses as incurred.

(s) Translation of foreign currencies
Foreign currency-denominated assets and liabilities of the Bank are translated into Japanese yen at the rates prevailing at the balance sheet date. Foreign currency-denominated assets and liabilities held by consolidated subsidiaries are translated into Japanese yen principally at the rates prevailing at the respective balance sheet dates.

All consolidated subsidiaries have a fiscal year end of March 31.

(t) Leases
As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, their treatment was as follows.

As a lessor
In line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions (the Accounting Standards Board of Japan ("ASBJ") Guidance No. 16, March 25, 2011), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and lease investment assets.

(u) Recognition of income on finance lease
As a lessor income and expense are recognized when lease receivables are collected as for finance lease transactions that do not transfer ownership of the property.

(v) Hedging

Hedging against interest rate risks
The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24, February 13, 2002).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates, by classifying the hedged items (deposits or loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

Hedging against foreign exchange fluctuation risks

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies, in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

To minimize the foreign exchange fluctuation risks on monetary assets and liabilities, the Bank engages in currency swaps, foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities, with that of the hedging instruments.

When certain criteria are met, exceptional accrual method for interest rate swap is applied to some assets and liabilities held by the Bank and its consolidated subsidiaries.

(w) Consumption tax

Consumption tax is excluded from transactions reported by the Group. However, non-deductible consumption tax on tangible fixed assets is charged to income as incurred.

(x) Land revaluation excess

In accordance with the Law concerning the Revaluation of Land (Act No. 119, effective March 31, 1998), the Bank revalued the land held for its operations on March 31, 1998. The net unrealized gain is presented in net assets net of the applicable income taxes as land revaluation excess, net of taxes.

The difference between the carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥28,487 million and ¥28,950 million as of March 31, 2016 and 2015, respectively.

(y) Earnings per share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during each year.

(z) Statements of cash flows

Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

	Millions of yen	
March 31,	**2016**	2015
Cash and due from banks	**¥442,713**	¥496,348
Deposits with banks other than the Bank of Japan	**(45,999)**	(2,914)
Cash and cash equivalents	**¥396,713**	¥493,433

4. Accounting change

Accounting Standard for Business Combinations and other

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. have been applied from the beginning of the current fiscal year. The new standards require the Bank to record the changes in the equity interests in subsidiaries over which the Bank keeps its control in additional paid in capital. The new standards also changed the accounting treatment of the acquisition related expenses and require entities to charge the acquisition related expenses when it incurred. For business combinations implemented on or after the beginning of the fiscal year, adjustments of the preliminary purchase price allocation will be accounted for on a retrospective basis, i.e., during the fiscal year in which the acquisition took place. In addition, the presentation of net income, etc. has been changed and minority shareholder equity has been changed to non-controlling interests. To reflect these changes, the accompanying consolidated financial statements for the previous fiscal year have been reclassified.

Also from this fiscal year, disbursements for acquisitions or proceeds from sales of shares of subsidiaries without change of scope of consolidation have been presented in cash flows from financing activities, while cash out flows for acquisition related-expenses from acquisitions of shares of subsidiaries with change of scope of consolidation and cash out flows for the expenses of acquisition or sales of shares of subsidiaries without change of scope of consolidation have been presented in cash flows from operating activities in the consolidated statements of cash flows.

Application of the Accounting Standard for Business Combinations and other applicable standards are subject to the transitional treatment stipulated in Article 58-2-4 of the Accounting Standard for Business Combinations, Article 44-5-4 of the Accounting Standard for Consolidated Financial Statements and Article 57-4-4 of the Accounting Standard for Business Divestitures, which have been applied from the beginning of the current fiscal year on a prospective basis.

Note that there are no financial impacts on the consolidated financial statements for the current fiscal year due to this application of related accounting standards.

Moreover, the financial impacts on the information of per share data are presented in Note 30.

5. Standards issued but not yet effective

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

(1) Outline

This guidance is in line with the existing guidelines "Audit Treatment on Determining the Recoverability of Deferred Tax Assets" (JICPA Audit Committee Report No. 66), however there are certain revised treatments in relation to the recoverability of deferred tax assets.

(2) Date of the adoption

The Bank intends to adopt the new accounting standards from the beginning of the fiscal year which starts on April 1, 2016.

(3) Impacts of the adoption of the new guidance

The Bank is currently assessing the impacts of the adoption of the new guidance on the financial statements .

6. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, February 13, 2002. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2016 and 2015 totaled ¥20,782 million and ¥21,861 million, respectively.

7. Pledged Assets

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

	Millions of yen	
March 31,	**2016**	2015
Pledged assets:		
Securities	**¥585,191**	¥601,823
Liabilities covered by pledged assets:		
Deposits	**41,548**	40,714
Payables under securities lending transactions	**130,247**	143,395
Borrowed money	**152,760**	319,926

In addition to the above, securities amounting to ¥60,726 million and ¥60,943 million at book value were pledged as collateral in connection with bank transfer settlements and futures transactions as of March 31, 2016 and 2015, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥188 million and ¥127 million as of March 31, 2016 and 2015, respectively.

“Other assets” included lease deposits of ¥1,347 million and ¥1,365 million, at March 31, 2016 and 2015, respectively. “Other assets” also included Initial margins on futures transactions of ¥160 million at both March 31, 2016 and 2015.

8. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Investments	**¥591**	¥425

9. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,620,874 million and ¥1,605,200 million at March 31, 2016 and 2015, respectively. Of this amount, facilities/contracts which expire within one year or which are unconditionally cancelable at any time, totaled ¥869,918 and ¥879,018 million at March 31, 2016 and 2015, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the non-executed financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

10. Borrowed Money

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

	Millions of yen		%	Due
Description	**2016**	2015	Average interest rate	
Bills rediscounted	**¥ —**	¥ —	—	—
Other borrowings	**174,118**	345,388	0.28	April 2016 - October 2020
Lease obligations	**21**	26	4.26	April 2016 - August 2020

Notes: 1. Average interest rate represents the weight average interest rate based on the balances and rates at respective fiscal year-end.

2. The repayment schedule within five years on borrowed money at March 31, 2016 was as follows:

	Millions of yen	
	Other borrowings	Lease obligations
Within 1 year	¥159,960	¥5
After 1 year within 2 years	9,443	4
After 2 years within 3 years	1,370	4
After 3 years within 4 years	3,245	4
After 4 years within 5 years	100	2

11. Non-Performing Loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2016 and 2015 included the following non-performing loans:

	Millions of yen	
March 31,	**2016**	2015
Loans in bankruptcy and dishonored bills	**¥1,243**	¥1,278
Delinquent loans	**79,542**	87,175
Loans past due with respect to interest payments for more than 3 months	**720**	479
Restructured loans	**25,403**	26,353
Total	**¥106,910**	¥115,287

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Act (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes since no repayment of principal or payment of interest has been made for a considerable period. Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans. Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due for three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans. Restructured loans refers to loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.

2. The above amounts are stated before the deduction of the reserve for possible loan losses.

12. Bonds

Bonds included subordinated bond of ¥1,000 million at both March 31, 2016 and 2015.

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

Issuer	Description	Date of issue	Millions of yen		%	Collateral	Due
			2016	2015	Interest rate		
The Joyo Bank, Ltd.	2nd Unsecured Straight Bonds	May 24, 2000	**5,000**	5,000	2.64	—	May 22, 2020
The Joyo Bank, Ltd.	1st Unsecured Subordinated Bonds with early redemption clause	January 31, 2012	**10,000**	10,000	1.22	—	January 31, 2022
The Joyo Bank, Ltd.	Euro-US dollar-denominated convertible bonds with stock acquisition rights maturing in 2019 (Note 1)	April 24, 2014	**33,804 ($300,000 thousand)**	36,051 ($300,000 thousand)	—	—	April 24, 2019
Total			**¥48,804**	¥51,051			

Note: 1. Information on convertible bonds with stock acquisition rights is as follows:

Bond name	Joyo Bank, Ltd. Euro-U.S. dollar-denominated convertible bonds with SAR maturing in 2019
Type of stock	Common stock
Issue price of stock acquisition rights	Free of charge
Issue price of stock	$6.04
Total sum of issue price	$300,000 thousand
Grant ratio of stock acquisition rights	100.0%
Exercise period of stock acquisition rights	From May 9, 2014 to April 10, 2019
Substitute payment	On execution of the stock acquisition rights the corresponding bonds are to be invested and the bonds price is same as face amount.

Note: 2. The repayment schedule within five years on bonds at March 31, 2016 was as follows:

	Millions of yen
Within 1 year	¥ —
After 1 year within 2 years	—
After 2 years within 3 years	—
After 3 years within 4 years	33,804
After 4 years within 5 years	5,000

13. Privately placed bonds

Privately placed bonds (Article 2-3 of Financial Instruments and Exchange Law) guaranteed by the Bank at March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Privately placed bonds	**¥28,221**	¥22,338

14. Employees’ Retirement Benefits

(a) Outline of current retirement benefit system

The Group have adopted defined employees’ retirement benefit plans, i.e., the employees’ welfare pension fund supplemented by the employees’ public pension system and lump-sum retirement benefits. In addition, extra benefits which are excluded from the projected benefit obligation in employees’ retirement benefits accounting may be paid on a case-by-case basis. The Bank has established an employees’ retirement benefit trust. As of the end of March 31, 2016, the Bank and its all consolidated subsidiaries have lump-sum retirement benefits for employees. The Group have jointly established a fund under a defined benefit pension plan and it is included in the section of defined benefit pension plan of the note. Net defined benefit liability and service cost in the defined benefit pension plan and lump-sum retirement benefit adopted by the consolidated subsidiaries are calculated by the simplified method.

(b) Defined benefit pension plan

(1) Reconciliation of the projected benefit obligation between the beginning of the fiscal year and the end of the fiscal year (Except for the simplified method):

	Millions of yen	
	2016	2015
Retirement benefit obligation at the beginning of the fiscal year	**¥69,080**	¥62,072
Cumulative effects of changes in accounting policies	—	1,156
Restated balance	**69,080**	63,229
Service cost	**1,680**	1,444
Interest cost	**725**	967
Actuarial loss incurred	**8,054**	6,678
Payment of retirement benefit	**(3,360)**	(3,239)
Prior service cost incurred	—	—
Retirement benefit obligations at the end of the fiscal year	**¥76,181**	¥69,080

(2) Reconciliation of the plan assets between the beginning of the fiscal year and the end of the fiscal year (Except for the simplified method):

	Millions of yen	
	2016	2015
Plan assets at the beginning of the fiscal year	**¥63,088**	¥53,763
Expected return on plan assets	**909**	794
Actuarial loss incurred	**(2,705)**	8,414
Contribution by the Bank and its consolidated subsidiaries	**2,010**	2,038
Payment of retirement benefit	**(1,999)**	(1,922)
Plan assets at the end of the fiscal year	**¥61,303**	¥63,088

(3) Reconciliation of the net defined benefit liability adopting the simplified method between the beginning of the fiscal year and the end of the fiscal year:

	Millions of yen	
	2016	2015
Net defined benefit liability at the beginning of the fiscal year	**¥567**	¥526
Retirement benefit expense	**386**	393
Payment of retirement benefit	**(38)**	(32)
Contribution to the defined benefit pension plan	**(317)**	(320)
Net defined benefit liability at the end of the fiscal year	**¥598**	¥567

(4) Reconciliation of the projected benefit obligation and plan assets between net defined benefit liability and net defined benefit asset is as follows:

	Millions of yen	
	2016	2015
Retirement benefit obligation of the funded pension plan	**¥83,538**	¥76,723
Plan assets	**(68,063)**	(70,164)
	15,475	6,559
Retirement benefit obligation of the unfunded pension plan	—	—
Net defined benefit liability and asset on the consolidated balance sheet	**¥15,475**	¥6,559

	Millions of yen	
	2016	2015
Net defined benefit liability	**¥15,475**	¥7,997
Net defined benefit asset	—	1,438
Net defined benefit liability and asset on the consolidated balance sheet	**¥15,475**	¥6,559

Note: Including the simplified method

(5) Components of retirement benefit expenses are as follows:

	Millions of yen	
	2016	2015
Service cost	**¥1,680**	¥1,444
Interest cost	**725**	967
Expected return on plan assets	**(909)**	(794)
Amortization of unrecognized actuarial loss	**944**	1,402
Amortization of prior service cost	**—**	69
Retirement benefit expense adopting the simplified method	**386**	393
Other	**—**	—
Retirement benefit expense on defined benefit pension plan	**¥2,828**	¥3,482

(6) Components of remeasurements of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of yen	
	2016	2015
Prior service cost	**¥—**	¥69
Actuarial loss	**(9,814)**	3,137
Total	**¥ (9,814)**	¥3,207

(7) Components of remeasurements of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of yen	
	2016	2015
Unrecognized prior service cost	**¥—**	¥—
Unrecognized actuarial loss	**15,347**	5,532
Total	**¥15,347**	¥5,532

(8) Plan assets

Proportions of major components of plan assets are as follows:

	2016	2015
Bond	**41.5%**	38.1%
Equity	**36.9%**	41.8%
General account	**17.1%**	16.4%
Other	**4.5%**	3.7%
Total	**100.0%**	100.0%

Note: A retirement benefit trust was established for corporate pension plans and totaling to 16.3% of the total plan assets

Expected rate of return on pension plan assets is determined considering current and future portfolio of pension assets and current and future long term expected rate of return on various assets in the portfolio.

(9) The assumptions used in accounting for the defined benefit plans:

	2016	2015
Discount rate	**0.39%**	1.05%
Expected rate of return on plan assets	**2.50%**	2.50%
Expected increase rate in salary	**4.74%**	4.92%

(c) Defined contribution plan

Total defined contribution expenses of the Group was ¥452 million and ¥368 million for the fiscal years ended March 31, 2016 and 2015, respectively.

15. Deferred Tax Assets

	Millions of yen	
March 31,	**2016**	2015
Deferred tax assets:		
Reserve for possible loan losses	**¥15,330**	¥16,783
Net defined benefit liability	**11,869**	9,629
Devaluation of securities	**1,302**	1,473
Reserve for employee bonuses	**829**	844
Reserve for reimbursement of dormant deposits	**715**	692
Depreciation	**510**	417
Others	**6,709**	7,666
Valuation allowance	**(2,887)**	(3,474)
Total	**34,379**	34,031
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**¥ (57,712)**	¥ (73,544)
Retirement benefit trust	**(4,467)**	(4,701)
Reversal of reserve for possible loan losses after elimination of intercompany balances	**(11)**	(7)
Others	**(1,496)**	(2,318)
Total	**(63,688)**	(80,572)
Net deferred tax assets (liabilities)	**¥ (29,309)**	¥ (46,540)

The effective tax rate reflected in the consolidated statements of income for the fiscal years ended March 31, 2016 and 2015 differs from the statutory tax rate for the following reasons:

	2016	2015
Statutory tax rate	**32.75 %**	35.28 %
Effect of changes in statutory tax rate	**2.02 %**	4.49 %
Valuation allowance	**(1.24)%**	(0.55)%
Permanent differences including dividends received deduction	**(0.90)%**	(2.24)%
Permanent differences including entertainment expenses	**0.20 %**	0.20 %
Other	**0.89 %**	(0.15)%
Effective tax rate	**33.72 %**	37.03 %

"Act on Partial Amendment to the Income Tax Act, etc." (Act No. 15, 2016) and "Act on Partial Amendment to the Local Tax Act, etc." (Act No. 13, 2016) were passed by the Japanese Diet on March 29, 2016, and the corporate tax rate and other rates have been lowered from the fiscal year beginning on or after April 1, 2016. Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from the previous rate of 31.98%. The rate of 30.62% has been applied to the temporary differences, expected to be realized in the fiscal year beginning on April 1, 2016 and the fiscal year beginning on April 1, 2017, while the rate of 30.39% has been applied to the temporary differences, expected to be realized in or after the fiscal year beginning on April 1, 2018.

As a result of this change, deferred tax liabilities decreased by ¥1,771 million, remeasurements of defined benefit plans decreased by ¥227 million, deferred losses on hedging instruments, net of taxes decreased by ¥68 million, unrealized gains on available-for-sale securities increased by ¥3,019 million, deferred income taxes increased by ¥951 million, deferred tax liabilities for land revaluation decreased by ¥498 million and land revaluation excess, net of taxes increased by ¥498 million.

16. Shareholders' Equity

In accordance with the Banking Act of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Act of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Companies Act of Japan (the "Act"), provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds as capital surplus.

17. General and Administrative Expenses

General and administrative expenses mainly include the following:

	Millions of yen	
Years ended March 31,	**2016**	2015
Salaries	**¥32,009**	¥31,629
Retirement benefit expenses	**3,161**	3,735

18. Other Expenses

Other expenses mainly include the following:

	Millions of yen	
Years ended March 31,	**2016**	2015
Write-offs of claims	**¥4,396**	¥3,347
Write down of equity shares	**711**	534
Impairment losses	**208**	1,020

Impairment losses were recorded in an aggregate amount deemed irrecoverable on idle assets, primarily located in Ibaraki Prefecture.

Impairment losses recognized on a consolidated basis for the fiscal years ended March 31, 2016 and 2015 can be broken down into the one category of losses on land holdings in the amount of ¥208 million and ¥1,020 million, respectively.

The recoverable amounts used for the measurement of such impairment losses are net sales prices, which are calculated on the basis of appraisal values after deduction of the estimated cost of disposal.

19. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets amounted to ¥86,362 million and ¥87,601 million, as of March 31, 2016 and 2015, respectively.

The accumulated capital gains directly offset against the acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2016 and 2015 amounted to ¥7,112 million and ¥7,108 million, respectively. For the years ended March 31, 2016 and 2015, the capital gains offset were ¥128 million and ¥460 million, respectively.

20. Supplementary Information to Consolidated Statements of Comprehensive Income

Years ended March 31,	Millions of yen 2016	2015
Unrealized gains on available-for-sale securities:		
The amount arising during the period	**¥ (27,578)**	¥107,924
Reclassification adjustments	**(13,142)**	(6,425)
Before adjustments of tax effect	**(40,720)**	101,498
Tax effect	**15,832**	(28,009)
Unrealized gains on available-for-sale securities	**(24,888)**	73,489
Deferred gains (losses) on hedging instruments, net of taxes:		
The amount arising during the period	**488**	2,157
Reclassification adjustments	**(2,368)**	(1,492)
Before adjustments of tax effect	**(1,880)**	665
Tax effect	**532**	(317)
Deferred gain (loss) on hedging instruments, net of taxes	**(1,348)**	347
Land revaluation excess, net of taxes:		
The amount arising during the period	—	—
Reclassification adjustments	—	—
Before adjustments of tax effect	—	—
Tax effect	**498**	1,045
Land revaluation excess, net of taxes	**498**	1,045
Remeasurements of defined benefit plans:		
The amount arising during the period	**(10,759)**	1,735
Reclassification adjustments	**944**	1,471
Before adjustments of tax effect	**(9,814)**	3,207
Tax effect	**2,903**	(1,306)
Remeasurements of defined benefit plans	**(6,911)**	1,900
Total	**¥ (32,649)**	¥76,782

21. Changes in Net Assets

(1) Types and number of shares issues and treasury stock are as follows:

March 31, 2016	Thousands of shares April 1, 2015	Increase	Decrease	March 31, 2016
Shares issued:				
Common stock	**766,231**	**—**	**—**	**766,231**
Total	**766,231**	**—**	**—**	**766,231**
Treasury stock:				
Common stock	**43,473**	**45**	**157**	**43,361**
Total	**43,473**	**45**	**157**	**43,361**

Notes: 1. Increase in number of treasury stock includes purchase of fractional shares, 45 thousand shares.
2. Decrease in number of treasury stock includes sale of fractional shares, 12 thousand shares, and execution of stock options, 144 thousand shares.

March 31, 2015	Thousands of shares April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock	789,231	—	23,000	766,231
Total	789,231	—	23,000	766,231
Treasury stock:				
Common stock	43,438	23,074	23,040	43,473
Total	43,438	23,074	23,040	43,473

Notes: 1. Decrease in number of shares issued is cancellation of treasury stock stipulated by the Article 178 of the ACT
2. Increase in number of treasury stock includes purchase of fractional shares, 74 thousand shares, and acquisition of common stock, 23,000 thousand shares.
3. Decrease in number of treasury stock includes sale of fractional shares, 5 thousand shares, cancellation of treasury stock, 23,000 thousand shares and execution of stock options, 34 thousand shares.

(2) Information on stock acquisition rights is as follows:

March 31, 2016	Detail of stock acquisition rights	Type of shares	Thousands of shares April 1, 2015	Increase	Decrease	March 31, 2016	Millions of yen March 31, 2016
The Bank	Stock Options			—			**¥132**
Total				—			**¥132**

March 31, 2015	Detail of stock acquisition rights	Type of shares	Thousands of shares April 1, 2014	Increase	Decrease	March 31, 2015	Millions of yen March 31, 2015
The Bank	Stock Options			—			¥147
Total				—			¥147

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2016

	Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 25, 2015	Common stock	¥3,975	5.5	March 31, 2015	June 26, 2015
Meeting of board of directors held on November 9, 2015	Common stock	¥4,337	6.0	September 30, 2015	December 2, 2015

(b) Dividends to be paid after March 31, 2016

	Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 28, 2016	Common stock	¥5,060	Retained earnings	7.0	March 31, 2016	June 29, 2016

(c) Dividends paid in the fiscal year ended March 31, 2015

	Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2014	Common stock	¥3,356	4.5	March 31, 2014	June 27, 2014
Meeting of board of directors held on November 7, 2014	Common stock	¥3,266	4.5	September 30, 2014	December 2, 2014

(d) Dividends to be paid after March 31, 2015

	Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 25, 2015	Common stock	¥3,975	Retained earnings	5.5	March 31, 2015	June 26, 2015

22. Segment Information

a. Outline of the reportable segments

The reportable segments of the Group are those units for which discrete financial information can be obtained and which are regularly examined by the management meeting, which is the highest decision-making body for decisions on the allocation of management resources and for assessing business performance.

Comprised of the Bank and its nine subsidiaries, the Group's main business is banking. Other operations include leasing, credit guarantee services, banking administrative agency services, securities trading and other financial business. “Banking” and “leasing” are its reportable segments, while credit guarantee services are included in “Other.”

b. Calculation method of the amount of ordinary income, segment profit, assets and other items by the reportable segment

Accounting method of the reportable segment is as described in “Significant Accounting Policies.” Ordinary income is regarded as the segment profit. Ordinary income from internal transactions is calculated based on actual market price.

c. Information related to ordinary income, segment profit, assets and other items by the reportable segment

	Millions of yen						
	The reportable segment						
Year ended March 31, 2016	Banking operations	Leasing	Total	Other	Total	Adjustments	Consolidated
Ordinary income:							
From external Customers	**136,943**	**19,694**	**156,638**	**6,675**	**163,314**	―	**163,314**
From internal transactions	**1,769**	**467**	**2,237**	**4,983**	**7,220**	**(7,220)**	―
Total	**138,712**	**20,162**	**158,875**	**11,659**	**170,534**	**(7,220)**	**163,314**
Segment profit	**42,717**	**949**	**43,666**	**3,481**	**47,147**	**537**	**47,685**
Assets	**9,231,780**	**70,864**	**9,302,644**	**52,685**	**9,355,330**	**(96,628)**	**9,258,701**
Liabilities	**8,660,071**	**61,673**	**8,721,744**	**31,739**	**8,753,484**	**(86,853)**	**8,666,631**
Others							
Depreciation	**6,002**	**245**	**6,247**	**305**	**6,553**	**(379)**	**6,173**
Interest income	**96,360**	**113**	**96,474**	**134**	**96,608**	**(363)**	**96,245**
Interest expenses	**6,513**	**331**	**6,845**	**90**	**6,935**	**(358)**	**6,577**
Gain on disposal of tangible fixed assets	**83**	―	**83**	**3**	**86**	―	**86**
Losses on disposal of tangible fixed assets	**528**	**0**	**529**	**93**	**623**	**(92)**	**531**
Losses on impairment	**208**	―	**208**	―	**208**	―	**208**
Tax expenses	**14,288**	**316**	**14,604**	**1,116**	**15,720**	**142**	**15,862**
Increase in tangible and intangible fixed assets	**5,359**	**18**	**5,378**	**95**	**5,473**	―	**5,473**

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company.

2. Adjustments are as follows:

a) Adjustments in Ordinary income total of ¥(7,220) million include elimination of intersegment transactions of ¥(7,378) million.

b) Adjustments in assets of ¥(96,628) million include elimination of intersegment transactions of ¥(85,862) million.

c) Adjustments in liabilities of ¥(86,853) million include elimination of intersegment transactions of ¥(83,615) million.

d) Adjustments in depreciation of ¥(379) million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥(389) million.

e) Adjustments in Interest income of ¥(363) million include intersegment interests of ¥(355) million.

f) Adjustments in interest expenses of ¥(358) million include intersegment interest of ¥(355) million.

g) Adjustments in tax expenses of ¥142 million include deferred income taxes of ¥137 million due to elimination of intersegment transactions and depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements.

3. Segment profit is adjusted to ordinary profit posted in the Consolidated Statements of Income.

Year ended March 31, 2015	Millions of yen The reportable segment Banking operations	Leasing	Total	Other	Total	Adjustments	Consolidated
Ordinary income:							
From external Customers	131,532	18,270	149,802	6,316	156,118	—	156,118
From internal transactions	1,882	493	2,376	5,106	7,482	(7,482)	—
Total	133,415	18,763	152,178	11,423	163,601	(7,482)	156,118
Segment profit	40,404	956	41,361	3,703	45,064	665	45,730
Assets	9,032,543	63,204	9,095,748	47,698	9,143,447	(77,988)	9,065,458
Liabilities	8,447,816	54,573	8,502,390	28,933	8,531,324	(67,705)	8,463,618
Others							
Depreciation	5,855	211	6,067	256	6,323	(620)	5,703
Interest income	96,111	80	96,191	161	96,353	(400)	95,952
Interest expenses	5,062	327	5,389	127	5,517	(396)	5,120
Gain on disposal of tangible fixed assets	108	—	108	343	451	—	451
Gain on negative goodwill	—	—	—	—	—	1,335	1,335
Losses on disposal of tangible fixed assets	546	0	546	7	553	—	553
Losses on impairment	1,020	—	1,020	—	1,020	—	1,020
Provision for Financial Instruments Transaction Liability Reserve	—	—	—	0	0	—	0
Tax expenses	15,063	376	15,440	1,213	16,653	361	17,015
Increase in tangible and intangible fixed assets	6,239	253	6,492	431	6,924	—	6,924

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company.
2. Adjustments are as follows:
a) Adjustments in Ordinary income total of ¥(7,482) million include elimination of intersegment transactions of ¥(7,640) million.
b) Adjustments in assets of ¥(77,988) million include elimination of intersegment transactions of ¥(67,626) million.
c) Adjustments in liabilities of ¥(67,705) million include elimination of intersegment transactions of ¥(65,337) million.
d) Adjustments in depreciation of ¥(620) million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥(620) million.
e) Adjustments in Interest income of ¥(400) million include intersegment interests of ¥(392) million.
f) Adjustments in interest expenses of ¥(396) million include intersegment interest of ¥(393) million.
g) Adjustments in tax expenses of ¥361 million include deferred income taxes of ¥366 million due to elimination of intersegment transactions and depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements.
h) Information on negative goodwill is described in "Gain on negative goodwill".
3. Segment profit is adjusted to ordinary profit posted in the Consolidated Statements of Income.

Related Information

a. Information by service

Year ended March 31, 2016	Millions of yen Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	**¥66,321**	**¥43,327**	**¥19,694**	**¥33,970**	**¥163,314**

Note: Ordinary income is presented as the counterpart of sales of a non-banking company.

Year ended March 31, 2015	Millions of yen Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	¥67,763	¥35,052	¥18,270	¥35,033	¥156,118

Note: Ordinary income is presented as the counterpart of sales of a non-banking company.

b. Information by geographic area

Segment information by geographic area is not disclosed since over 90% of the total consolidated ordinary income and tangible fixed assets of the Group resides in Japan.

c. Information by customer

Segment information by customer has not been disclosed since no single customer represented 10% or more of total ordinary income.

Impairment loss information by the reportable segments

	Millions of yen				
	The reportable segment			Other	Total
Year ended March 31, 2016	Banking operations	Leasing	Total		
Impairment loss:	**¥208**	**¥—**	**¥208**	**¥—**	**¥208**

	Millions of yen				
	The reportable segment			Other	Total
Year ended March 31, 2015	Banking operations	Leasing	Total		
Impairment loss:	¥1,020	¥—	¥1,020	¥—	¥1,020

Amortization and unamortized balance of goodwill

	Millions of yen				
	The reportable segment			Other	Total
Year ended March 31, 2016	Banking operations	Leasing	Total		
Negative goodwill:					
Amortization	**¥158**	**¥—**	**¥158**	**¥—**	**¥158**
Unamortized balance	**1,659**	**—**	**1,659**	**—**	**1,659**

	Millions of yen				
	The reportable segment			Other	Total
Year ended March 31, 2015	Banking operations	Leasing	Total		
Negative goodwill:					
Amortization	¥158	¥—	¥158	¥—	¥158
Unamortized balance	1,817	—	1,817	—	1,817

Gain on negative goodwill

Not applicable for the fiscal year ended March 31, 2016.

Gain on negative goodwill ¥1,335 million occurred in the fiscal year ended March 31, 2015, as the Bank acquired the stock from minority shareholders due to improvement in capital efficiency.

23. Leases

Operating leases

Future lease payments under non-cancellable operating lease transactions for the fiscal year ended March 31, 2016 were as follows:

	Millions of yen		
	Within one year	Over one year	Total
As lessee	**¥63**	**¥212**	**¥276**
As lessor	**¥1**	**¥5**	**¥7**

Future lease payments under non-cancellable operating lease transactions for the fiscal year ended March 31, 2015 were as follows:

	Millions of yen		
	Within one year	Over one year	Total
As lessee	¥65	¥252	¥317
As lessor	¥0	¥2	¥2

24. Financial Instruments

(1) Status of Financial Instruments

a. Policy on Financial Instruments

The Group provide financial services such as leasing, agent of banking administrative work and securities business, and centering on banking service.

The Group raises funds by acceptance of the deposits, and invests the funds in loans and securities. We have financial assets and liabilities of which the values fluctuate with changes in interest rates, foreign exchange rates and market prices. To avoid adverse effects from such fluctuations, the Group performs integrated assets and liabilities management (the “ALM”) in each company.

Moreover, we are engaged in derivatives transactions, such as those related to interest rates, currencies and bonds, for hedging and non-hedging purposes. Some consolidated subsidiaries are also engaged in interest rate related derivatives in connection with investments in securities and for hedging purposes.

b. Financial Instruments and Risks

The financial assets held by the Group consist primarily of securities and loans. Loans are subject to credit risk which could cause financial losses to the Group from non-performance of obligations by borrowers. Securities include mainly bonds, stocks and these are held trading, held-to-maturity and available-for-sale purposes. With regard to securities, the Group is exposed to credit risk of issuers, interest-rate risk, and market price volatility risk.

The deposits include current deposits and savings deposits without maturities, and time deposits with maturities. These deposits expose the Group to liquidity risk that could be caused by concentrated withdrawals by customers.

The Group has liquidity risk with the borrowed money and bonds that it would become impossible to execute payments at the due dates when the Group lost access to the financial markets. Although the floating-rate borrowings expose us to the interest rate risk, we partially mitigate this risk using interest rate swaps.

We are engaged in derivatives transactions to meet customers’ demands to hedge exchange-rate and interest-rate risks and to appropriately manage the Bank’s market risks. Moreover, we utilize derivatives transactions for efficient ALM and hedging of individual transactions.

Derivatives transactions have market risk that losses could arise from market changes including those in interest rates and exchange rates. Additionally, derivatives transactions have credit risk that transactions are not fulfilled as provided by the contracts due to an event such as a failure of the counterparty.

Regarding hedging transactions to offset fluctuations in interest rates, the hedged items (e.g., loans) and the hedging instruments (e.g., interest rate swaps) are grouped by maturity to assess the effectiveness. As for cash flow hedges, we examine interest-rate correlation between the hedged items and the hedging instruments. Moreover, to assess the effectiveness of hedging transactions for foreign exchange risk, we designate transactions such as currency swaps and foreign exchange swaps as the hedging instruments and verify that we hold foreign currency positions of those hedging instruments that match the hedged items including monetary claims and obligations denominated in foreign currencies. We also perform “after-the-fact test” to confirm certain interest rate swaps continuously meet the requirements for exceptional accrual method.

We have set position limits and loss limits for trading transactions involving short-term purchases and sales of financial instruments.

c. Risk Management for Financial Instruments

(a) Integrated Risk Management

The Bank holistically controls risks from various financial assets and liabilities and risks related to banking business through integrated risk management. The Bank calculates apportionable risk capital using Tier I capital and allocates by risk category and by department. The Bank periodically quantities risks it takes and controls such risks within the allocated capital. The Bank assesses unquantifiable risks using stress test and other measures.

(b) Credit Risk Management

The Group has enacted “Guidelines for Credit Risk Management,” which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risk. Credit Risk Management Group has been segregated from the divisions under Business Headquarters to achieve rigorous credit review, and conducts thorough monitoring of borrower’s financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the business offices categorize the borrowers based on credit ratings, which are then reviewed by Credit Examination Division in the Headquarters. Furthermore, Corporate Audit Division examines results and processes of the self-assessments for accuracy and adequacy. As for credit risk of the issuers of securities, Treasury and Securities Division monitors credit information and market prices and gives the issuers credit ratings as well as carries out self-assessments of the issuers like for general borrowers.

(c) Market Risk Management

(i) Interest-rate Risk Management

The Group has set risk limits corresponding to the Group’s financial strength to interest-rate risk in the banking account, and applies and monitors the limits rigorously through the. In order to control the interest-rate risk appropriately:

- ◆ The Group has established “Risk Management Basic Rules,” “Integrated Risk Management Rules,” and “ALM Guidance.”
- ◆ The Board of Directors (the “Board”) establishes risk tolerance limits for interest-rate risk within the allocable capital range after discussions at the General Budget Committee every half year.

The ALM Committee discusses and reports to the Board detail plans to address interest-rate risk every month.

Interest-rate risk is measured using value at risk (“VaR”). The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis.

Moreover, the Group analyzes interest-rate risk from various aspects using tools such as basis-point value (“BPV”), the scenario analysis (simulation method) and the interest rate sensitivity analysis in addition to VaR, and controls the risk within a tolerable range reflective of the Group’s financial strength.

(ii) Foreign Exchange Risk Management

The Group controls foreign exchange risk by using hedging instruments such as currency swaps and foreign exchange swaps. In addition, the Group also enters into offsetting transactions in financial markets on an individual or aggregate basis, in order to reverse out foreign exchange risk arising from foreign exchange transactions offered by customers. Additionally, the Group converts into yen an amount equivalent to monthly interest income denominated in foreign currencies every month, in order to mitigate foreign exchange risk arising from foreign-currency denominated revenues.

(iii) Price Fluctuation Risk Management

The Group has set risk limits corresponding to the Group’s financial strength to price-fluctuation risk arising from financial instruments such as stocks and investment trusts, and applies and monitors the limits rigorously through the ALM.

The Board establishes risk tolerance limits for price-fluctuation risk within the allocable capital range after discussions at the General Budget Committee every half year.

Price-fluctuation risk is measured using VaR. The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis. To prevent unrealized losses from being accumulated, the Group monitors and manages unrealized gains and losses under certain policies on a daily basis.

(iv) Derivatives Transactions

The Group utilizes derivatives transactions chiefly as hedging instruments for interest-rate and foreign exchange risks. The Group controls counterparty credit risk in derivatives transactions by setting credit limits.

For derivatives transactions with financial institutions, the Group sets an individual credit line and manages credit exposures on a daily basis in accordance with “Credit Line Management Rule for Banking and Security Companies.”

For derivatives transactions with customers, the Group also sets an individual credit line to reflect factors such as the creditworthiness and outstanding transactions, just like for financing transactions, and manages the credit exposures together with those arising from other transactions on an individual basis.

(v) Trading Transactions

The Group primarily trades bonds, foreign exchanges and derivatives transactions for trading purposes. We set utilize certain measures such as position limits, risk tolerance limits and loss limits in accordance with “Trading and Risk Management Rules.”

(vi) Quantitative Information related to Market Risk

1. Banking Account
(1) Interest rate risk
The Bank adopts the variance-covariance method as the measurement method (a holding period of 6 months, a confidence interval of 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps in loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds and derivatives. The Bank adopts the historical simulation method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps and currency swaps in foreign bonds, trust beneficiary right, market fund transactions and derivatives. As of March 31, 2016 and 2015, VaR related to interest rate risk was ¥28,613 million and ¥24,549 million, respectively.
(2) Price fluctuation risk
The Bank adopts the historical simulation method (a holding period of 6 months, a confidence interval of 99%, and observation period of 5 years) for calculating VaR related to price fluctuation risk of listed equities and mutual funds. As of March 31, 2016 and 2015, VaR related to price fluctuation risk was ¥85,325 million and ¥67,398 million, respectively. Correlation between interest rate risk and price fluctuation risk has not been considered.
2. Trading Account
The Bank adopts the historical simulation method (a holding period of 10 day, a confidence interval of 99%, and observation period of 5 years) for calculating VaR related trading securities, trading purpose foreign exchange transactions and derivatives such as forward transactions and option transactions. As of March 31, 2016 and 2015, VaR related to trading account was ¥8 million and ¥12 million, respectively.
3. Validity of VaR
The Bank performs back testing to compare VaR calculated by its internal model against actual profit and loss to confirm the measurement model used captures market risk with sufficient accuracy. However, VaR statistically quantifies market risk calculated based on past market movements. Therefore, there could be cases in which VaR cannot capture risk under sudden and dramatic changes in market conditions beyond normal circumstances.
(d) Management of Liquidity Risk in Funding
To manage liquidity risk under "Market and Liquidity Risk Management Rules," the Bank:
- Conducts financing activities after fully analyzing its cash flows.
- Pays continuous attention to the balance sheet structure, lines of credit provided to the Group, collateral management and costs to maintain the liquidity.
- Strives to maintain the diversity and stability of funding sources.

d. Supplementary Explanation Concerning Matters Related to Fair Value of Financial Instruments
Fair value of financial instruments includes a value based on market prices as well as a reasonably calculated value when no market price is available. Because certain assumptions are used in the fair value calculation, such value may vary when different assumptions are used.

(2) Disclosures Regarding Fair Value of Financial Instruments and Other Items

The table below sets forth fair values of financial instruments at March 31, 2016 and 2015 except for those whose fair values are extremely difficult to determine (see (Note2)). In addition, those financial instruments which are immaterial are not listed below.

	Millions of yen		
March 31, 2016	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	**¥442,713**	**¥442,713**	**¥—**
(2) Securities			
Held-to-maturity debt securities	**35,972**	**36,467**	**494**
Available-for-sale securities	**2,692,533**	**2,692,533**	—
(3) Loans and bills discounted	**5,869,596**		
Reserve for possible loan losses (*1)	**(35,244)**		
Sub-total	**5,834,352**	**5,935,923**	**101,570**
Total assets	**9,005,572**	**9,107,638**	**102,065**
(1) Deposits	**8,088,463**	**8,089,317**	**(854)**
(2) Negotiable certificates of deposit	**22,689**	**22,689**	—
(3) Payables under securities lending transactions	**130,247**	**130,247**	—
(4) Borrowed money	**174,118**	**174,139**	**(20)**
Total liabilities	**8,415,519**	**8,416,394**	**(875)**
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	**1,201**	**1,201**	—
Transactions accounted for as hedging instruments	**916**	**916**	—
Total derivatives transactions	**¥2,117**	**¥2,117**	**¥—**

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in trading assets/liabilities and other assets and other liabilities are presented on an aggregate basis. Claims and debts that arose from derivatives transactions are presented on a net basis.

	Millions of yen		
March 31, 2015	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥496,348	¥496,348	¥—
(2) Securities			
Held-to-maturity debt securities	39,539	39,760	220
Available-for-sale securities	2,695,172	2,695,172	—
(3) Loans and bills discounted	5,618,019		
Reserve for possible loan losses (*1)	(36,598)		
Sub-total	5,581,420	5,653,947	72,526
Total assets	8,812,481	8,885,229	72,747
(1) Deposits	7,715,598	7,716,010	(411)
(2) Negotiable certificates of deposit	10,045	10,045	—
(3) Payables under securities lending transactions	143,395	143,395	—
(4) Borrowed money	345,388	345,083	305
Total liabilities	8,214,428	8,214,534	(106)
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	590	590	—
Transactions accounted for as hedging instruments	(5,819)	(5,819)	—
Total derivatives transactions	¥(5,229)	¥(5,229)	¥—

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in trading assets/liabilities and other assets and other liabilities are presented on an aggregate basis. Claims and debts that arose from derivatives transactions are presented on a net basis.

(Note 1) Calculation Methods for Fair Value of Financial Instruments
Assets
(1) Cash and Due from Banks
Since fair value of these items approximates the book value, we deem the carrying value to be the fair value.
(2) Securities
Fair value of shares is determined by reference to quoted market prices on stock exchanges. Fair value of bonds is determined by reference to quoted market prices or prices offered by financial institutions, or based on the price best estimated. Fair value of investment trusts is determined by reference to their publicly available net asset value per unit. Fair value of privately placed bonds guaranteed by the Bank is determined by the discounted cash flow method. The discount rates used in the calculation were calculated based on the bankruptcy probability by credit rating and the coverage ratio of an individual claim.

We treat market prices as fair value for Japanese Government Bonds (JGBs) with variable interest rates and securitized products that we own.

We used a reasonably estimated value as the fair value of securitized products (e.g., collateralized loan obligations), except those subject to impairment, of which external credit rating is not downgraded, of which collateral asset pools are not deteriorated, and which the Group intends to continue to hold. The reasonably estimated price was calculated using the discounted cash flow method or other pricing methods using the default rate, recovery rate, pre-payment rate and discount rate as primary pricing variables.

Please see “25. Securities Information” for details of securities in each purpose of holding.
(3) Loans and bills discounted
Since floating-rate loans and bills discounted reflect market interest rates in a short period, the fair value approximates the carrying value unless the credit standing of the borrower is not significantly different after the loan was made or the bill was drawn. The fair value is therefore deemed equal to the carrying value.

Fair value of fixed-rate loans and bills discounted are determined as the total of principal and interest discounted by the type, internal credit rating and maturities. Discount rates used in the calculation were interest rates which would be applied when similar loans were newly extended. Fair value of fixed-rate loans and bills discounted whose terms are short (i.e., within one year) approximates their carrying value and is therefore deemed equal to the carrying value.

Possible losses on legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans are computed based on recoverable amounts estimated as the present value of future cash flows or the collectible amounts from collateral and guarantees. Then the fair value of those loans approximates the consolidated balance sheet amount at the closing date minus the currently estimated losses, and is therefore deemed equal to the amounts.

Fair value of loans and bills discounted for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of assets pledged as collateral) is assumed to approximate their carrying value, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying value.

Liabilities
(1) Deposits and (2) Negotiable certificates of deposit
For demand deposits, we deem the amount that the Group would require to pay on the consolidated balance sheet date (i.e., carrying value) to be the fair value.

With respect to time deposits with long deposit terms (i.e., one year or longer), we used the present value of future cash flows calculated by time band as the fair value. The discount rates used in the calculation were the interest rates that would apply to newly accepted deposits.
(3) Payables under securities lending transactions
As for short-term loans with maturity of one year or less, the book value is deemed as the fair value since the fair value approximates the book value.
(4) Borrowed money
We used as the fair value the present value of future cash flows calculated by borrowing period. The discount rates used in the calculation were interest rates that would be applied to new borrowings. Fair value of borrowings for a short term (i.e., within one year) approximates the carrying value and is deemed equal to the carrying value.
Derivatives Instruments
See “27. Derivatives.”

(Note 2) The following table summarizes financial instruments, of which fair value is extremely difficult to determine:

Fair value of available-for-sale securities in the above table excludes the following items at March 31, 2016 and 2015.

	Millions of yen	
	Consolidated balance sheet amounts	
Years ended March 31,	**2016**	2015
Unlisted stocks (*1) (*2)	**¥3,116**	¥3,209
Investments in partnerships and others (*3)	**5,262**	4,588
Total	**¥8,378**	¥7,797

(*1) Unlisted stocks are excluded from “Disclosures Regarding Fair Value of Financial Instruments and Other Items” since no market price is available and their fair value is extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were ¥17 million and ¥0 million, as of March 31, 2016 and 2015.

(*3) Out of investments in partnerships and others, certain partnerships holding assets whose fair value was extremely difficult to determine are excluded from “Disclosures Regarding Fair Value of Financial Instruments and Other Items.”

(Note 3) Redemption schedule of money claims and securities with stated maturities after the consolidated balance sheet date is as follows:

	Millions of yen					
March 31, 2016	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	**¥374,012**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Securities						
Held-to-maturity debt securities	**2,984**	**12,019**	**18,448**	**2,377**	**142**	—
Japanese government bonds	**1,000**	—	**2,000**	—	—	—
Municipal bonds	—	**50**	**200**	—	—	—
Corporate bonds	**1,984**	**11,969**	**16,248**	**2,377**	**142**	—
Available-for-sale securities with maturities	**153,506**	**542,841**	**758,110**	**332,941**	**183,316**	**175,869**
Japanese government bonds	**90,000**	**362,000**	**407,800**	**120,000**	**20,000**	**4,000**
Municipal bonds	**6,882**	**8,734**	**101,022**	**52,569**	**43,189**	—
Corporate bonds	**16,533**	**38,452**	**131,603**	**100,670**	**61,327**	**85,428**
Foreign bonds	**38,395**	**110,819**	**97,839**	**58,851**	**37,437**	**86,425**
Other	**1,694**	**22,835**	**19,844**	**851**	**21,361**	**16**
Loans and bills discounted (*)	**1,409,842**	**1,027,383**	**828,346**	**500,771**	**531,986**	**1,419,316**
Total	**¥1,940,345**	**¥1,582,243**	**¥1,604,904**	**¥836,090**	**¥715,444**	**¥1,595,186**

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥80,786 million, and loans and bills discounted without maturities amounting to ¥71,163 million were excluded from the table above.

	Millions of yen					
March 31, 2015	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥421,670	¥—	¥—	¥—	¥—	¥—
Securities						
Held-to-maturity debt securities	16,379	10,780	11,956	423	—	—
Japanese government bonds	11,500	1,000	—	—	—	—
Municipal bonds	—	—	200	—	—	—
Corporate bonds	4,879	9,780	11,756	423	—	—
Available-for-sale securities with maturities	185,775	454,631	681,541	487,607	236,378	106,922
Japanese government bonds	67,000	337,200	375,300	304,500	50,000	5,000
Municipal bonds	75,216	7,761	58,449	19,246	41,775	—
Corporate bonds	22,237	34,864	81,761	107,857	119,914	26,268
Foreign bonds	20,048	66,548	140,279	55,229	11,818	75,654
Other	1,274	8,256	25,751	774	12,870	—
Loans and bills discounted (*)	1,440,141	1,010,506	793,410	474,640	491,894	1,250,182
Total	¥2,063,967	¥1,475,917	¥1,486,908	¥962,671	¥728,272	¥1,357,105

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥88,454 million, and loans and bills discounted without maturities amounting to ¥68,789 million were excluded from the table above.

(Note 4) Redemption schedule of borrowed money and other interest-bearing liabilities after the consolidated balance sheet date at March 31, 2016 and 2015 is as follows:

	Millions of yen					
March 31, 2016	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	**¥7,376,371**	**¥623,716**	**¥81,684**	**¥2,523**	**¥4,167**	**¥—**
Negotiable certificates of deposit	**22,689**	—	—	—	—	—
Payables under securities lending transactions	**130,247**	—	—	—	—	—
Borrowed money	**159,960**	**10,813**	**3,345**	—	—	—
Total	**¥7,689,269**	**¥634,529**	**¥85,030**	**¥2,523**	**¥4,167**	**¥—**

(*) Demand deposits were included in "1 year or less."

	Millions of yen					
March 31, 2015	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥6,993,163	¥618,246	¥97,241	¥2,596	¥4,350	¥—
Negotiable certificates of deposit	10,045	—	—	—	—	—
Payables under securities lending transactions	143,395	—	—	—	—	—
Borrowed money	79,562	112,358	153,468	—	—	—
Total	¥7,226,166	¥730,604	¥250,709	¥2,596	¥4,350	¥—

(*) Demand deposits were included in "1 year or less."

25. Securities Information

The amounts shown in the following tables include "Securities", trading securities in "Trading assets" and trust beneficiary right in "Other debt purchased" described in the consolidated balance sheets.
Please see Note 8 for investments in unconsolidated subsidiaries and affiliates.

Year ended March 31, 2016
(a) Trading Securities

	Millions of yen
March 31, 2016	Unrealized gain recognized as income
Trading securities	**¥17**

(b) Held-to-maturity debt securities

	Millions of yen			
March 31, 2016	Type	Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	**¥35,302**	**¥35,809**	**¥507**
	Japanese government bonds	**3,001**	**3,025**	**24**
	Municipal bonds	**249**	**251**	**1**
	Corporate bonds	**32,051**	**32,532**	**481**
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	**35,302**	**35,809**	**507**
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	**670**	**657**	**(12)**
	Japanese government bonds	—	—	—
	Municipal bonds	—	—	—
	Corporate bond	**670**	**657**	**(12)**
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	**670**	**657**	**(12)**
Total		**¥35,972**	**¥36,467**	**¥494**

(c) Available-for-sale securities

March 31, 2016	Type	Consolidated balance sheet amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	**¥230,252**	**¥114,192**	**¥116,059**
	Bonds	**1,636,975**	**1,592,460**	**44,514**
	Japanese government bonds	**1,012,900**	**984,333**	**28,567**
	Municipal bonds	**174,394**	**171,086**	**3,308**
	Corporate bonds	**449,679**	**437,041**	**12,638**
	Other	**610,088**	**571,509**	**38,578**
	Foreign bonds	**401,341**	**392,536**	**8,805**
	Other	**208,746**	**178,973**	**29,773**
	Sub-total	**2,477,316**	**2,278,163**	**199,153**
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	**9,615**	**11,138**	**(1,523)**
	Bonds	**77,461**	**77,612**	**(150)**
	Japanese government bonds	**32,059**	**32,199**	**(139)**
	Municipal bonds	**41,374**	**41,380**	**(5)**
	Corporate bonds	**4,027**	**4,032**	**(5)**
	Other	**133,258**	**138,123**	**(4,864)**
	Foreign bonds	**46,594**	**46,978**	**(383)**
	Other	**86,664**	**91,145**	**(4,481)**
	Sub-total	**220,336**	**226,875**	**(6,539)**
Total		**¥2,697,652**	**¥2,505,038**	**¥192,613**

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2016.

(e) Available-for-sale securities sold during the fiscal year

Year ended March 31, 2016	Sales proceeds (Millions of yen)	Gains on sales (Millions of yen)	Losses on sales (Millions of yen)
Stocks	**¥29,799**	**¥5,215**	**¥711**
Bonds	**385,654**	**5,176**	**55**
Japanese government bonds	**321,874**	**4,829**	**9**
Municipal bonds	—	—	—
Corporate bonds	**63,779**	**347**	**45**
Other	**161,196**	**3,586**	**826**
Foreign bonds	**155,946**	**2,158**	**788**
Other	**5,250**	**1,427**	**37**
Total	**¥576,650**	**¥13,978**	**¥1,592**

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss (“impairment loss”).

Impairment losses for the fiscal year were nil.

Pursuant to “Practical Guidelines for Accounting for Financial Instruments” (JICPA Accounting Committee Report No. 14, April 14, 2015), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition costs, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition costs.

(g) Unrealized gain on available-for-sale securities

March 31, 2016	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	**¥192,765**
Other money held in trust	—
Deferred tax assets (liabilities)	**57,712**
Net unrealized gains on available-for-sale securities	**135,053**
Less minority interests	**21**
Unrealized gains on available-for-sale securities	**¥135,031**

Note: The total unrealized gains include an unrealized gain of ¥151 million on available-for-sale securities, contained in certain fund.

Year ended March 31, 2015
(a) Trading Securities

	Millions of yen
March 31, 2015	Unrealized gain recognized as income
Trading securities	¥(5)

(b) Held-to-maturity debt securities

		Millions of yen		
March 31, 2015	Type	Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	¥29,426	¥29,661	¥235
	Japanese government bonds	4,000	4,001	0
	Municipal bonds	49	50	0
	Corporate bonds	25,375	25,609	233
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	29,426	29,661	235
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	10,113	10,099	(14)
	Japanese government bonds	8,500	8,500	(0)
	Municipal bonds	150	149	(0)
	Corporate bond	1,463	1,449	(13)
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	10,113	10,099	(14)
Total		¥39,539	¥39,760	¥220

(c) Available-for-sale securities

March 31, 2015	Type	Millions of yen: Consolidated balance sheet amount	Acquisition cost	Difference
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	¥266,760	¥121,280	¥145,479
	Bonds	1,694,823	1,657,965	36,858
	Japanese government bonds	1,175,240	1,151,075	24,164
	Municipal bonds	136,231	133,286	2,945
	Corporate bonds	383,351	373,603	9,748
	Other	565,135	511,158	53,977
	Foreign bonds	355,457	347,633	7,823
	Other	209,678	163,524	46,153
	Sub-total	2,526,719	2,290,404	236,315
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	5,091	5,578	(487)
	Bonds	99,577	99,827	(250)
	Japanese government bonds	5,264	5,277	(13)
	Municipal bonds	69,023	69,131	(107)
	Corporate bonds	25,290	25,418	(128)
	Other	70,558	73,240	(2,681)
	Foreign bonds	40,480	40,643	(163)
	Other	30,078	32,596	(2,518)
	Sub-total	175,227	178,646	(3,419)
Total		¥2,701,946	¥2,469,050	¥232,896

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2015.

(e) Available-for-sale securities sold during the fiscal year

Year ended March 31, 2015	Millions of yen: Sales proceeds	Gains on sales	Losses on sales
Stocks	¥17,249	¥3,345	¥534
Bonds	623,644	2,767	1,250
Japanese government bonds	470,036	2,424	1,250
Municipal bonds	128,246	223	—
Corporate bonds	25,361	119	—
Other	92,426	1,404	345
Foreign bonds	87,793	409	345
Other	4,632	994	—
Total	¥733,320	¥7,517	¥2,130

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss ("impairment loss").

Impairment losses for the fiscal year were nil.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14, April 14, 2015), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Unrealized gain on available-for-sale securities

March 31, 2015	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	¥233,486
Other money held in trust	—
Deferred tax assets (liabilities)	73,544
Net unrealized gains on available-for-sale securities	159,941
Less minority interests	31
Unrealized gains on available-for-sale securities	¥159,909

Note: The total unrealized gains include an unrealized gain of ¥590 million on available-for-sale securities, contained in certain fund.

26. Money held in trust

(1) Trading money held in trust

Not applicable as of March 31, 2016

Not applicable as of March 31, 2015

(2) Held-to-maturity money held in trust

Not applicable as of March 31, 2016

Not applicable as of March 31, 2015

(3) Other money held in trust

Not applicable as of March 31, 2016

Not applicable as of March 31, 2015

27. Derivatives

Year ended March 31, 2016

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
March 31, 2016	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—			
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	**137,605**	**60,451**	**1,900**	**1,900**
Receivable floating / payable fixed	**137,605**	**60,451**	**(887)**	**(887)**
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	**50**	—	**(0)**	**2**
Bought	**50**	—	—	**(1)**
Swaption:				
Sold	**19,560**	**2,030**	**(2)**	**76**
Bought	**19,560**	**2,030**	**2**	**2**
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			**¥1,012**	**¥1,093**

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.
2. Calculation of fair value
The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

March 31, 2016	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	**122,909**	**57,267**	**52**	**52**
Forward foreign exchange contracts:				
Sold	**30,752**	**4,502**	**355**	**355**
Bought	**28,360**	**511**	**(220)**	**(220)**
Currency options:				
Sold	**30,297**	**20,291**	**(1,114)**	**(409)**
Bought	**30,297**	**20,291**	**1,115**	**757**
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	——	——	**¥188**	**¥536**

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.
2. Calculation of fair value
Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives
Not applicable as of March 31, 2016.

(4) Bond Derivatives
Not applicable as of March 31, 2016.

(5) Commodity Derivatives
Not applicable as of March 31, 2016.

(6) Credit Derivatives
Not applicable as of March 31, 2016.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2016

Method of hedge	Type	Hedged items	Millions of yen Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities, including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.			
	Receivable fixed / payable floating		**¥—**	**¥—**	**¥—**
	Receivable floating / payable fixed		**205,000**	**175,000**	**(4,533)**
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap	Loans, borrowed money			
	Receivable fixed / payable floating		**4,000**	**2,000**	**82**
	Receivable floating / payable fixed		**27,295**	**21,772**	**(1,383)**
Total		———	———	———	**¥(5,835)**

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in “Accounting and Auditing Treatment relating to the Adoption of ‘Accounting for Financial Instruments’ for Banks” (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 24. Financial Instruments (2) Disclosures Regarding Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2016

Method of hedge	Type	Hedged items	Millions of yen Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	**¥56,168**	**¥1,869**	**¥1,678**
	Forward foreign exchange contracts		—	—	—
	Foreign exchange swaps		—	—	—
	Other		**92,831**	—	**3,771**
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total		———	———	———	**¥5,450**

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in “Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

2. Determination of fair value:
Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2016.

(4) Bond Derivatives

Not applicable as of March 31, 2016.

Year ended March 31, 2015

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
March 31, 2015	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—			
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	172,114	53,650	665	665
Receivable floating / payable fixed	172,114	53,650	(91)	(91)
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	110	50	(0)	2
Bought	110	50	0	(1)
Swaption:				
Sold	51,823	8,590	(108)	34
Bought	51,823	8,590	108	108
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	———	———	¥573	¥718

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.

2. Calculation of fair value
The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

March 31, 2015	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	183,694	115,599	83	83
Forward foreign exchange contracts:				
Sold	5,206	542	(124)	(124)
Bought	5,404	26	56	56
Currency options:				
Sold	23,144	8,702	(524)	(130)
Bought	23,144	8,702	526	269
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	———	———	¥16	¥155

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.
2. Calculation of fair value
Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2015.

(4) Bond Derivatives

Not applicable as of March 31, 2015.

(5) Commodity Derivatives

Not applicable as of March 31, 2015.

(6) Credit Derivatives

Not applicable as of March 31, 2015.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2015

			Millions of yen		
Method of hedge	Type	Hedged items	Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities, including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.			
	Receivable fixed / payable floating		¥—	¥—	¥—
	Receivable floating / payable fixed		170,000	170,000	(2,643)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap	Loans, borrowed money			
	Receivable fixed / payable floating		9,000	4,000	218
	Receivable floating / payable fixed		32,817	27,295	(1,632)
Total		———	———	———	¥(4,057)

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 24. Financial Instruments (2) Disclosures Regarding Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2015

			Millions of yen		
Method of hedge	Type	Hedged items	Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	¥71,784	¥180	¥(1,890)
	Forward foreign exchange contracts		—	—	—
	Foreign exchange swaps		90,871	—	(1,286)
	Other		—	—	—
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total		———	———	———	¥(3,176)

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

2. Determination of fair value:
Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2015.

(4) Bond Derivatives

Not applicable as of March 31, 2015.

28. Stock Options

(a) The Bank recorded stock option expenses in “General and administrative expenses” of ¥44 million and ¥46 million for the fiscal years ended March 31, 2016 and 2015, respectively.

(b) Outline of stock options, size and changes

(1) Outline of stock options

March 31, 2016	1st equity warrant	2nd equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 12
Type and number of shares (*)	Common shares: 56,698	Common shares: 41,546
Grant date	August 24, 2009	August 24, 2009
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From August 25, 2009 to August 24, 2039	From August 25, 2009 to August 24, 2039

March 31, 2016	3rd equity warrant	4th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 79,606	Common shares: 61,881
Grant date	July 21, 2010	July 21, 2010
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 22, 2010 to July 21, 2040	From July 22, 2010 to July 21, 2040

March 31, 2016	5th equity warrant	6th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 78,720	Common shares: 60,999
Grant date	July 20, 2011	July 20, 2011
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 21, 2011 to July 20, 2041	From July 21, 2011 to July 20, 2041

March 31, 2016	7th equity warrant	8th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 16
Type and number of shares (*)	Common shares: 76,174	Common shares: 73,080
Grant date	July 19, 2012	July 19, 2012
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 20, 2012 to July 19, 2042	From July 20, 2012 to July 19, 2042

March 31, 2016	9th equity warrant	10th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 15
Type and number of shares (*)	Common shares: 47,254	Common shares: 41,968
Grant date	July 18, 2013	July 18, 2013
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 19, 2013 to July 18, 2043	From July 19, 2013 to July 18, 2043

March 31, 2016	11th equity warrant	12th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 14
Type and number of shares (*)	Common shares: 48,960	Common shares: 41,133
Grant date	July 18, 2014	July 18, 2014
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 19, 2014 to July 18, 2044	From July 19, 2014 to July 18, 2044

March 31, 2016	13th equity warrant	14th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 34,231	Common shares: 28,464
Grant date	July 17, 2015	July 17, 2015
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 18, 2015 to July 17, 2045	From July 18, 2015 to July 17, 2045

(*) The table above presents the number of common shares converted from the stock options.

(2) Size and changes of stock options

a. Number of stock options in the fiscal years ended March 31, 2016

March 31, 2016	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant
Non-vested:										
Previous fiscal year-end outstanding	**23,596**	**3,280**	**33,129**	**4,528**	**51,520**	**17,940**	**49,854**	**31,320**	**47,254**	**34,000**
Granted	—	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	**9,208**	**3,280**	**12,928**	**4,528**	**14,400**	**8,970**	**13,934**	**18,270**	**13,713**	**14,876**
Outstanding on March 31, 2016	**14,388**	—	**20,201**	—	**37,120**	**8,970**	**35,920**	**13,050**	**33,541**	**19,124**
Vested:										
Previous fiscal year-end outstanding	—	—	—	—	—	—	—	—	—	—
Vested	**9,208**	**3,280**	**12,928**	**4,528**	**14,400**	**8,970**	**13,934**	**18,270**	**13,713**	**14,876**
Exercised	**9,208**	**3,280**	**12,928**	**4,528**	**14,400**	**8,970**	**13,934**	**18,270**	**13,713**	**14,876**
Forfeited	—	—	—	—	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—	—	—	—	—

March 31, 2016	11th equity warrant	12th equity warrant	13th equity warrant	14th equity warrant
Non-vested:				
Previous fiscal year-end outstanding	**48,960**	**41,133**	—	—
Granted	—	—	**34,231**	**28,464**
Forfeited	—	—	—	—
Vested	**14,208**	**15,906**	—	—
Outstanding on March 31, 2016	**34,752**	**25,227**	**34,231**	**28,464**
Vested:				
Previous fiscal year-end outstanding	—	—	—	—
Vested	**14,208**	**15,906**	—	—
Exercised	**14,208**	**15,906**	—	—
Forfeited	—	—	—	—
Exercisable	—	—	—	—

b. Price information

March 31, 2016	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant
	Yen									
Exercise price	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Average share price at exercise	**689**	**689**	**689**	**689**	**689**	**689**	**689**	**689**	**689**	**689**
Fair value at the grate date	**417**	**439**	**297**	**318**	**300**	**321**	**310**	**331**	**518**	**542**

March 31, 2016	11th equity warrant	12th equity warrant	13th equity warrant	14th equity warrant
	Yen			
Exercise price	**1**	**1**	**1**	**1**
Average share price at exercise	**689**	**689**	—	—
Fair value at the grate date	**500**	**525**	**680**	**708**

c. Valuation technique for fair value of stock options

Stock options granted during the fiscal year ended March 31, 2016 were valued using the Black-Scholes option pricing model and the following principal parameters:

	13th equity warrant	14th equity warrant
Expected volatility (*1)	25.64%	26.72%
Average expected life (*2)	6 years	3 years
Expected dividends (*3)	¥10.0 per share	¥10.0 per share
Risk-free interest rate (*4)	0.14%	0.03%

(*1) Expected volatility is calculated based on the actual stock prices at the following period corresponding to the average expected life.
13th equity warrant: From July 17, 2009 to July 16, 2015
14th equity warrant: From July 17, 2012 to July 16, 2015
(*2) The average tenure of the directors and the executive officers who retired in the past is used as the average expected life in the above table.
(*3) Actual dividends on common stock for the fiscal year ended March 31, 2015.
(*4) Japanese government bond yield corresponding to the average expected life.

d. Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

29. Related-Party Transactions

Transactions occurred with related-party for the fiscal year ended March 31, 2016 are as follows:

Category	Name	Location	Capital (Millions of yen)	Ownership ratio of voting rights	Description of transactions	Transaction amount (Millions of yen)	Account	Balances (Millions of yen)
Company majority held by relatives of director	Ito dentist	Oarai town, Ibaraki prefecture	**¥22**	—	Loan rending	**¥21**	Loans and bills discounted	**¥21**

Note: The interest rate of the loan was reasonably determined based on the same conditions as those for ordinary business partners, considering market interest rate and other.

No material transactions occurred with related-parties for the fiscal year ended March 31, 2015.

30. Per-share Data

	Yen	
March 31,	**2016**	2015
Net assets per share	**¥816.71**	¥830.50
Earnings per share-basic	**42.93**	39.48
Earnings per share-diluted	**42.91**	39.46

Bases for calculation of net assets per share are as follows:

	Millions of yen	
	2016	2015
Net assets	**¥592,070**	¥601,840
Deduction from nets assets	**1,694**	1,584
Attributable to equity warrants	**132**	147
Attributable to non-controlling interests	**1,562**	1,437
Net assets after deduction of the portion described above	**590,375**	600,255
Number of common shares (in thousands)	**722,870**	722,758

Bases for calculation of earnings per share (basic and diluted) are as follows:

	Millions of yen	
March 31,	**2016**	2015
Earnings per share		
Net income	**¥31,034**	¥28,680
Earnings not available to common shareholders	—	—
Net income after deduction of the portion described above	**31,034**	28,680
Weighted average number of common shares for the fiscal year (in thousands)	**722,846**	726,349
Diluted earnings per share		
Adjustment to net income	—	—
Increase in common shares (in thousands)	**301**	346
Attributable to equity warrants (in thousands)	**301**	346
Equity warrants that have no dilutive effects on earnings per share	—	—

As described in Note 4, from the fiscal year ended March 31, 2016, the Group has adopted the Revised Accounting Standard for Business Combinations and other applicable standards; hence, the Group is following the transition treatment stipulated in Article 58-2-4 of the Accounting Standard for Business Combinations, Article 44-5-4 of the Accounting Standard for Consolidated Financial Statements and Article 57-4-4 of the Accounting Standard for Business Divestitures.

As a result of the adoption, there are no effects to net assets per share, earnings per share or diluted earnings per share.

Euro-US dollar-denominated convertible bonds with stock acquisition rights maturing in 2019 were not included in the calculation of diluted earnings per share because it had no dilutive effect. (see Note12)

31. Significant Subsequent event

Information regarding a definitive agreement concerning the business integration of The Bank, Ltd. and Ashikaga Holdings, Ltd. through a share exchange

The Bank and Ashikaga Holdings Co., Ltd.(President: Masanao Matsushita) ("Ashikaga HD") (together, the "Companies"), in accordance with the Basic Agreement agreed upon between the Bank and Ashikaga HD on November 2, 2015, resolved at the respective meetings of their board of directors held on April 25, 2016 to consummate the business integration (the "Business Integration") through a share exchange subject to obtaining the approval of shareholders of the Companies and regulatory approvals, and entered into a share exchange agreement (the "Share Exchange Agreement"). At the same time, the Bank, Ashikaga HD and The Ashikaga Bank, Ltd. ("Ashikaga Bank") entered into a business integration agreement, which is described below.

The Share Exchange Agreement was approved by both of General Shareholders' Meetings of the Companies held on June 28, 2016.

(1) Purpose of the Business Integration

The new financial group that will be established through the integration of the Companies will aim to maintain and promote the relationships with customers and the deep understanding of local communities that the Bank and Ashikaga Bank (the "Banks") have built over the years, as well as to realize the advancement of comprehensive financial services and operational efficiencies by taking advantage of the wide-area network and other connections to be formed through the Business Integration.

Through this, the Banks will be able to provide more convenient, high-quality comprehensive financial services that can only be achieved through the integration of leading regional banks. The Banks will also aim to become a group that is highly valued by each of its stakeholders by achieving sustained growth as a driving force for regional developments and revitalizations, and through the improvement of corporate value in response to the expectations of shareholders and markets, as well as expansion of opportunities for active roles by officers and employees while enhancing their pride in and enjoyment of their duties. The Banks will also be a financial group that is open to other regional financial institutions which are sympathetic to their corporate philosophy.

(2) The Method of Share Exchange Method and the Allotment of Shares in the Share Exchange (share exchange ratio)

a. The Method of Share exchange

The Business Integration will be carried out by the holding company method. In order to complete the Business Integration quickly, the Companies will utilize Ashikaga HD, which already has been a holding company structure, for the holding company of the new financial group.

Specifically, subject to the approval of the Companies' shareholders meetings for matters necessary for the Business Integration and the regulatory approvals required for the Business Integration, the Bank will carry out the Share Exchange with Ashikaga HD, and Ashikaga HD plans to change its company name to Mebuki Financial Group, Inc. ("Mebuki FG").

The schedule of the Business Integration is as follows:

November 2, 2015	Execution of the Basic Agreement
March 31, 2016	Record date for the General Shareholders' Meetings of the Companies
April 25, 2016	Resolution of the Board of Directors of the Companies
	Execution of the Share Exchange Agreement and the Business Integration Agreement
June 28, 2016	General Shareholders' Meetings of the Companies
September 27, 2016 (planned)	Last trading day of the shares of the Bank
September 28, 2016 (planned)	Date of the delisting of the shares of the Bank
October 1, 2016 (planned)	Effective date of the Share Exchange

Note that the above schedule may be changed upon consultation between the Companies if necessary in the course of the Share Exchange or for other reasons.

b. The Allotment of the Share Exchange (Share Exchange Ratio)

	The Bank	Mebuki FG (currently Ashikaga HD)
Share Exchange Ratio	1.170	1

(Note 1) Details of the allotment in the Share Exchange

Shareholders of the Bank will receive 1.170 shares of Mebuki FG (currently Ashikaga HD: hereinafter the same) common stock for each share of the Bank common stock.

If the number of Mebuki FG shares that shareholders of the Bank will receive through the Share Exchange includes a fraction of one share, the relevant shareholder will be paid cash corresponding to such fractional share pursuant to Article 234 of the Companies Act ("Companies Act") and other relevant laws and regulations.

Note that the above Share Exchange Ratio may be adjusted upon consultation between the Companies if any material changes occur or are revealed for the fundamental assumptions of the calculation

(Note 2) Number of newly issued Mebuki FG shares to be delivered through the Share Exchange (planned)

Common stock: 845,758, 343 shares

The above number is calculated based on the total number of issued and outstanding shares of the Bank (766,231,875 shares) as of March 31, 2016. However, the Bank plans to cancel all of its treasury shares immediately before the Share Exchange takes effect (the "Record Date"). Accordingly, treasury shares held by the Bank (43,361,496 shares) as of March 31, 2016 are not included in calculating the above number.

The number of newly issued Mebuki FG shares to be delivered through the Share Exchange may change if the number of treasury shares of the Bank as of March 31, 2016 changes before the Record Date for such reasons as purchase request of shares by shareholders of the Bank.

(Note 3) Shares less than one unit

When the Business Integration is consummated, shareholders of the Bank who receive shares of less than one unit (100 shares) of Mebuki FB ("Shares Less than One Unit") may not sell Shares Less than One Unit on the Tokyo Stock Exchange or any other financial instruments exchange markets. Shareholders who receive Shares Less than One Unit may request Mebuki FG to purchase their Shares Less than One Unit pursuant to Article 192, Paragraph (1) of the Companies Act, or will be able to request that Mebuki FB sell the number of shares needed, together with the Shares Less than One Unit held by such shareholder, to constitute shares of one unit pursuant to Article 194, Paragraph (1) of the Companies Act and the Articles of Incorporation, unless Mebuki FB does not possess sufficient number of shares requested to be sold.

c. Stock Acquisition Rights and Bonds with Stock Acquisition Rights

With respect to each stock acquisition right issued by the Bank (including stock acquisition rights attached to bonds), Mebuki FG will deliver to the holders of the stock acquisition rights (including the stock acquisition rights attached to bonds) issued by the Bank and outstanding as of the Record Date, the stock acquisition rights of Mebuki FG for the replacement of the stock acquisition rights of the Bank based on the terms of the stock acquisition rights and the share exchange ratio.

Mebuki FG will assume the liabilities of bonds with stock acquisition rights issued by the Bank and the Bank will guarantee such liabilities.

(3) Profile of the Holding Company After the Business Integration

Name	Mebuki Financial Group, Inc.		
Location of the headquarters	7-2, Yaesu 2-chome, Chuo-ku, Tokyo (Note) The head office functions of Mebuki Financial Group, Inc. will be comprised of its full-time officers and employees as well as those with concurrent posts of the Bank or Ashikaga Bank, and will be located in Mito, Ibaraki and Utsunomiya, Tochigi. In addition, there is no change to the location of the head office of the Bank (Mito, Ibaraki Prefecture) and the head office of Ashikaga Bank (Utsunomiya, Tochigi Prefecture).		
Representatives and directors (planned)	Representative Director and President	Kazuyoshi Terakado	(currently, President of the Bank)
	Representative Director and Vice President	Masanao Matsushita	(currently, Director, President and CEO of Ashikaga HD and Director, President and CEO of Ashikaga Bank)
	Director	Eiji Murashima	(currently, Managing Director of the Bank)
	Director	Kiyoshi Kato	(currently, Executive Officer of Ashikaga Bank)
	Director	Ritsuo Sasajima	(currently, Managing Director of the Bank)
	Director	Kazuyuki Shimizu	(currently, Executive Officer and General Manager of Corporate Planning Department of Ashikaga HD and Managing Executive Officer of Ashikaga Bank)
	Director	Hidebumi Nishino	(currently Managing Executive Officer of the Bank)
	Director (Audit and Supervisory Committee Member)	Yoshiaki Terakado	(currently, Corporate Auditor of the Bank)
	Director (Audit and Supervisory Committee Member)	Kunihiro Ono	(currently, Director of Ashikaga HD and Director of Ashikaga Bank)
	Director (Audit and Supervisory Committee Member)	Ryuzaburo Kikuchi	(currently, Outside Director of the Bank)
	Director (Audit and Supervisory Committee Member)	Toru Nagasawa	(currently, representative lawyer of Nagasawa Law Offices)
	Director (Audit and Supervisory Committee Member)	Takashi Shimizu	(currently, Professor of the Graduate School of Accountancy, Waseda University)
	(Note) Ryuzaburo Kikuchi, Toru Nagasawa and Takashi Shimizu, Directors (Audit and Supervisory Committee Members) are Outside Directors as defined in Article 2, Item (xv) of the Companies Act.		
Capital	¥117,495 million		
Net assets	Not determined at this time		
Total assets	Not determined at this time		
Fiscal year end	March, 31		
Nature of business	Management and operation of banks and other companies that the Company may have as subsidiaries under the Banking Act and all businesses incidental or related thereto.		

(4) Profile of the Company Concerned with this Share Exchange

Name	Ashikaga Holdings Co., Ltd.	
Location	1-25, Sakura 4-chome, Utsunomiya, Tochigi	
Representative	Masanao Matsushita, President and Chief Executive Officer	
Business	Bank holding company	
Capital	¥117,495 million	
Date established	April 1, 2008	
Number of shares issued and outstanding	333,250 thousand shares	
Fiscal year end	March 31	
Total assets (consolidated)	¥6,219,821 million	
Net assets (consolidated)	¥295,229 million	
Deposits (non-consolidated)	¥5,143.4 billion (Ashikaga Bank only)	
Loans and bills discounted (non-consolidated)	¥4,226.2 billion (Ashikaga Bank only)	
Number of employees (consolidated)	2,946	
Number of branches (including sub-branches)	153 branches (Ashikaga Bank only)	
Major shareholders and shareholding ratio (as of September 30, 2015)	Nomura Financial Partners, Co., Ltd.	36.87%
	ORIX Corporation	12.00%
	Sompo Japan Nippon Kowa Insurance, Inc.	5.70%
	Mitsui Sumitomo Insurance Co., Ltd.	4.50%
	NORTHERN TRUST CO. (AVFC)RE 15PCT TREATY ACCOUNT	3.04%

(5) Summary of Accounting Treatment of the Share Exchange

The Share Exchange is a reverse acquisition under the Accounting Standard for Business Combinations, and it is expected that the purchase method will be applied to the transaction, under which the Bank will be the acquiring company and Ashikaga HD will be the acquired company. The amount of goodwill (or negative goodwill) which is expected to be recognized as a result of the Share Exchange has yet to be determined.

32. Asset retirement obligation

Information on asset retirement obligation is omitted as asset retirement obligation is not recorded as of April 1, 2015 and March 31, 2016.

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
The Joyo Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Joyo Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 Joyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which describes The Joyo Bank and Ashikaga Holdings Co., Ltd. resolved at the respective meetings of their board of directors held on April 25, 2016 to consummate the business integration through a share exchange subject to obtaining the approval of shareholders of The Joyo Bank and Ashikaga Holdings Co., Ltd. and regulatory approvals, and entered into a share exchange agreement. At the same time, The Joyo Bank, Ashikaga Holdings Co., Ltd and The Ashikaga Bank, Ltd. entered into a business integration agreement. The share exchange agreement was approved by the general shareholders' meeting of The Joyo Bank on June 28, 2016.

Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 28, 2016
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Organization

As of June 28, 2016

The Joyo Bank, Ltd.

- General Meeting of Shareholders
  - Board of Directors
    - Audit & Supervisory Committee
      - Corporate Audit Division
  - Executive Officer Committee
    - Corporate Management Group
      - Corporate Risk Management Division
        - Credit Risk Management Office
        - Legal and Compliance Office
      - Corporate Planning Division
        - Group Company Management Office
        - Publicity Office
        - IT Strategy Office
        - Tokyo Sub-Headquarters
      - Personnel Division
        - Human Resource Development Office
        - Staff Counseling Office
        - Executive Secretariat
      - General Affairs Division
    - Credit Risk Management Group
      - Credit Examination Division
        - Loan Supervision Office
        - Company Management Support Office
    - Operational Reforms Group
      - Operational Innovation Division
    - Operation Systems Group
      - Operation Management Division
        - Asset Management Business Operations Office
        - Data Processing Center
        - Area Data Processing Center
      - Computer System Division
    - Business Headquarters
      - Business Management Division
        - Customer Service Office
        - Customer Counseling Office
      - Business Promotion Division
        - Asset Management Business Promotion Office
        - Integrated Finance Service Office
        - Direct Banking Center
        - Living and Business Consulting Center
        - Pension Business Promotion Center
      - Government and Municipal Business Division
      - Regional Partnership Division
      - Domestic Branches*
    - International Market Business Group
      - Treasury and Securities Division
      - Markets Administration and International Division
        - International Business Office
        - International Operations Office
        - Overseas Representative Office

*Domestic branches include Loan Plaza branches.

Board of Directors and Corporate Auditors

As of June 28, 2016

Chairman
Kunio Onizawa

President
Kazuyoshi Terakado

Deputy President
Hideo Sakamoto

Managing Directors
Katsuhiko Ito
Atsuyuki Kurosawa
Eiji Murashima
Ritsuo Sasajima
Hiroshige Sonobe
Masaru Seki
Hiroaki Yokochi

Directors (Audit & Supervisory Committee Members)
Hideo Torihata
Takao Shimizu

Outside Directors (Audit & Supervisory Committee Members)
Toshihiko Kawamura
Toshio Mizushima
Kinichi Suzuki

Market Business Group and Overseas Offices

As of June 28, 2016

Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-231-2151
Markets Administration and International Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan	Phone: +81-3-3273-1741
International Business Office	5-5 Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-300-2727
International Operations Office	5-5 Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-300-2386
Shanghai Representative Office	Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336 P.R. of China	Phone: +86-21-6209-0258
Singapore Representative Office	30 Cecil Street, #11-04 Prudential Tower, Singapore 049712	Phone: +65-6225-6543
New York Representative Office	712 Fifth Avenue, 8th Floor, New York, NY 1009	Phone: +1-347-686-8420
Treasury and Securities Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan	Phone: +81-3-3273-5245

Affiliated Companies

As of March 31, 2016

Company Name	Address	Main Business Activities	Established	Capital Stock (millions of yen)	Share of Voting Rights
The Joyo Computer Service Co., Ltd.	16-25, Nishihara 2-chome, Mito, Ibaraki	Sale of software and contract of calculation businesses	1973	47.5	5%
The Joyo Lease Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Leasing of machinery and equipment, claim acquisition	1974	100	15%
The Joyo Credit Guarantee Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Credit guarantee of housing loans from Joyo Bank	1978	30	5%
The Joyo Credit Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Credit card services	1982	100	5%
The Joyo Business Service Co., Ltd.	8-1, Sasano-cho 1-chome, Hitachinaka, Ibaraki	Agent in charge of administrative work for Joyo Bank	1984	100	100%
The Joyo Industrial Research Institute, Ltd.	5-18, Sannomaru 1-chome, Mito, Ibaraki	Consulting, investigation and research	1995	100	5%
The Joyo Equipment Management Co., Ltd.	5-5, Minami-machi 2-chome, Mito, Ibaraki	Maintenance and management of operational properties and equipment of Joyo Bank	1999	100	100%
The Joyo Cash Service Co., Ltd.	3-3, Shinhara 1-chome, Mito, Ibaraki	Management and maintenance of ATMs and CDs	1999	50	100%
The Joyo Securities Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Dealing of securities, mediation, commission and substitution of trading of securities	2007	3,000	100%

■ Principal Shareholders

The 10 largest shareholders of Joyo Bank and their respective shareholdings at March 31, 2016 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,992	3.78
Nippon Life Insurance Company	25,203	3.28
Japan Trustee Services Bank, Ltd. (Trust Account)	23,495	3.06
Sompo Japan Nipponkoa Insurance Inc.	23,178	3.02
STATE STREET BANK AND TRUST COMPANY 505223	18,575	2.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,703	2.31
The Dai-ichi Life Insurance Company, Limited	17,049	2.22
Sumitomo Life Insurance Company	16,448	2.14
Meiji Yasuda Life Insurance Company	11,422	1.49
Japan Trustee Services Bank, Ltd. (Trust Account 9)	11,154	1.45
Total	193,221	25.21%

For further information, please contact: Markets Administration and International Division, The Joyo Bank, Ltd.
7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan