

# Financial Section

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# Consolidated Balance Sheet

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
<b>Assets:</b>			
Cash and due from banks (Notes 8)	¥619,717	¥344,782	\$5,499,799
Call loans and bills bought	129	92	1,148
Commercial paper and other debt purchased	32,369	31,307	287,268
Trading account assets (Notes 5 and 30)	1,283	982	11,391
Money held in trust	1,999	1,999	17,743
Securities (Notes 6, 8, 29 and 30)	1,818,567	1,887,925	16,139,221
Loans and bills discounted (Notes 7, 9 and 29)	6,451,953	6,158,682	57,259,084
Foreign exchange assets (Note 10)	8,284	8,717	73,521
Other assets (Notes 8, 11)	43,598	40,110	386,925
Tangible fixed assets (Notes 12 and 19)	113,837	110,590	1,010,273
Intangible fixed assets	5,662	6,289	50,256
Asset for retirement benefits (Note 33)	5,356	5,147	47,535
Deferred tax assets (Note 34)	852	928	7,568
Customers' liabilities for acceptances and guarantees	29,072	32,209	258,007
Reserve for possible loan losses (Note 29)	(41,716)	(35,265)	(370,221)
Reserve for devaluation of securities	(618)	(634)	(5,485)
Total assets	¥9,090,350	¥8,593,865	\$80,674,038
<b>Liabilities and net assets:</b>			
<b>Liabilities:</b>			
Deposits (Notes 8, 13, and 29)	¥7,763,337	¥7,330,003	\$68,897,211
Call money and bills sold (Notes 8 and 29)	41,691	167,130	370,000
Payables under repurchase agreements (Note 8)	65,806	11,624	584,011
Guarantee deposits received under securities lending transactions (Note 8)	19,892	94,169	176,542
Borrowed money (Notes 8, 15 and 29)	506,270	285,785	4,492,991
Foreign exchange liabilities (Note 10)	74	78	657
Bonds (Notes 14 and 29)	48,800	78,300	433,084
Other liabilities (Notes 16)	94,632	89,349	839,830
Liability for retirement benefits (Notes 33)	4,345	5,677	38,568
Reserve for retirement benefits for directors and corporate auditors	217	177	1,932
Reserve for reimbursement of deposits	2,174	2,173	19,294
Reserve for other contingent losses	1,497	2,195	13,292
Reserve under the special laws	4	3	43
Deferred tax liabilities (Notes 34)	9,354	9,699	83,022
Deferred tax liabilities on revaluation of premises (Note 19)	15,346	16,222	136,196
Acceptances and guarantees	29,072	32,209	258,007
Total liabilities	8,602,519	8,124,800	76,344,687
<b>Net assets:</b>			
Capital stock (Note 17)	85,745	85,745	760,965
Capital surplus	90,531	90,532	803,441
Earned surplus	207,138	185,231	1,838,292
Treasury stock (Note 18)	(4,189)	(2,128)	(37,178)
Total shareholders' equity	379,226	359,380	3,365,521
Net unrealized gains on securities available for sale, net of taxes (Note 30)	63,203	64,777	560,911
Net deferred gains (losses) on hedging instruments, net of taxes	(1,011)	(763)	(8,974)
Revaluation of premises, net of taxes (Note 19)	30,507	29,836	270,742
Retirement benefits liability adjustments, net of taxes (Note 33)	(6,023)	(5,647)	(53,454)
Total accumulated other comprehensive income	86,676	88,202	769,225
Non-controlling interests	21,927	21,482	194,604
Total net assets (Note 40)	487,831	469,065	4,329,350
Total liabilities and net assets	¥9,090,350	¥8,593,865	\$80,674,038

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
<b>Income:</b>			
Interest and dividend income:			
Interest on loans and discounts	¥88,391	¥89,554	\$784,444
Interest and dividends on securities	15,451	16,077	137,130
Other interest income (Note 20)	1,473	1,416	13,081
Fees and commissions	32,900	32,661	291,983
Trading income	986	943	8,751
Other operating income (Note 21)	2,722	2,852	24,157
Other income (Note 22)	13,045	8,701	115,770
Total income	154,970	152,206	1,375,319
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	4,626	4,366	41,060
Interest on call money and bills sold	557	518	4,950
Interest on payables under repurchase agreements	267	5	2,376
Interest on borrowings	419	372	3,720
Other interest expenses (Note 23)	1,207	1,968	10,718
Fees and commissions	10,506	10,165	93,239
Other operating expenses (Note 24)	1,915	499	17,000
General and administrative expenses (Note 25)	83,499	83,636	741,034
Other expenses (Note 26)	10,013	9,305	88,866
Total expenses	113,014	110,837	1,002,966
Profit (loss) before income taxes	41,956	41,369	372,352
Income taxes (Note 34)			
Current	11,437	5,912	101,502
Deferred	2,476	8,343	21,976
Total income taxes	13,913	14,255	123,478
Profit (loss)	28,043	27,113	248,873
Profit (loss) attributable to:			
Non-controlling interests	1,121	2,270	9,950
Owners of parent (Note 40)	¥26,921	¥24,843	\$238,923

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Comprehensive Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Years ended 31st March, 2016 and 2015

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars(Note 1) 2016
Profit (loss)	<b>¥28,043</b>	¥27,113	<b>\$248,873</b>
Other comprehensive income:			
Net unrealized gains on securities available for sale	<b>(1,564)</b>	26,467	<b>(13,888)</b>
Net deferred gains (losses) on hedging instruments	<b>(247)</b>	(728)	<b>(2,198)</b>
Gains on revaluation of premises	<b>790</b>	1,636	<b>7,014</b>
Retirement benefits liability adjustments	<b>(376)</b>	(2,113)	<b>(3,338)</b>
Total other comprehensive income (Notes 27)	<b>(¥1,398)</b>	¥25,262	<b>(\$12,410)</b>
Comprehensive income	<b>¥26,644</b>	¥52,375	<b>\$236,463</b>
Comprehensive income attributable to owners of parent	<b>¥25,514</b>	¥50,208	<b>\$226,435</b>
Comprehensive income attributable to non-controlling interests	<b>¥1,129</b>	¥2,166	<b>\$10,027</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
<b>Shareholders' equity</b>			
Capital stock (Note 17)			
Balance at beginning of the year	¥85,745	¥85,745	\$760,965
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$760,965
Capital surplus			
Balance at beginning of the year	¥90,532	¥90,301	\$803,445
Changes during the year			
Sales of treasury stock	(0)	231	(4)
Total changes during the year	(0)	231	(4)
Balance at end of the year	¥90,531	¥90,532	\$803,441
Earned surplus			
Balance at beginning of the year	¥185,231	¥164,207	\$1,643,869
Cumulative effect of change in accounting principle	—	(133)	—
Restated balance at beginning of the year	185,231	164,073	1,643,869
Changes during the year			
Cash dividends paid (Note 41)	(5,133)	(4,769)	(45,561)
Profit (loss) attributable to owners of parent	26,921	24,843	238,923
Transfer to reserve for deferred capital gains	0	0	0
Reversal of revaluation of premises	119	1,083	1,060
Total changes during the year	21,907	21,157	194,422
Balance at end of the year	¥207,138	¥185,231	\$1,838,292
Treasury stock (Note 18)			
Balance at beginning of the year	(¥2,128)	(¥692)	(\$18,893)
Changes during the year			
Acquisition of treasury stock	(2,066)	(5,082)	(18,339)
Sale of treasury stock	6	3,645	55
Total changes during the year	(2,060)	(1,436)	(18,284)
Balance at end of the year	(¥4,189)	(¥2,128)	(\$37,178)
Total shareholders' equity			
Balance at beginning of the year	¥359,380	¥339,561	\$3,189,387
Cumulative effect of change in accounting principle	—	(133)	—
Restated balance at beginning of the year	359,380	339,428	3,189,387
Changes during the year			
Cash dividends paid (Note 41)	(5,133)	(4,769)	(45,561)
Profit (loss) attributable to owners of parent	26,921	24,843	238,923
Transfer to reserve for deferred capital gains	0	0	0
Acquisition of treasury stock	(2,066)	(5,082)	(18,339)
Sale of treasury stock	5	3,876	51
Reversal of revaluation of premises	119	1,083	1,060
Total changes during the year	19,846	19,951	176,134
Balance at end of the year	¥379,226	¥359,380	\$3,365,521

## Consolidated Statement of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
<b>Accumulated other comprehensive income</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥64,777	¥38,212	\$574,876
Changes during the year			
Net changes in items other than shareholders' equity	(1,573)	26,564	(13,965)
Total changes during the year	(1,573)	26,564	(13,965)
Balance at end of the year	¥63,203	¥64,777	\$560,911
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥763)	(¥35)	(\$6,775)
Changes during the year			
Net changes in items other than shareholders' equity	(247)	(728)	(2,198)
Total changes during the year	(247)	(728)	(2,198)
Balance at end of the year	(¥1,011)	(¥763)	(\$8,974)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,836	¥29,283	\$264,788
Changes during the year			
Net changes in items other than shareholders' equity	670	553	5,954
Total changes during the year	670	553	5,954
Balance at end of the year	¥30,507	¥29,836	\$270,742
Retirement benefits liability adjustments			
Balance at beginning of the year	(¥5,647)	(¥3,539)	(\$50,115)
Changes during the year			
Net changes in items other than shareholders' equity	(376)	(2,107)	(3,338)
Total changes during the year	(376)	(2,107)	(3,338)
Balance at end of the year	(¥6,023)	(¥5,647)	(\$53,454)
Total accumulated other comprehensive income			
Balance at beginning of the year	¥88,202	¥63,920	\$782,772
Changes during the year			
Net changes in items other than shareholders' equity	(1,526)	24,282	(13,547)
Total changes during the year	(1,526)	24,282	(13,547)
Balance at end of the year	¥86,676	¥88,202	\$769,225
<b>Non-controlling interests</b>			
Balance at beginning of the year	¥21,482	¥26,252	\$190,652
Cumulative effect of change in accounting principle	—	(24)	—
Restated balance at beginning of the year	21,482	26,228	190,652
Changes during the year			
Net changes in items other than shareholders' equity	445	(4,745)	3,951
Total changes during the year	445	(4,745)	3,951
Balance at end of the year	¥21,927	¥21,482	\$194,604
<b>Total net assets</b>			
Balance at beginning of the year	¥469,065	¥429,734	\$4,162,812
Cumulative effect of change in accounting principle	—	(157)	—
Restated balance at beginning of the year	469,065	429,577	4,162,812
Changes during the year			
Cash dividends paid (Note 41)	(5,133)	(4,769)	(45,561)
Profit (loss) attributable to owners of parent	26,921	24,843	238,923
Transfer to reserve for deferred capital gains	0	0	0
Acquisition of treasury stock	(2,066)	(5,082)	(18,339)
Sale of treasury stock	5	3,876	51
Reversal of revaluation of premises	119	1,083	1,060
Net changes in items other than shareholders' equity	(1,081)	19,537	(9,595)
Total changes during the year	18,765	39,488	166,538
Balance at end of the year	¥487,831	¥469,065	\$4,329,350

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
<b>I .Cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥41,956	¥41,369	\$372,352
Depreciation	5,795	5,732	51,437
Losses on impairment of fixed assets	513	2,769	4,560
Amortization of goodwill	—	128	—
Equity in gains of nonconsolidated subsidiaries and affiliate	(68)	(211)	(604)
Gain on bargain purchase	—	(1,970)	—
Increase (decrease) in reserve for possible loan losses	6,451	(3,642)	57,251
(Decrease) increase in reserve for devaluation of securities	(16)	30	(142)
(Increase) decrease in asset for retirement benefits	(208)	1,895	(1,850)
(Decrease) increase in liability for retirement benefits	(1,332)	338	(11,821)
Increase in reserve for retirement benefits for directors and corporate auditors	39	23	353
Increase (decrease) in reserve for reimbursement of deposits	1	(38)	9
(Decrease) increase in reserve for other contingent losses	(698)	93	(6,195)
Income from lending activities	(105,317)	(107,048)	(934,656)
Funding costs	7,079	7,230	62,825
Gains on securities	(5,973)	(2,517)	(53,008)
Gains on money held in trust	(2)	(2)	(19)
Net foreign exchange gains	(844)	(975)	(7,493)
Losses on sale of tangible fixed assets	499	493	4,435
Net (increase) decrease in trading account assets	(300)	44	(2,669)
Net increase in loans and bills discounted	(293,271)	(308,815)	(2,602,694)
Net increase in deposits	268,186	377,660	2,380,074
Net increase (decrease) in certificates of deposit	165,147	(128)	1,465,632
Net increase in borrowed money, exclusive of subordinated borrowings	220,485	71,808	1,956,736
Net decrease (increase) in due from banks, exclusive of central bank	4,708	(5,942)	41,785
Net (increase) decrease in call loans	(1,099)	736	(9,756)
Net (decrease) increase in call money	(71,256)	20,191	(632,379)
Net (decrease) increase in guarantee deposits received under securities lending transactions	(74,277)	74,449	(659,185)
Net decrease (increase) in foreign exchange assets	433	(2,017)	3,843
Net decrease in foreign exchange liabilities	(4)	(19)	(37)
Interest and dividends received	108,440	110,641	962,371
Interest paid	(7,367)	(7,741)	(65,386)
Others	12,696	(42,090)	112,675
Subtotal	280,398	232,476	2,488,445
Income taxes paid	(7,675)	(3,801)	(68,120)
Net cash provided by operating activities	¥272,722	¥228,675	\$2,420,325

## Consolidated Statement of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
<b>II.Cash flows from investing activities:</b>			
Payments for purchase of securities	(¥363,328)	(¥624,290)	(\$3,224,425)
Proceeds from sale of securities	142,132	342,013	1,261,380
Proceeds from redemption of securities	274,211	245,934	2,433,538
Payments for increase in money held in trust	(0)	(27)	(5)
Proceeds from decrease in money held in trust	2	3	23
Payments for purchase of tangible fixed assets	(7,478)	(3,670)	(66,370)
Proceeds from sale of tangible fixed assets	502	1,004	4,457
Payments for purchase of intangible fixed assets	(1,713)	(834)	(15,207)
Payments for purchase of stock of subsidiaries	—	(634)	—
Proceeds from sale of stock of subsidiaries	—	69	—
Collection of lease deposits	—	500	—
Net cash provided by (used in) investing activities	¥44,327	(¥39,932)	\$393,391
<b>III.Cash flows from financing activities:</b>			
Repayments of subordinated borrowings	—	(¥10,000)	—
Redemption of subordinated bonds and bonds with stock subscription rights	(29,500)	(15,000)	(261,803)
Dividends paid	(5,132)	(4,773)	(45,553)
Dividends paid to non-controlling shareholders	(684)	(695)	(6,076)
Payments for acquisition of treasury stock	(2,066)	(5,081)	(18,339)
Proceeds from sale of treasury stock	5	4	51
Net cash used in financing activities	(¥37,378)	(¥35,546)	(\$331,721)
<b>IV.Effects of changes in exchange rates on cash and cash equivalents</b>	(¥27)	¥40	(\$247)
<b>V.Net increase in cash and cash equivalents</b>	¥279,643	¥153,236	\$2,481,748
<b>VI.Cash and cash equivalents at beginning of the year</b>	¥335,630	¥182,394	\$2,978,618
<b>VII.Cash and cash equivalents at end of the year (Note 39)</b>	¥615,274	¥335,630	\$5,460,366

See accompanying Notes to Consolidated Financial Statements.



# Notes to Consolidated Financial Statements

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the "Bank"), formerly The Nishi-Nippon Bank, Ltd., and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.

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.

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Bank.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥112.68= U.S.\$ 1.00, the exchange rate on 31st March, 2016, has been used in translation.

In the consolidated financial statements, "—" is used to denote "nil" and "0" is used to denote rounding down to zero.

## 2. Summary of Significant Accounting Policies

### (a) Scope of Consolidation

The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries.

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2016 and 2015 is as follows:

	2016	2015
i) Number of consolidated subsidiaries:	7	7
ii) Number of non-consolidated subsidiaries:	1	2

ii) The Nishi-Nippon Challenge 2, Limited Partnership, which was liquidated in 2016, was excluded from consolidation due to its insignificance in 2015.

NCB Kyushu Rokujika Ouen Investment, Limited Partnership was excluded from consolidation due to its insignificance in 2015 and 2016.

### (b) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2016 and 2015 is as follows:

	2016	2015
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	1	2
iv) Number of affiliates not accounted for by the equity method:	0	0

### (c) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries in 2016 and 2015 are as follows:

	2016	2015
January 14 *	1	1
March 31	6	6

\*A subsidiary with the closing date of January 14 is consolidated based on the financial statements at the provisional closing of accounts performed as of 31st March. Other subsidiaries are consolidated based on the financial statements at their respective closing dates.

(d) *Trading Account Assets and Liabilities*

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Bank values securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as futures and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

(e) *Securities*

Securities held to maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. In principle, securities available for sale are carried at fair value with cost of sales determined by the moving average method. However, securities available for sale, for which it is extremely difficult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(f) *Derivatives*

Derivatives held or written are stated at fair value.

(g) *Tangible Fixed Assets (excluding leased assets)*

The Bank uses the declining-balance method for depreciation of tangible fixed assets other than buildings acquired on and after 1st April, 1998 which are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of consolidated subsidiaries are depreciated mainly using the declining-balance method.

(h) *Intangible Fixed Assets (excluding leased assets)*

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank and its consolidated subsidiaries (generally 5 years).

(i) *Leased Assets*

The tangible and intangible fixed assets capitalized under the finance lease transactions entered into on and after 1st April, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

*(j) Reserve for Possible Loan Losses*

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, the reserve for possible loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at 31st March, 2016 and 2015 were ¥7,233 million (\$64,199thousand), and ¥16,061 million, respectively.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

Consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

*(k) Reserve for Devaluation of Securities*

In order to provide for a loss on investments, the Bank estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

*(l) Reserve for Retirement Benefits for Directors and Corporate Auditors*

Reserve for retirement benefits for directors and corporate auditors is provided by some of the consolidated subsidiaries at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

*(m) Reserve for Reimbursement of Deposits*

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the Bank.

*(n) Reserve for Other Contingent Losses*

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Bank.

(o) *Reserve under the Special Laws*

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Bank's consolidated subsidiaries in Japan at an amount estimated pursuant to Article 46, Item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments services.

(p) *Accounting for Retirement Benefits*

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

For some consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

(q) *Foreign Currency Translation*

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

(r) *Accounting for Leases*

Finance lease transactions which were initially engaged by the Bank and its consolidated subsidiaries prior to 1st April, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

(s) *Hedge Accounting*

① Hedge accounting for interest rate risks

The Bank applies the deferred method as hedge accounting for interest rate risks of certain financial assets and liabilities by using the individual hedging, which directly matches hedged items and hedging instruments.

With regard to hedging transactions to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, in accordance with operational rules concerning hedge accounting, hedged items are distinguished by identical type of bonds and interest rate swaps are used as hedging instruments. Since significant terms related to those hedged items and hedging instruments are nearly identical, such hedging transactions are deemed highly effective in terms of evaluation of hedge effectiveness.

No evaluation is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment, as it is ascertained that the criteria for the special treatment are continually met.

② Hedge accounting for foreign exchange rate risk

The Bank applies the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25 of 29th July, 2002).

The Bank treats foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the Bank tests hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

③ Internal contract

For internal contracts, the Bank manages the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry Audit Committee Report No. 25. Therefore, the Bank either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

*(t) Amortization of Goodwill*

Goodwill is amortized using the straight-line method over five years.

*(u) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows*

Cash and Cash Equivalents in the consolidated statement of cash flows are composed of cash and due from central bank.

*(v) Accounting Treatment for Consumption Taxes*

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes for the Bank and its domestic consolidated subsidiaries.

*(w) Application of the Consolidated Tax Payment System*

Effective from the year ended 31st March, 2016, the Bank and some of its consolidated subsidiaries have adopted the consolidated tax payment system, where the Bank is designated as a parent company.

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**3. Change in Accounting Policies**

Effective from the year ended 31st March, 2016, the Bank has adopted “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21 of 13th September, 2013; “Business Combination Accounting Standard”), “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of 13th September, 2013; “Consolidated Accounting Standard”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of 13th September, 2013; “Business Divestitures Accounting Standard”), and other relevant standards and guidance. The Bank has adopted the methods to post the differences caused by the changes in a parent company's equity interest in its subsidiaries that are still under its control as capital surplus and to recognize acquisition-related costs as expenses for the fiscal year in which such costs are incurred. For business combinations conducted on or after 1st April, 2015, the Bank has also adopted the method in which an adjustment to the provisional amount resulting from finalization of the tentative accounting treatment relating to allocation of acquisition costs is recognized in the consolidated financial statements of the fiscal year to which the date of the business combination belongs.

In addition, the Bank has changed the presentation method of profit (loss) attributable to owners of parent and other related items, and has changed the reference to “minority interests” to “non-controlling interests.” To reflect these changes in presentation, accounts have been reclassified for the consolidated financial statements of the year ended 31st March, 2015.

In the consolidated statement of cash flows for the year ended 31st March, 2016, cash flows relating to acquisition or sale of shares in subsidiaries without any change in the scope of consolidation are presented under “Cash flows from financing activities.” Cash flows relating to acquisition-related costs associated with acquisition of shares in subsidiaries with change in the scope of consolidation and expenses incurred in relation to acquisition or sale of shares in subsidiaries without any change in the scope of consolidation are now presented under “Cash flows from operating activities.”

In accordance with transitional treatments set forth in Clause 58-2(4) of the Business Combination Accounting Standard, Clause 44-5(4) of the Consolidated Accounting Standard, and Clause 57-4(4) of the Business Divestitures Accounting Standard, the Bank has applied the Business Combination Accounting Standard and other accounting standards prospectively from the beginning of the year ended 31st March, 2016. The adoption of these accounting standards had no impact on the consolidated financial statements for the year ended 31st March, 2016.

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**4. Accounting Standards yet to be Applied**

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

*(a) Outline*

The implementation guidance basically continues to apply the guidance with regard to recoverability of deferred tax assets as set forth mainly in the “Audit Treatment on Determining Recoverability of Deferred Tax Assets” (JICPA Audit Committee Report No.66) with certain necessary changes having been made.

*(b) Effective date*

The Bank plans to adopt the implementation guidance from the beginning of the year ending 31st March, 2017.

*(c) Impact of application of the implementation guidance*

The impact of adoption of the implementation guidance is currently under evaluation.

<b>5. Trading Account Assets</b>	Trading account assets at 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Trading securities	¥1,283	¥982	\$11,391
Other trading assets	—	—	—
Total	¥1,283	¥982	\$11,391

<b>6. Securities</b>	Securities at 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japanese government bonds	¥706,895	¥729,015	\$6,273,475
Japanese municipal bonds	96,218	153,962	853,910
Corporate bonds (including government-guaranteed bonds)*	554,659	487,862	4,922,433
Stock**	119,074	120,619	1,056,747
Other securities***	341,719	396,466	3,032,654
Total	¥1,818,567	¥1,887,925	\$16,139,221

\* Corporate bonds included bonds offered through private placement. The Bank's guarantee obligation for such private placement bonds at 31st March, 2016 and 2015 were ¥3,712 million (\$32,942 thousand) and ¥3,401 million, respectively.

\*\* Stock included stock of affiliates of ¥581 million (\$5,158 thousand) and ¥564 million at 31st March, 2016 and 2015, respectively.  
Stock included securities of ¥16 million (\$150 thousand) which were loaned under securities lending transactions at 31st March, 2016.

\*\*\* Other securities included investments in non-consolidated subsidiaries of ¥315million (\$2,804 thousand) and ¥320 million at 31st March, 2016 and 2015, respectively.

<b>7. Loans and Bills Discounted</b>	Loans and bills discounted at 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bills discounted*	¥26,909	¥30,183	\$238,815
Loans on notes	215,459	203,509	1,912,139
Loans on deed	5,609,814	5,355,873	49,785,358
Overdraft	599,769	569,116	5,322,771
Total	¥6,451,953	¥6,158,682	\$57,259,084

\* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥27,370 million (\$242,907 thousand) and ¥30,948 million at 31st March, 2016 and 2015, respectively.

Non-performing loans included in the loans at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans to legally bankrupt entities**	¥1,735	¥2,908	\$15,401
Delinquent loans***	119,800	118,864	1,063,189
Loans past due for three months or more****	390	202	3,468
Loans with altered lending conditions*****	30,170	32,947	267,756
Total	¥152,097	¥154,923	\$1,349,816

\*\* Loans to legally bankrupt entities are loans on which interest is placed on a non-accrual status ("non-accrual loans"), excluding loans written off, as principal or interest has not been paid for a substantial period or for other reasons and there are no prospects for recovery or repayment of principal or interest, and to which certain circumstances apply as stated in the Implementation Ordinances for the Corporation Tax Law.

\*\*\* Delinquent loans are non-accrual loans other than (i) loans to legally bankrupt entities and (ii) loans for which interest payments have been rescheduled in order to assist the restructuring of these borrowers.

\*\*\*\* Loans past due for three months or more are loans for which principal or interest has not been paid for a period of three months or more from the next business day of the last due date, and that are not included in loans to legally bankrupt entities or delinquent loans.

\*\*\*\*\* Loans with altered lending conditions are loans restructured to provide relief to borrowers, such as reducing interest rates, rescheduling interest and principal payment, or waiving the claims, in order to assist the restructuring of these borrowers. Such loans exclude loans to legally bankrupt entities, delinquent loans, and loans past due for three months or more.

#### 8. Assets Pledged as Collateral

Assets pledged as collateral by the Bank and its consolidated subsidiaries at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets pledged as collateral			
Cash and due from banks	¥40	¥40	\$359
Commercial paper and other debt purchased	—	92	—
Securities	635,850	590,204	5,642,976
Total	¥635,891	¥590,337	\$5,643,336
Liabilities secured by the above assets			
Deposits	¥22,523	¥29,677	\$199,886
Call money and bills sold	—	60,900	—
Payables under repurchase agreements	65,806	11,624	584,011
Guarantee deposits received under securities lending transactions	19,892	94,169	176,542
Borrowed money	496,296	274,661	4,404,474

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks	¥2	¥2	\$17
Securities	88,317	89,903	783,790

Additionally, the following was included in other assets at 31st March, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash collateral paid for financial instruments	¥101	—	\$898
Deposits included in other assets	2,670	2,725	23,698

**9. Contracts for Commitment Lines of Credit**

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Aggregate amount under commitment contracts not yet drawn down	<b>¥2,008,573</b>	¥1,851,234	<b>\$17,825,465</b>
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	<b>1,953,454</b>	1,825,316	<b>17,336,304</b>

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries. Many of these contracts have stipulations that allow the Bank and its consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the Bank and its consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

**10. Foreign Exchange**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Assets:</b>			
Foreign exchange bills bought	<b>¥461</b>	¥764	<b>\$4,092</b>
Foreign exchange bills receivable	<b>304</b>	366	<b>2,699</b>
Due from foreign banks (their accounts)	—	—	—
Due from foreign banks (our accounts)	<b>7,518</b>	7,586	<b>66,728</b>
Total	<b>¥8,284</b>	¥8,717	<b>\$73,521</b>
<b>Liabilities:</b>			
Foreign exchange bills sold	<b>¥0</b>	¥2	<b>\$6</b>
Foreign exchange bills payable	<b>73</b>	76	<b>651</b>
Total	<b>¥74</b>	¥78	<b>\$657</b>

**11. Other Assets**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Domestic exchange settlement account*	<b>¥13</b>	¥16	<b>\$119</b>
Accrued income	<b>6,753</b>	7,209	<b>59,932</b>
Prepaid expenses	<b>72</b>	73	<b>646</b>
Financial derivative products	<b>8,901</b>	5,852	<b>79,001</b>
Cash collateral paid for financial instruments	<b>101</b>	—	<b>898</b>
Other	<b>27,755</b>	26,960	<b>246,325</b>
Total	<b>¥43,598</b>	¥40,110	<b>\$386,925</b>

\* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.



**12. Tangible Fixed Assets**

Tangible fixed assets at 31st March, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥76,629	¥76,538	\$680,065
Buildings	69,118	68,418	613,407
Construction in progress	2,056	420	18,253
Leased assets	706	714	6,270
Other tangible fixed assets	36,645	37,603	325,218
	185,157	183,695	1,643,215
Less accumulated depreciation	(71,319)	(73,105)	(632,942)
Total	¥113,837	¥110,590	\$1,010,273

The accelerated depreciation entry amounts for tangible fixed assets at 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	¥7,496	¥7,560	\$66,526

**13. Deposits**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current deposits	¥316,559	¥304,738	\$2,809,371
Ordinary deposits	3,863,176	3,670,931	34,284,489
Deposits at notice	13,912	11,886	123,469
Time deposits	3,055,828	2,983,635	27,119,524
Negotiable certificates of deposit	397,628	232,481	3,528,833
Other deposits	116,231	126,328	1,031,522
Total	¥7,763,337	¥7,330,003	\$68,897,211

**14. Bonds**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bonds:			
2.78% Japanese yen subordinated bonds due 2015	—	¥14,500	—
2.70% Japanese yen subordinated bonds due 2017	10,000	10,000	88,746
1.70% Japanese yen callable subordinated bonds due 2020	—	15,000	—
1.55% Japanese yen callable subordinated bonds due 2021	8,800	8,800	78,097
1.37% Japanese yen callable subordinated bonds due 2021	10,000	10,000	88,746
0.67% Japanese yen callable subordinated bonds due 2023	10,000	10,000	88,746
0.87% Japanese yen callable subordinated bonds due 2025	10,000	10,000	88,746
Total	¥48,800	¥78,300	\$433,084

**15. Borrowed Money**

The weighted average interest rates on borrowed money at 31st March, 2016 and 2015 are 0.10% and 0.14%, respectively.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending 31st March		
2017	¥164,173	\$1,456,988
2018	963	8,548
2019	100,735	894,000
2020	239,894	2,128,986
2021	220	1,956

**16. Other Liabilities**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Domestic exchange settlement account	¥24	¥28	\$216
Accrued income taxes	7,623	3,835	67,652
Accrued expenses	9,169	9,250	81,376
Unearned income	2,832	2,906	25,141
Financial derivative products	7,561	7,869	67,107
Lease obligations	148	219	1,319
Cash collateral received for financial instruments	778	—	6,904
Asset retirement obligations	843	836	7,482
Others	65,650	64,403	582,629
Total	¥94,632	¥89,349	\$839,830

**17. Capital Stock**

Capital stock during the year ended 31st March, 2016 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2015	796,732,552	¥85,745	\$760,965
Increase	—	—	—
Decrease	—	—	—
31st March, 2016	796,732,552	¥85,745	\$760,965

Capital stock during the year ended 31st March, 2015 consisted of the following:

	Common stock	Capital stock
	Issued shares	Millions of yen
1st April, 2014	796,732,552	¥85,745
Increase	—	—
Decrease	—	—
31st March, 2015	796,732,552	¥85,745

**18. Treasury Stock**

Treasury stock during the year ended 31st March, 2016 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
1st April, 2015	5,921,332	(¥2,128)	(\$18,893)
Increase*	5,830,243	(2,066)	(18,339)
Decrease*	17,006	6	55
31st March, 2016	11,734,569	(¥4,189)	(\$37,178)

\* An increase of 5,830,243 shares for the year ended 31st March, 2016 was caused by purchase of treasury shares of 5,637,000 and purchase of fractional shares of 193,243. A decrease was caused by sale of fractional shares.

Treasury stock during the year ended 31st March, 2015 consisted of the following:

	Common stock	Treasury stock
	Number of shares	Millions of yen
1st April, 2014	1,768,885	(¥692)
Increase*	14,435,160	(5,082)
Decrease*	10,282,713	3,645
31st March, 2015	5,921,332	(¥2,128)

\* An increase of 14,435,160 shares for the year ended 31st March, 2015 was caused by purchase of treasury shares of 14,045,442, purchase of fractional shares of 284,718 and an increase in shares of 105,000 held by affiliates accounted for by the equity method due to the share exchange. A decrease of 10,282,713 shares was caused by a decrease of 10,267,674 shares due to the share exchange and sale of fractional shares of 15,039.

<b>19. Revaluation of Premises Account</b>	Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on 31st March, 1998), the Bank has revalued its land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.
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The excess of the aggregate market value of land for business use revalued in accordance with Article 10 of the Law Concerning Land Revaluation over the book value after revaluation at 31st March, 2016 and 2015 is as follows:

Millions of yen		Thousands of U.S. dollars
2016	2015	2016
<b>¥21,671</b>	¥25,209	<b>\$192,325</b>

<b>20. Other Interest Income</b>	Other interest income for the years ended 31st March, 2016 and 2015 consisted of the following:
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	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Interest on call loans and bills bought	<b>¥45</b>	¥81	<b>\$401</b>
Interest on deposits with banks	<b>232</b>	225	<b>2,063</b>
Others	<b>1,196</b>	1,109	<b>10,615</b>
Total	<b>¥1,473</b>	¥1,416	<b>\$13,081</b>

<b>21. Other Operating Income</b>	Other operating income for the years ended 31st March, 2016 and 2015 consisted of the following:
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	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gains on foreign exchange transactions	<b>¥849</b>	¥978	<b>\$7,536</b>
Gains on sale of bonds	<b>1,462</b>	1,589	<b>12,975</b>
Others	<b>410</b>	284	<b>3,646</b>
Total	<b>¥2,722</b>	¥2,852	<b>\$24,157</b>

<b>22. Other Income</b>	Other income for the years ended 31st March, 2016 and 2015 consisted of the following:
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	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gains on sale of stock and other securities	<b>¥6,041</b>	¥2,211	<b>\$53,614</b>
Gains on money held in trust	<b>2</b>	3	<b>24</b>
Equity in earnings of affiliates	<b>68</b>	211	<b>604</b>
Gains on disposition of fixed assets	<b>65</b>	177	<b>577</b>
Reversal of reserve for possible loan losses	—	989	—
Recoveries of written-off claims	<b>3,907</b>	1,045	<b>34,676</b>
Rental income on land and buildings	<b>384</b>	364	<b>3,408</b>
Gain on bargain purchase	—	1,970	—
Reversal of reserve for other contingent losses	<b>307</b>	—	<b>2,729</b>
Others	<b>2,268</b>	1,727	<b>20,135</b>
Total	<b>¥13,045</b>	¥8,701	<b>\$115,770</b>

<b>23. Other Interest Expenses</b>	Other interest expenses for the years ended 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bonds	¥724	¥1,592	\$6,434
Securities lending transactions	120	104	1,068
Others	362	271	3,216
Total	¥1,207	¥1,968	\$10,718

  

<b>24. Other Operating Expenses</b>	Other operating expenses for the years ended 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Losses on sale of bonds	¥1,323	¥200	\$11,749
Losses on redemption of bonds	121	79	1,082
Expenses for derivatives other than trading derivatives	469	218	4,168
Others	—	0	—
Total	¥1,915	¥499	\$17,000

  

<b>25. General and Administrative Expenses</b>	General and administrative expenses for the years ended 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Salaries and allowances	¥33,235	¥33,230	\$294,955
Employee retirement benefits	2,019	1,836	17,926
Retirement benefits for directors and corporate auditors	45	39	404
Depreciation	5,795	5,732	51,437
Rental expenses	3,694	3,881	32,785
Amortization of goodwill	—	128	—
Taxes	4,758	4,425	42,230
Others	33,949	34,362	301,294
Total	¥83,499	¥83,633	\$741,034

  

<b>26. Other Expenses</b>	Other expenses for the years ended 31st March, 2016 and 2015 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Provision for possible loan losses	¥ 5,341	¥ —	\$47,406
Losses on write-offs of claims	1,935	2,167	17,173
Losses on sale of stock and other securities	70	1,002	626
Losses on devaluation of stock and other securities	13	0	122
Losses on money held in trust	0	0	5
Losses on disposition of tangible fixed assets	564	671	5,013
Impairment losses	513	2,769	4,560
Losses on sale of loans	246	370	2,185
Others	1,326	2,323	11,772
Total	¥10,013	¥9,305	\$88,866

27. Other Comprehensive Income	Reclassification adjustments and tax effects related to other comprehensive income for the years ended 31st March, 2016 and 2015 are as follows:		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized gains on securities available for sale:			
Amount arising during the year	¥2,938	¥39,597	\$26,081
Reclassification adjustments	(7,288)	(3,973)	(64,686)
Amount before tax effect	(4,350)	35,624	(38,605)
Tax effect	2,785	(9,157)	24,716
Net unrealized gains on securities available for sale	(¥1,564)	¥26,467	(\$13,888)
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	(¥1,076)	(¥1,600)	(\$9,552)
Reclassification adjustments	745	530	6,616
Amount before tax effect	(330)	(1,069)	(2,935)
Tax effect	83	341	737
Net deferred gains (losses) on hedging instruments	(¥247)	(¥728)	(\$2,198)
Gains on revaluation of premises:			
Amount arising during the year	¥ —	¥ —	\$ —
Reclassification adjustments	—	—	—
Amount before tax effect	—	—	—
Tax effect	790	1,636	7,014
Gains on revaluation of premises	¥790	¥1,636	\$7,014
Retirement benefits liability adjustments			
Amount arising during the year	(¥1,579)	(¥3,513)	(\$14,017)
Reclassification adjustments	1,241	672	11,017
Amount before tax effect	(338)	(2,840)	(3,000)
Tax effect	(38)	726	(338)
Retirement benefits liability adjustments	(¥376)	(¥2,113)	(\$3,338)
Total other comprehensive income	(¥1,398)	¥25,262	(\$12,410)

**28. Lease Transactions****(1) Finance leases**

Information on finance lease transactions which are accounted for as operating leases at 31st March, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥2,473	¥4,435	\$21,955
Total	¥2,473	¥4,435	\$21,955
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥1,949	¥3,723	\$17,299
Total	¥1,949	¥3,723	\$17,299
Amounts equivalent to carrying value			
Tangible fixed assets	¥524	¥712	\$4,655
Total	¥524	¥712	\$4,655

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Future lease payments of finance leases which are accounted for as operating leases at 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Future finance lease payments			
Due within one year	¥107	¥167	\$954
Due after one year	417	545	3,701
Total	¥524	¥712	\$4,655

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total lease payments during the year	¥107	¥202	\$954
The amount equivalent to depreciation expenses *	107	202	954

\* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

**(2) Operating leases**

Future lease payments required under operating leases that are non-cancelable at 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Future operating lease payments			
Due within one year	¥419	¥327	\$3,720
Due after one year	757	826	6,721
Total	¥1,176	¥1,153	\$10,441

## 29. Financial Instruments

### (1) Matters related to status of financial instruments

#### 1. Policies for financial instruments

The Nishi-Nippon City Bank Group (the "Group") is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Bank comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Bank operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Bank's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

#### 2. Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates and callable time deposits, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Bank assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

3. Risk management system for financial instruments

① Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, each related division carries out self-assessment of its assets for calculating the appropriate level of write-offs and provisions. The asset audit office in the Internal Audit Division of the Bank constantly monitors the status of the self-assessment procedures and adequacy of the write-offs and provisions.

② Market risk management

The Group clearly separates the department responsible for conducting market transactions (front office) from the department responsible for business administration (back office). Furthermore, the Corporate Risk Management & Compliance Division of the Bank, which is independent from the market divisions, has been put in charge of risk management (middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV (Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at 31st March, 2016 and 2015 were ¥32,998 million (\$292,855 thousand) and ¥35,405 million, respectively.

The Bank's financial instruments which are subject to the measurement include loans, deposits, securities and derivatives. The Bank measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months. The quantity of market risks of the Bank at 31st March, 2016 and 2015 were ¥32,637 million (\$289,644 thousand) and ¥34,422 million, respectively.

The Bank performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

③ Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Bank, a system of mutual controls among divisions has been put into place. As a part of this system, the Treasury & Securities Transaction Division and Treasury & Portfolio Investment Division, which are responsible for the Bank's day-to-day cash management, raise and manage marketable funds, while the Corporate Risk Management & Compliance Division, which is responsible for managing the liquidity risk, monitors the Bank's cash position. In this way, the Bank maintains a fluid and stable cash position.

④ Risk management for derivative transactions

The Bank's derivative transactions are entered into using operational rules prepared in accordance with the Bank's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

4. Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.



## (2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheets at 31st March, 2016 and 2015 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely difficult to be estimated are excluded from the table below (refer to Note 2).

## &lt;At 31st March, 2016&gt;

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	¥619,717	¥619,723	¥ 5
(2) Securities:			
Held-to-maturity securities	68,990	71,241	2,250
Available-for-sale securities	1,732,897	1,732,897	—
(3) Loans and bills discounted	6,451,953		
Reserve for possible loan losses*	(39,270)		
	6,412,683	6,544,481	131,797
Total assets	¥8,834,288	¥8,968,343	¥134,054
Liabilities:			
(1) Deposits	¥7,763,337	¥7,764,177	¥839
(2) Call money and bills sold	41,691	41,691	—
(3) Payables under repurchase agreements	65,806	65,806	—
(4) Borrowed money	506,270	503,182	(3,087)
(5) Bonds	48,800	49,493	693
Total liabilities	¥8,425,906	¥8,424,351	(¥1,554)
Derivatives**			
Hedge accounting not applied	¥634	¥634	¥ —
Hedge accounting applied	539	539	—
Total derivatives	¥1,173	¥1,173	¥ —

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	\$5,499,799	\$5,499,850	\$50
(2) Securities:			
Held-to-maturity securities	612,272	632,244	19,972
Available-for-sale securities	15,378,926	15,378,926	—
(3) Loans and bills discounted	57,259,084		
Reserve for possible loan losses*	(348,512)		
	56,910,572	58,080,237	1,169,664
Total assets	\$78,401,570	\$79,591,258	\$1,189,687
Liabilities:			
(1) Deposits	\$68,897,211	\$68,904,660	\$7,449
(2) Call money and bills sold	370,000	370,000	—
(3) Payables under repurchase agreements	584,011	584,011	—
(4) Borrowed money	4,492,991	4,465,588	(27,403)
(5) Bonds	433,084	439,240	6,155
Total liabilities	\$74,777,299	\$74,763,501	(\$13,797)
Derivatives**			
Hedge accounting not applied	\$5,628	\$5,628	\$ —
Hedge accounting applied	4,784	4,784	—
Total derivatives	\$10,412	\$10,412	\$ —

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

\*\* Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value.

&lt;At 31st March, 2015&gt;

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Assets:			
(1) Cash and due from banks	¥344,782	¥344,782	¥ —
(2) Securities:			
Held-to-maturity securities	75,865	79,025	3,160
Available-for-sale securities	1,795,405	1,795,405	—
(3) Loans and bills discounted	6,158,682		
Reserve for possible loan losses*	(32,732)		
	6,125,949	6,230,015	104,066
Total assets	¥8,342,002	¥8,449,228	¥107,226
Liabilities:			
(1) Deposits	¥7,330,003	¥7,330,890	¥887
(2) Call money and bills sold	167,130	167,130	—
(3) Borrowed money	285,785	283,926	(1,858)
(4) Bonds	78,300	79,292	992
Total liabilities	¥7,861,218	¥7,861,240	¥21
Derivatives**			
Hedge accounting not applied	¥107	¥107	¥ —
Hedge accounting applied	(2,124)	(2,124)	—
Total derivatives	(¥2,017)	(¥2,017)	¥ —

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

\*\* Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

## (Note 1) Methods for estimating the market value of financial instruments

## Assets:

## (1) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. The fair value of due from banks that has stated maturity is based on the present value of the totals by maturity bucket discounted by the interest rate that would be applied if similar deposits were placed. As the fair value of due from banks with a short-term original contractual maturity (one year or less) approximates its carrying value, its carrying value is treated as the fair value.

## (2) Securities

The fair value of stocks is based on their market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, the price quoted by the correspondent financial institutions or the value reasonably calculated by the banks. The fair value of investment trusts is based on the announced reference price or the price quoted by the correspondent financial institutions. The fair value of foreign securities is based on the price quoted by the correspondent financial institutions or the financial information vendors.

The fair value of private placement bonds with the Bank's own guarantee is based on the present value of future cash flows discounted by the market interest rate adjusted for credit risk.

Notes concerning securities by each carrying purpose are presented in "30. Securities" of "Notes to Consolidated Financial Statements."

## (3) Loans and bills discount

Because loans and bills discounted with floating interest rates reflect market interest rates in a short period of time, the fair value of such loans approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the present value of the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by the market interest rate adjusted for credit risk. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

## Liabilities:

## (1) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of those with a short-term original contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

## (2) Call money and bills sold, and (3) Payables under repurchase agreements

Since call money and bills sold and payables under repurchase agreements have short-term original contractual maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

## (4) Borrowed money

Because borrowed money with floating interest rates reflects market interest rates in a short period of time and the credit standing of the Bank and its consolidated subsidiaries has not changed significantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with fixed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the market interest rate adjusted for credit risk. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

## (5) Bonds

The fair value of bonds is based on the Reference Price (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company. Since bonds with floating interest rates reflect market interest rates in a short period of time and the credit standing of the issuers has not changed significantly since the issuance, the fair value of such bonds is deemed to approximate their carrying value. Thus, the carrying value is treated as the fair value.

## Derivative transactions:

Derivative transactions are presented in "32. Derivatives" of "Notes to Consolidated Financial Statements."

## Notes to Consolidated Financial Statements

(Note 2) Financial instruments whose fair value is extremely difficult to be estimated are as stated below.  
They are not included in "Assets: (2) Available-for-sale securities" presented in "Estimated fair value of financial instruments."

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Non-listed stocks	¥14,694	¥14,638	\$130,410
Investments in partnerships	1,984	2,016	17,612
Total	¥16,679	¥16,655	\$148,022

Notes: 1. Because non-listed stocks have no market price and because it is extremely difficult to estimate their fair value, they are not subject to the fair value disclosure.  
2. In the years ended 31st March, 2016 and 2015, impairment losses of ¥13 million (\$122 thousand) and ¥0 million were recorded for non-listed stocks, respectively.  
3. Investments in partnerships whose fair value is extremely difficult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedules for monetary claims and securities with stated maturity at 31st March, 2016 and 2015.

### <At 31st March, 2016>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥520,217	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities	—	21,236	32,597	10,000	6,000	—
Government bonds	—	—	25,000	10,000	6,000	—
Municipal bonds	—	7,089	5,290	—	—	—
Corporate bonds	—	14,147	2,307	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	271,437	515,076	496,978	155,649	104,960	1,135
Government bonds	107,300	223,500	261,200	38,000	26,000	—
Municipal bonds	24,564	40,347	11,634	2,065	4,200	—
Corporate bonds	100,568	165,246	136,288	80,588	44,366	—
Others	39,005	85,983	87,855	34,996	30,394	1,135
Loans and bills discounted	1,312,134	1,045,846	873,740	683,937	729,818	1,594,579
Total	¥2,103,789	¥1,582,159	¥1,403,316	¥849,587	¥840,779	¥1,595,715

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$4,616,770	\$ —	\$ —	\$ —	\$ —	\$ —
Securities:						
Held-to-maturity securities	—	188,462	289,288	88,746	53,248	—
Government bonds	—	—	221,867	88,746	53,248	—
Municipal bonds	—	62,912	46,947	—	—	—
Corporate bonds	—	125,550	20,473	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	2,408,920	4,571,142	4,410,526	1,381,338	931,492	10,080
Government bonds	952,254	1,983,493	2,318,068	337,238	230,741	—
Municipal bonds	217,997	358,067	103,248	18,326	37,273	—
Corporate bonds	892,509	1,466,506	1,209,521	715,194	393,735	—
Others	346,158	763,074	779,688	310,579	269,741	10,080
Loans and bills discounted	11,644,788	9,281,565	7,754,179	6,069,735	6,476,914	14,151,400
Total	\$18,670,479	\$14,041,170	\$12,453,994	\$7,539,821	\$7,461,655	\$14,161,481

Note: Excluded from Loans and bills discounted are ¥121,759 million (\$1,080,576 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥90,135 million (\$799,923 thousand) relating to those that do not have contractual maturity.

&lt;At 31st March, 2015&gt;

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥233,938	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities	7,000	11,927	26,906	15,000	16,000	—
Government bonds	—	—	10,000	15,000	16,000	—
Municipal bonds	5,000	6,089	6,290	—	—	—
Corporate bonds	2,000	5,838	10,616	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	252,834	551,113	466,642	169,339	165,889	1,305
Government bonds	50,200	223,800	248,700	78,500	79,000	—
Municipal bonds	65,660	49,831	18,930	—	850	—
Corporate bonds	96,271	185,985	99,899	43,018	37,007	—
Others	40,702	91,497	99,112	47,821	49,032	1,305
Loans and bills discounted	1,286,964	1,058,502	822,812	661,348	679,463	1,440,270
Total	¥1,780,736	¥1,621,543	¥1,316,360	¥845,688	¥861,352	¥1,441,575

Note: Excluded from Loans and bills discounted are ¥120,821 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥88,498 million relating to those that do not have contractual maturity.

(Note 4) Repayment schedules for bonds, borrowed money and other interest-bearing debts at 31st March, 2016 and 2015

&lt;At 31st March, 2016&gt;

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥7,388,366	¥314,751	¥48,960	¥5,582	¥5,676	¥ —
Call money and bills sold	41,691	—	—	—	—	—
Payables under repurchase agreements	65,806	—	—	—	—	—
Borrowed money	164,173	101,699	240,114	179	103	—
Bonds	8,800	10,000	—	10,000	20,000	—
Total	¥7,668,838	¥426,450	¥289,075	¥15,762	¥25,779	¥ —

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	\$65,569,459	\$2,793,321	\$434,509	\$49,547	\$50,373	\$ —
Call money and bills sold	370,000	—	—	—	—	—
Payables under repurchase agreements	584,011	—	—	—	—	—
Borrowed money	1,456,988	902,549	2,130,942	1,593	917	—
Bonds	78,097	88,746	—	88,746	177,493	—
Total	\$68,058,557	\$3,784,617	\$2,565,452	\$139,887	\$228,785	—

Note: Demand deposits are included under "Due in 1 year or less."

&lt;At 31st March, 2015&gt;

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥6,911,307	¥352,483	¥56,373	¥4,845	¥4,992	¥ —
Call money and bills sold	167,130	—	—	—	—	—
Borrowed money	38,098	146,063	101,215	239	168	—
Bonds	29,500	10,000	—	18,800	10,000	10,000
Total	¥7,146,035	¥508,547	¥157,588	¥23,885	¥15,161	¥10,000

Note: Demand deposits are included under "Due in 1 year or less."

**30. Securities**

(1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Holding losses recognized in income	<b>¥16</b>	¥8	<b>\$145</b>

(2) Held-to-maturity securities

1. Securities whose fair value exceeds their carrying value

&lt;At 31st March, 2016&gt;

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	<b>¥39,912</b>	<b>¥41,421</b>	<b>¥1,508</b>
Municipal bonds	<b>12,516</b>	<b>12,846</b>	<b>329</b>
Corporate bonds	<b>16,561</b>	<b>16,973</b>	<b>411</b>
	<b>68,990</b>	<b>71,241</b>	<b>2,250</b>
Others	—	—	—
Total	<b>¥68,990</b>	<b>¥71,241</b>	<b>¥2,250</b>

	Thousands of U.S. dollars		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	<b>\$354,207</b>	<b>\$367,598</b>	<b>\$13,390</b>
Municipal bonds	<b>111,082</b>	<b>\$114,009</b>	<b>2,926</b>
Corporate bonds	<b>146,982</b>	<b>\$150,637</b>	<b>3,654</b>
	<b>612,272</b>	<b>\$632,244</b>	<b>19,972</b>
Others	—	—	—
Total	<b>\$612,272</b>	<b>\$632,244</b>	<b>\$19,972</b>

&lt;At 31st March, 2015&gt;

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	¥39,662	¥41,834	¥2,172
Municipal bonds	17,589	18,035	446
Corporate bonds	18,613	19,154	541
	75,865	79,025	3,160
Others	—	—	—
Total	<b>¥75,865</b>	<b>¥79,025</b>	<b>¥3,160</b>

## 2. Securities whose carrying value exceeds their fair value

&lt;At 31st March, 2016&gt;

None

&lt;At 31st March, 2015&gt;

None

## (3) Available-for-sale securities (including negotiable due from banks included in "Cash and due from banks")

## 1. Securities whose carrying value exceeds their acquisition cost

&lt;At 31st March, 2016&gt;

	Millions of yen		Valuation differences
	Carrying value	Acquisition cost	
Stocks	¥97,318	¥47,538	¥49,779
Bonds:			
Government bonds	665,980	658,865	7,114
Municipal bonds	82,851	82,470	381
Corporate bonds	526,966	520,979	5,987
	1,275,798	1,262,314	13,483
Others	276,179	245,822	30,356
Total	¥1,649,297	¥1,555,676	¥93,620

	Thousands of U.S. dollars		Valuation differences
	Carrying value	Acquisition cost	
Stocks	\$863,672	\$421,891	\$441,781
Bonds:			
Government bonds	5,910,366	5,847,226	63,140
Municipal bonds	735,284	731,895	3,388
Corporate bonds	4,676,666	4,623,531	53,135
	11,322,318	11,202,653	119,664
Others	2,451,009	2,181,601	269,408
Total	\$14,637,000	\$13,806,146	\$830,854

&lt;At 31st March, 2015&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥98,132	¥50,509	¥47,623
Bonds:			
Government bonds	537,548	533,130	4,418
Municipal bonds	124,149	123,702	447
Corporate bonds	385,599	381,073	4,526
	1,047,298	1,037,905	9,392
Others	379,615	340,178	39,437
Total	¥1,525,046	¥1,428,593	¥96,453

## 2. Securities whose acquisition cost exceeds their carrying value

&lt;At 31st March, 2016&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥7,061	¥9,117	(¥2,056)
Bonds:			
Government bonds	1,003	1,003	(0)
Municipal bonds	850	850	—
Corporate bonds	11,131	11,151	(20)
	12,984	13,004	(20)
Others	63,555	65,177	(1,622)
Total	¥83,600	¥87,299	(¥3,699)

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$62,664	\$80,913	(\$18,249)
Bonds:			
Government bonds	8,901	8,901	(0)
Municipal bonds	7,543	7,543	—
Corporate bonds	98,784	98,967	(183)
	115,229	115,412	(183)
Others	564,032	578,429	(14,397)
Total	\$741,925	\$774,756	(\$32,830)

&lt;At 31st March, 2015&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥7,847	¥9,034	(¥1,187)
Bonds:			
Government bonds	151,804	152,432	(628)
Municipal bonds	12,222	12,241	(18)
Corporate bonds	83,648	83,911	(262)
	247,676	248,585	(909)
Others	19,396	19,481	(84)
Total	¥274,920	¥277,101	(¥2,181)



(4) Available-for-sale securities sold for the years ended 31st March, 2016 and 2015 are as follows:

<At 31st March, 2016>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥3,000	¥2,465	(¥34)
Bonds:			
Government bonds	28,406	65	(316)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	28,406	65	(316)
Others	86,515	4,972	(1,042)
Total	¥117,922	¥7,503	(¥1,394)

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$26,630	\$21,877	(\$309)
Bonds:			
Government bonds	252,101	581	(2,812)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	252,101	581	(2,812)
Others	767,797	44,129	(9,254)
Total	\$1,046,529	\$66,587	(\$12,375)

<At 31st March, 2015>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥4,763	¥1,164	¥119
Bonds:			
Government bonds	137,687	815	130
Municipal bonds	9,079	23	0
Corporate bonds	56,533	208	41
	203,300	1,048	171
Others	61,448	1,491	29
Total	¥269,512	¥3,703	¥320

## (5) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at 31st March, 2016 and 2015 are as follows:

## &lt;At 31st March, 2016&gt;

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	¥89,921	\$798,023
Deferred tax liability	(26,467)	(234,892)
Revaluation difference (before non-controlling interest adjustment), net of taxes	63,453	563,131
Amount corresponding to non-controlling interests	(250)	(2,219)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—	—
Unrealized gains on securities available for sale, net of taxes	¥63,203	\$560,911

## &lt;At 31st March, 2015&gt;

	Millions of yen
Revaluation difference	¥94,271
Deferred tax liability	(29,252)
Revaluation difference (before non-controlling interest adjustment), net of taxes	65,018
Amount corresponding to non-controlling interests	(241)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—
Unrealized gains on securities available for sale, net of taxes	¥64,777

**31. Money Held in Trust**

Money held in trust at 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Money held in trust for investment purposes:			
Carrying value	¥999	¥999	\$8,868
Unrealized gains included in profit (loss) before income taxes	—	—	—
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥1,000	¥1,000	\$8,874
Carrying value	1,000	1,000	8,874
Unrealized gains/losses	—	—	—

**32. Derivatives**

(1) Derivative transactions to which hedge accounting is not applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2016 and 2015, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

*1. Interest related transactions*

&lt;At 31st March, 2016&gt;

Type of transactions	Millions of yen			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥39,906	¥39,871	¥1,313	¥1,313
Receive-floating and pay-fixed	39,906	39,871	(1,057)	(1,057)
Total	—	—	¥255	¥255

Type of transactions	Thousands of U.S. dollars			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$354,157	\$353,850	\$11,654	\$11,654
Receive-floating and pay-fixed	354,157	353,850	(9,382)	(9,382)
Total	—	—	\$2,271	\$2,271

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

&lt;At 31st March, 2015&gt;

Type of transactions	Millions of yen			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥33,181	¥30,969	¥686	¥686
Receive-floating and pay-fixed	33,181	30,969	(457)	(457)
Total	—	—	¥229	¥229

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

## 2. Currency related transactions

&lt;At 31st March, 2016&gt;

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥126,979	¥63,703	¥26	¥26
Forward foreign:				
Sell	10,907	—	482	482
Buy	5,445	—	(130)	(130)
Currency option:				
Sell	97,669	71,806	(3,611)	(611)
Buy	97,669	71,806	3,611	1,331
Total	—	—	¥378	¥1,098

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$1,126,904	\$565,346	\$232	\$232
Forward foreign:				
Sell	96,797	—	4,285	4,285
Buy	48,327	—	(1,161)	(1,161)
Currency option:				
Sell	866,789	637,262	(32,051)	(5,430)
Buy	866,789	637,262	32,051	11,820
Total	—	—	\$3,356	\$9,745

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

&lt;At 31st March, 2015&gt;

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥104,778	¥79,687	¥76	¥76
Forward foreign:				
Sell	10,584	—	(314)	(314)
Buy	5,417	—	116	116
Currency option:				
Sell	72,935	55,261	(1,909)	374
Buy	72,935	55,261	1,909	152
Total	—	—	(¥122)	¥405

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

## (2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2016 and 2015, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

## 1. Interest related transactions

## &lt;At 31st March, 2016&gt;

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥16,338	¥16,338	(¥1,470)
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating	Loans and bills discounted,	1,100	1,100	(Note 2)
	Receive-floating and pay-fixed	and deposits	206,936	206,436	
	Interest rate options		15,000	5,000	
Total			—	—	(¥1,470)

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	\$145,000	\$145,000	(\$13,054)
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating	Loans and bills discounted,	9,762	9,762	(Note 2)
	Receive-floating and pay-fixed	and deposits	1,836,492	1,832,055	
	Interest rate options		133,120	44,373	
Total			—	—	(\$13,054)

- Notes:
1. Calculation of fair value is based on the discounted cash flows and others.
  2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 29)". The balance of unamortized premium for interest rate options is ¥43 million (\$383 thousand).

## &lt;At 31st March, 2015&gt;

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥17,424	¥17,424	(¥1,151)
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating	Loans and bills discounted,	2,500	2,400	(Note 2)
	Receive-floating and pay-fixed	and deposits	224,265	210,063	
	Interest rate options		15,000	15,000	
Total			—	—	(¥1,151)

- Notes:
1. Calculation of fair value is based on the discounted cash flows and others.
  2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 29)". The balance of unamortized premium for interest rate options is ¥100 million.

## 2. Currency related transactions

&lt;At 31st March, 2016&gt;

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥42,229	¥ —	¥1,966
Total			—	—	¥1,966

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$374,772	\$ —	\$17,455
Total			—	—	\$17,455

- Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25 of 29th July, 2002).  
2. Calculation of fair value is based on the discounted cash flows and others.

&lt;At 31st March, 2015&gt;

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥88,724	¥ —	(¥1,074)
Total			—	—	(¥1,074)

- Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25 of 29th July, 2002).  
2. Calculation of fair value is based on the discounted cash flows and others.

### 33. Employee Retirement Benefits

## (1) Description of the retirement benefit plans

The Bank and its domestic consolidated subsidiaries adopt funded or unfunded defined benefit plans and/or the defined contribution plan to provide for employee retirement benefits.

Under the defined benefit corporate pension plans (all funded), lump-sum or annuity payments are made at the amounts based on salaries and the length of service periods of the covered employees. The Bank has established a retirement benefit trust for its defined benefit corporate pension plan.

Under the lump-sum payment plans (principally unfunded, however, some plans have a funded status as a result of the establishment of a retirement benefit trust), retirement benefits are paid in the form of a lump sum at the amounts based on salaries and the length of service periods of the covered employees.

The Bank may also pay additional retirement benefits that are not subject to actuarial calculation.

As of 31st March, 2016, the lump-sum payment plans have been adopted by 6 group companies including the Bank and its domestic consolidated subsidiaries. The corporate pension fund plans have been adopted by the Bank and 1 consolidated subsidiary. The defined contribution plan has been adopted by 1 consolidated subsidiary.

For the lump-sum payment plans that certain consolidated subsidiaries have adopted, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all the eligible employees voluntarily terminated their employment at fiscal year end.

## (2) Defined benefit plans

(a) Reconciliation between the balances of retirement benefit obligation at the beginning and end of the year for the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligation at beginning of the year	<b>¥70,949</b>	¥64,348	<b>\$629,657</b>
Cumulative effect of change in accounting principle	—	157	—
Restated balance at beginning of the year	<b>70,949</b>	64,506	<b>629,657</b>
Service cost	<b>2,246</b>	2,033	<b>19,939</b>
Interest cost	<b>621</b>	1,020	<b>5,511</b>
Actuarial loss	<b>172</b>	6,707	<b>1,534</b>
Retirement benefits paid	<b>(3,491)</b>	(3,317)	<b>(30,985)</b>
Others	—	—	—
Retirement benefit obligation at end of the year	<b>¥70,499</b>	¥70,949	<b>\$625,657</b>

(b) Reconciliation between the balances of plan assets at the beginning and end of the year for the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets at beginning of the year	<b>¥70,419</b>	¥66,053	<b>\$624,952</b>
Expected return on plan assets	<b>2,316</b>	2,172	<b>20,554</b>
Actuarial gain	<b>(1,406)</b>	3,193	<b>(12,483)</b>
Contributions by employer	<b>2,011</b>	728	<b>17,848</b>
Contributions by employees	<b>158</b>	162	<b>1,410</b>
Retirement benefits paid	<b>(1,989)</b>	(1,890)	<b>(17,658)</b>
Others	—	—	—
Plan assets at end of the year	<b>¥71,509</b>	¥70,419	<b>\$634,624</b>

(c) Reconciliation between the balances of retirement benefit obligation and plan assets at the end of the year and the amounts of the liability and asset for retirement benefits recognized in the consolidated balance sheets at 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligation (funded)	<b>¥70,067</b>	¥70,574	<b>\$621,823</b>
Fair value of plan assets	<b>(71,509)</b>	(70,419)	<b>(634,624)</b>
	<b>(1,442)</b>	154	<b>(12,801)</b>
Retirement benefit obligation (unfunded)	<b>432</b>	375	<b>3,834</b>
Net liability (asset) for retirement benefits in the balance sheet	<b>(¥1,010)</b>	¥530	<b>(\$8,966)</b>

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liability for retirement benefits	<b>¥4,345</b>	¥5,677	<b>\$38,568</b>
Asset for retirement benefits	<b>(5,356)</b>	(5,147)	<b>(47,535)</b>
Net liability (asset) for retirement benefits in the balance sheet	<b>(¥1,010)</b>	¥530	<b>(\$8,966)</b>

(d) Components of retirement benefit expenses for the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	<b>¥2,087</b>	¥1,871	<b>\$18,527</b>
Interest cost	<b>621</b>	1,020	<b>5,511</b>
Expected return on plan assets	<b>(2,316)</b>	(2,172)	<b>(20,554)</b>
Amortization of unrecognized actuarial loss	<b>1,241</b>	672	<b>11,017</b>
Others	<b>381</b>	444	<b>3,386</b>
Retirement benefit expenses	<b>¥2,015</b>	¥1,835	<b>\$17,888</b>

- Notes: 1. Contributions by employees to corporate pension funds, etc. have been deducted from the service cost.  
2. Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are reported in total under "Service cost."

(e) Items recorded in retirement benefits liability adjustments included in other comprehensive income (gross of income tax effects) for the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial loss	¥338	¥2,840	\$3,000

(f) Items recorded in retirement benefits liability adjustments included in accumulated other comprehensive income (gross of income tax effects) at 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized actuarial loss	¥8,672	¥8,334	\$76,962

(g) Matters concerning plan assets

1) Percentages of each main category of the total plan assets at 31st March, 2016 and 2015 are as follows:

	2016	2015
Bonds	31%	26%
Stocks	55	61
Cash and deposits	1	1
Others	13	12
Total	100%	100%

\* Retirement benefit trusts established for the corporate pension plans accounted for 25% and 26% of the total plan assets at 31st March, 2016 and 2015, respectively. Retirement benefit trusts established for the lump-sum payment plans accounted for 22% and 20% of the total plan assets at 31st March, 2016 and 2015, respectively.

2) The expected long-term rate of return on plan assets has been estimated by taking into account the current and expected allocation of the plan assets and the current and anticipated long-term rate of return on diverse assets that constitute the plan assets.

(h) Assumptions for actuarial calculation

Major assumptions for actuarial calculation as of 31st March, 2016 and 2015

	2016	2015
1) Discount rates:	0.893%(principally)	0.893%(principally)
2) Expected long-term rate of return on plan assets:	3.3%(principally)	3.3%(principally)
3) Expected rate of pay increase:	4.17%(principally)	4.65%(principally)

(3) Defined contribution plans

Contributions of ¥0 million (\$1 thousand) and ¥0 million have been made to the defined contribution plan by the consolidated subsidiary for the years ended 31st March, 2016 and 2015, respectively.

#### 34. Income Taxes

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Reserve for possible loan losses	¥13,423	¥14,398	\$119,131
Liability for retirement benefits	3,406	4,177	\$30,228
Accumulated depreciation	1,840	1,893	16,329
Loss carryforwards for tax purposes	299	273	2,658
Others	8,846	10,259	78,505
Sub-total	27,815	31,002	246,853
Valuation allowance	(9,772)	(10,435)	(86,730)
Total deferred tax assets	18,042	20,566	160,122
Deferred tax liabilities:			
Reserve fund for deferred income of fixed assets	(1)	(1)	(13)
Unrealized losses on securities attributable to partition of corporation, net	(36)	(38)	(321)
Asset retirement obligations	(39)	(43)	(349)
Unrealized gains on securities available for sale, net	(26,467)	(29,252)	(234,892)
Total deferred tax liabilities	(26,544)	(29,336)	(235,576)
Net deferred tax assets (liabilities)	(¥8,502)	(¥8,770)	(\$75,453)



The reconciliation between the statutory tax rates and the effective tax rates reflected in the consolidated statements of income for the years ended 31st March, 2016 and 2015 is not presented as the difference between those rates was 5/100 or less.

[Disclosure for the year ended 31st March, 2016]

Revision of deferred tax assets and liabilities due to change in statutory tax rate

In accordance with the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016)

which were enacted on 29th March, 2016, the corporate tax rates were lowered to be applied from the fiscal year beginning 1st April, 2016. Consequently, the effective statutory tax rate used to calculate deferred tax assets and liabilities was changed from 32.1% to 30.7% for the temporary differences expected to be realized or settled during the fiscal years beginning 1st April, 2016 and 2017, and then to 30.5% for the temporary differences expected to be realized or settled from the fiscal year beginning on or after 1st April, 2018.

As a result, net deferred losses on hedging instruments, net of taxes, and retirement benefits liability adjustments, net of taxes, decreased by ¥23 million (\$206 thousand) and ¥140 million (\$1,246 thousand), respectively, whereas deferred tax assets, earned surplus, net unrealized gains on securities available for sale, net of taxes, and deferred income taxes increased by ¥603 million (\$5,360 thousand), ¥0 million (\$0 thousand), ¥1,363 million (\$12,103 thousand) and ¥596 million (\$5,290 thousand), respectively, as of and for the year ended 31st March, 2016.

Also, deferred tax liabilities on revaluation of premises decreased by ¥790 million (\$7,014 thousand), and revaluation of premises, net of taxes, increased by the same amount, as of 31st March, 2016.

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### 35. Business Combination

<For the year ended 31st March, 2016>

None

<For the year ended 31st March, 2015>

Transactions under common control

- I. The Bank and one of its consolidated subsidiaries—The Bank of Nagasaki, Ltd. (“The Bank of Nagasaki”)—have carried out a share exchange, by which The Bank of Nagasaki became a wholly owned subsidiary of the Bank, effective as of 18th December, 2014.

1. Overview of business combination

(1) Name and outline of business of the combined company

Name: The Bank of Nagasaki, Ltd.

Business: Banking

(2) Date of business combination

18th December, 2014

(3) Legal form of business combination

Share exchange

(4) Name of the company after business combination

No change

- (5) Outline of the transaction including its purpose
 

To further enhance the Group's comprehensive financial capabilities as set forth in the Bank's mid-term management plan implemented in April 2014, the share exchange has been carried out, by which The Bank of Nagasaki became a wholly owned subsidiary of the Bank, for the purposes of expediting and streamlining the Group's overall management processes and further strengthening the business infrastructure of The Bank of Nagasaki through reinforcement of the partnership between the other companies in the Group and The Bank of Nagasaki.
2. Outline of accounting treatment for the transaction
 

This transaction was treated as a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of 26th December, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of 26th December, 2008).
3. Additional purchase of the subsidiary's shares
  - (1) Acquisition cost and breakdown
 

Acquisition cost: ¥453 million  
Consideration for acquisition (treasury shares): ¥453 million
  - (2) Exchange ratio and calculation method, and the number of shares delivered by class of shares
    - a) Exchange ratio by class of shares
 

0.067 shares of the Bank common stock for each share of The Bank of Nagasaki common stock
    - b) Calculation method for the exchange ratio
 

To ensure the fairness and appropriateness of the share exchange ratio, the Bank and The Bank of Nagasaki selected Nomura Securities Co., Ltd. and Patent Finance Consulting Co., Ltd., respectively, as a third-party valuation institution to calculate the share exchange ratio. Based on their calculation results, the Bank and The Bank of Nagasaki carefully negotiated and ultimately agreed that the above exchange ratio is appropriate.
  - c) Number of shares delivered
 

1,342,674 shares
  - (3) Amount of gain on bargain purchase and cause of occurrence
    - a) Amount of gain on bargain purchase
 

¥51 million
    - b) Cause of occurrence
 

The cost for the subsidiary's shares acquired from its non-controlling shareholders was less than the amount of the decrease in non-controlling interests.
- II. The Bank and one of its consolidated subsidiaries—Nishi-Nippon Credit Guarantee Co. ("Nishi-Nippon Credit Guarantee")—have carried out a share exchange, by which Nishi-Nippon Credit Guarantee became a wholly owned subsidiary of the Bank, effective as of 27th February, 2015.
  1. Overview of business combination
    - (1) Name and outline of business of the combined company
 

Name: Nishi-Nippon Credit Guarantee Co.  
Business: Credit guarantee
    - (2) Date of business combination
 

27th February, 2015
    - (3) Legal form of business combination
 

Share exchange
    - (4) Name of the company after business combination
 

No change
    - (5) Outline of the transaction including its purpose
 

To further enhance the Group's comprehensive financial capabilities as set forth in the Bank's mid-term management plan implemented in April 2014, the share exchange has been carried out, by which Nishi-Nippon Credit Guarantee became a wholly owned subsidiary of the Bank, for the purpose of expediting and streamlining the Group's overall management processes.

## 2. Outline of accounting treatment for the transaction

This transaction was treated as a transaction under common control based on “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of 26th December, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 of 26th December, 2008).

## 3. Additional purchase of the subsidiary's shares

## (1) Acquisition cost and breakdown

Acquisition cost: ¥3,418 million

Consideration for acquisition (treasury shares): ¥3,418 million

## (2) Exchange ratio and calculation method, and the number of shares delivered by class of shares

## a) Exchange ratio by class of shares

17,500 shares of the Bank common stock for each share of Nishi-Nippon Credit Guarantee common stock

## b) Calculation method for the exchange ratio

To ensure the fairness and appropriateness of the share exchange ratio, the Bank selected Nomura Securities Co., Ltd. as a third-party valuation institution to calculate the share exchange ratio. Based on this calculation result, the Bank and Nishi-Nippon Credit Guarantee carefully negotiated and ultimately agreed that the above exchange ratio is appropriate.

## c) Number of shares delivered

8,925,000 shares

## (3) Amount of gain on bargain purchase and cause of occurrence

## a) Amount of gain on bargain purchase

¥1,337 million

## b) Cause of occurrence

The cost for the subsidiary's shares acquired from non-controlling shareholders was less than the amount of the decrease in non-controlling interests.

**36. Asset Retirement Obligations**

Information on asset retirement obligations is as follows:

*Asset retirement obligations that are recorded in the consolidated balance sheet*

## (1) Outline of asset retirement obligations

The Bank and its consolidated subsidiaries recognize asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Bank and its consolidated subsidiaries also recognize asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

## (2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

## (3) Changes in total asset retirement obligations for the years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the year	<b>¥836</b>	¥833	<b>\$7,421</b>
Increase due to acquisition of tangible fixed assets	<b>6</b>	5	<b>58</b>
Adjustment for passage of time	<b>13</b>	14	<b>122</b>
Decrease due to fulfillment of asset retirement obligation	<b>13</b>	16	<b>120</b>
Balance at end of the year	<b>¥843</b>	¥836	<b>\$7,482</b>

**37. Business Segment Information**
*Segment Information*
**(1) Segment information summary**

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of the Bank, 7 consolidated subsidiaries and 1 affiliate. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which the Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

**(2) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items**

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies". The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

**(3) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments**
**<In 2016>**

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥143,958	¥10,947	¥154,905	¥ —	¥154,905
Internal ordinary income among segments	7,412	5,688	13,101	(13,101)	—
Total ordinary income	151,370	16,636	168,006	(13,101)	154,905
Segment profit	44,003	5,318	49,322	(6,339)	42,983
Segment assets	9,047,701	81,854	9,129,555	(39,204)	9,090,350
Segment liabilities	8,602,856	38,820	8,641,676	(39,157)	8,602,519
Other items					
Depreciation	5,584	211	5,795	—	5,795
Interest and dividend income	109,718	2,921	112,640	(7,323)	105,317
Interest expenses	7,718	89	7,808	(729)	7,079
Increase in tangible and intangible fixed assets	¥8,956	¥235	¥9,192	¥ —	¥9,192

  

	Thousands of U.S. dollars				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	\$1,277,584	\$97,157	\$1,374,741	\$ —	\$1,374,741
Internal ordinary income among segments	65,784	50,483	116,267	(116,267)	—
Total ordinary income	1,343,368	147,640	1,491,009	(116,267)	1,374,741
Segment profit	390,521	47,202	437,723	(56,260)	381,462
Segment assets	80,295,536	726,431	81,021,968	(347,930)	80,674,038
Segment liabilities	76,347,676	344,520	76,692,197	(347,509)	76,344,687
Other items					
Depreciation	49,559	1,877	51,437	—	51,437
Interest and dividend income	973,717	25,928	999,646	(64,990)	934,656
Interest expenses	68,502	797	69,299	(6,473)	62,825
Increase in tangible and intangible fixed assets	\$79,489	\$2,088	\$81,577	\$ —	\$81,577

- Notes:
1. Ordinary income is presented instead of net sales.
  2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange.
  3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

&lt;In 2015&gt;

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥137,966	¥12,091	¥150,058	¥ —	¥150,058
Internal ordinary income among segments	1,259	5,239	6,499	(6,499)	—
Total ordinary income	139,226	17,331	156,558	(6,499)	150,058
Segment profit	36,454	7,026	43,481	(786)	42,695
Segment assets	8,548,585	83,508	8,632,094	(38,228)	8,593,865
Segment liabilities	8,124,698	36,789	8,161,488	(36,687)	8,124,800
Other items					
Depreciation	5,503	229	5,732	—	5,732
Interest and dividend income	104,945	2,932	107,877	(829)	107,048
Interest expenses	7,863	106	7,970	(739)	7,230
Increase in tangible and intangible fixed assets	¥4,403	¥101	¥4,504	¥ —	¥4,504

- Notes:
1. Ordinary income is presented instead of net sales.
  2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange and auxiliary banking services.
  3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

*Related Information*

Ordinary income by services:

&lt;In 2016&gt;

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥97,181	¥23,941	¥33,783	¥154,905

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$862,455	\$212,471	\$299,814	\$1,374,741

Note: Ordinary income is presented instead of net sales.

&lt;In 2015&gt;

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥95,030	¥20,822	¥34,205	¥150,058

Note: Ordinary income is presented instead of net sales.

*Impairment Losses on Tangible Fixed Assets by Reportable Segments*

## &lt;In 2016&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥513	¥ —	¥513

  

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Impairment losses	\$4,560	\$ —	\$4,560

## &lt;In 2015&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥2,769	¥ —	¥2,769

*Amortization and Balance of Goodwill by Reportable Segments*

## &lt;In 2016&gt;

None

## &lt;In 2015&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
<b>Goodwill</b>			
Amortization of goodwill	¥ —	¥128	¥128
Balance at end of the year	¥ —	¥ —	¥ —

Note: "Other" mainly consists of services for financial instruments exchange.

*Gain on Bargain Purchase by Reportable Segments*

## &lt;In 2016&gt;

None

## &lt;In 2015&gt;

To further enhance the Group's comprehensive financial capabilities as set forth in the Bank's mid-term management plan implemented in April 2014, the share exchanges have been carried out, by which The Bank of Nagasaki, Ltd. and Nishi-Nippon Credit Guarantee Co. became wholly owned subsidiaries of the Bank, and the Bank acquired additional shares of certain consolidated subsidiaries to increase its ownership ratio, for the purpose of expediting and streamlining the Group's overall management processes.

As a result, gain on bargain purchase of ¥51 million was recognized for the "banking" segment and ¥1,919 million for the "other" segment, respectively, for the year ended 31st March, 2015.

**38. Related Party Transactions**

Related party transactions for the years ended 31st March, 2016 and 2015 are as follows:

1. Transactions of the Bank with related individuals, including shareholders and directors

<In 2016>

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Takata	Chuo-ku	¥4	Real-estate		Companies owned by close relatives of Bank's director (Kiyota Takata)	Loan	—	Loans	¥58
	Kosan	Fukuoka	(million)	leasing	—			(million)		(million)
	Ltd.							(thousand)		\$521
										(thousand)
Companies owned by the Bank's directors and their close relatives	Yamada	Chikushino	¥10	Hotel		Companies owned by close relatives of Bank's director (Yasuyuki Ishida)	Loan	¥13	Loans	¥408
	Shoji	Fukuoka	(million)	business	—			(million)		(million)
	Co.,Ltd.							\$117		\$3,627
								(thousand)		(thousand)

\* Terms and conditions of the transactions are similar to those with unrelated parties.

<In 2015>

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Takata	Chuo-ku	¥4	Real-estate		Companies owned by close relatives of Bank's director (Kiyota Takata)	Loan	—	Loans	¥63
	Kosan	Fukuoka	(million)	leasing	—			(million)		(million)
	Ltd.									
Companies owned by the Bank's directors and their close relatives	Yamada	Chikushino	¥10	Hotel		Companies owned by close relatives of Bank's director (Yasuyuki Ishida)	Loan	—	Loans	¥417
	Shoji	Fukuoka	(million)	business	—			(million)		(million)
	Co.,Ltd.									

\* Terms and conditions of the transactions are similar to those with unrelated parties.

2. There are no relevant transactions of the Bank's consolidated subsidiaries with related parties to report.

**39. Reconciliation of Cash and Cash Equivalents**

The reconciliation between "Cash and cash equivalents" in the consolidated statement of cash flows and each account in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks on the consolidated balance sheet	¥619,717	¥344,782	\$5,499,799
Due from banks, exclusive of central bank	(4,443)	(9,152)	(39,433)
Cash and cash equivalents on the consolidated statement of cash flows	¥615,274	¥335,630	\$5,460,366

**40. Per Share Information**

	Yen		U.S. dollars
	2016	2015	2016
Net assets per share at end of the year	¥593.50	¥565.97	\$5.267
Profit (loss) attributable to owners of parent per share*	34.19	31.32	0.303

Basis for net assets per share as of 31st March, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net assets	¥487,831	¥469,065	\$4,329,350
Items to be deducted from net assets	21,927	21,482	194,604
Non-controlling interests	21,927	21,482	194,604
Net assets attributable to common stock	465,903	447,582	4,134,746

## Notes to Consolidated Financial Statements

	Shares	
	2016	2015
Number of shares of common stock outstanding at end of the year	<b>784,997,983</b>	790,811,220

Basis for profit (loss) attributable to owners of parent per share for the years ended 31st March, 2016 and 2015 are as follows :

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Basic:			
Profit (loss) attributable to owners of parent	<b>¥26,921</b>	¥24,843	<b>\$238,923</b>
Items not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent available for shareholders of common stock	<b>26,921</b>	24,843	<b>238,923</b>
	Shares		
	2016	2015	
Average number of shares of common stock outstanding during the year	<b>787,289,160</b>	793,080,125	

\* Diluted profit (loss) attributable to owners of parent per share for the years ended 31st March, 2016 and 2015 was not presented, because the Bank and its consolidated subsidiaries had no dilutive shares during the years.

### 41. Cash Dividends

Cash dividends paid during the year ended 31st March, 2016 are as follows:

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 26, 2015 Ordinary General Meeting of Shareholders	Cash dividends (¥4.0 per share)	<b>¥3,163</b>	<b>\$28,076</b>	31st March, 2015	29th June, 2015
November 10, 2015 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	<b>¥1,970</b>	<b>\$17,484</b>	30th September, 2015	10th December, 2015

Cash dividends paid during the year ended 31st March, 2015 are as follows:

Resolution	Types	Millions of yen	Cut-off date	Effective date
June 27, 2014 Ordinary General Meeting of Shareholders	Cash dividends (¥3.5 per share)	¥2,782	31st March, 2014	30th June, 2014
November 10, 2014 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	¥1,986	30th September, 2014	10th December, 2014



**42. Subsequent Event**

The following appropriation of earned surplus for the year ended 31st March, 2016 was approved at the shareholders' meeting held on 29th June, 2016:

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
June 29, 2016 Ordinary General Meeting of Shareholders	Cash dividends (¥3.5 per share)	¥2,747	¥24,386	31st March, 2016	30th June, 2016

Establishment of a Holding Company through a Joint Share Transfer with Two Consolidated Subsidiaries  
(The Bank of Nagasaki, Ltd. and Nishi-Nippon Credit Guarantee Co.)

The Nishi-Nippon City Bank, Ltd. ("Bank"), the Bank of Nagasaki, Ltd. ("Nagasaki Bank") and Nishi-Nippon Credit Guarantee Co. ("Nishi-Nippon Credit Guarantee"; the three companies are hereinafter collectively referred to as "Three Companies") resolved at their respective board of directors meetings held on May 10, 2016 to, subject to the approval of shareholders of the Three Companies and regulatory approval, establish Nishi-Nippon Financial Holdings, Inc., a holding company that will be the sole parent company of the Three Companies ("Joint Holding Company"), on October 3, 2016 through a share transfer ("Share Transfer"), and also resolved the profile of the Joint Holding Company and the terms and conditions of the Share Transfer, thus jointly preparing a Share Transfer Plan on the same date. The Share Transfer Plan was approved at the Ordinary General Meeting of Shareholders held on June 29, 2016.

(1) Purpose of Transferring the Share

The Bank has endeavored to pursue synergetic effects of the unique functions of each of the Bank group companies by conducting reorganizations from time to time, and has enhanced the Bank group's comprehensive financial strength. As a result, the business activities of the Bank group companies have been steadily expanding. On the other hand, with regard to the business environment surrounding the Bank group, the economy is becoming more uncertain due to reasons such as slowdown of emerging market economies and circumstances surrounding the Bank have been changing drastically at a faster speed than expected because of, for example, declining population, development of ICT and other changes in social environment, diversifying customers' values and lifestyles, and policy trends such as monetary easing policies and deregulation as a result of amendments to the Banking Act and related laws and regulations.

With this situation in mind, in order to further strengthen intragroup collaboration that would allow each of the Bank group companies to exhibit its unique characteristics and strengths as well as to appropriately respond to various environmental changes and address risks in the future, the Bank has decided to move to a holding company structure and establish a new group management framework.

As a comprehensive financial group rooted in the region, the Bank group will aim to enhance its comprehensive financial strength and achieve "further contribution to the regional economy" and "maximization of group corporate value" under the Holding Company system.

The Three Companies plan to apply for a listing of the shares of the newly-established Joint Holding Company on the Tokyo Stock Exchange ("TSE") and the Fukuoka Stock Exchange ("FSE"). The listing date is scheduled to be October 3, 2016. The Bank will become a wholly-owned subsidiary of the Joint Holding Company as a result of the Share Transfer, and accordingly its shares are scheduled to be delisted from the First Section of the TSE and the FSE on September 28, 2016, before the effective date of the Share Transfer.

The exact date of the listing of the Joint Holding Company and the delisting of the Bank will be determined in accordance with the rules of the TSE and the FSE.

(2) Outline of the Share Transfer

*1. Schedule of the Share Transfer*

31st March, 2016 (Thursday)	The record day for the ordinary general meeting of shareholders (Three Companies)
10th May, 2016 (Tuesday)	The board of directors' meeting to approve the Share Transfer Plan (Three Companies)
29th June, 2016 (Wednesday)	The ordinary general meeting of shareholders to approve the Share Transfer Plan (Three Companies)
28th September, 2016 (Wednesday) (scheduled)	The date of delisting of the shares from the TSE (the Bank)
28th September, 2016 (Wednesday) (scheduled)	The date of delisting of the shares from the FSE (the Bank)
3rd October, 2016 (Monday) (scheduled)	The date of registering the establishment of the Joint Holding Company (effective date)
3rd October, 2016 (Monday) (scheduled)	The date of listing of shares of the Joint Holding Company

\* Please note that the above schedule may be changed in the future if necessary upon mutual consultation and agreement among the Three Companies depending on the progress of approval process of the Share Transfer or other reasons.

*2.Method of the Share Transfer*

The Share Transfer will be carried out through a joint share transfer, whereby the Three Companies will become wholly owned subsidiaries of a newly established Joint Holding Company and the Joint Holding Company will become their sole parent company.

*3.Share Allocation in the Share Transfer (Share Transfer Ratio)*

Company	Joint Holding Company	Bank	Nagasaki Bank	Nishi-Nippon Credit Guarantee
Share transfer ratio	<b>1</b>	<b>0.2</b>	<b>0.006</b>	<b>18,000</b>

*(Note 1) Share allocation ratio*

The Bank shareholders will receive 0.2 shares of the Joint Holding Company common stock for each share of Bank common stock, Nagasaki Bank shareholders will receive 0.006 shares of the Joint Holding Company common stock for each share of Nagasaki Bank common stock, and Nishi-Nippon Credit Guarantee shareholders will receive 18,000 shares of the Joint Holding Company common stock for each share of Nishi-Nippon Credit Guarantee common stock. In light of the current level of price per share of the Bank's stock, and with a view towards broadening the individual shareholder base through a lower investment unit and increasing the liquidity of the shares, 0.2 shares of the Joint Holding Company common stock will be allotted for each share of Bank common stock held by shareholders. Shareholders of the Three Companies who are to receive fractional shares of the Joint Holding Company common stock through the Share Transfer will be paid an amount equivalent to such fractional shares pursuant to Article 234 of the Companies Act and other related laws and regulations.

However, the above-stated share transfer ratio may be changed through consultations among the Three Companies if any material change occurs in the conditions that form the basis of the calculation or any material event occurs that has a material impact on such conditions during the period between the preparation of the Share Transfer Plan and the date of establishment of the Joint Holding Company.

The share-trading-unit of the Joint Holding Company will be 100 shares.

*(Note 2) The number of new shares to be delivered by the Joint Holding Company (scheduled)*

Common stock: 180,633,801 shares

The above number is based on the total number of issued shares of the Bank common stock as of 31st March, 2016 (796,732,552 shares), the total number of issued shares of Nagasaki Bank common stock as of 31st March, 2016 (935,534,209 shares), and the total number of issued shares of Nishi-Nippon Credit Guarantee common stock as of 31st March, 2016 (1,000 shares). However, the Bank plans to cancel its treasury stock that it owns, to the extent practically possible, immediately before the Joint Holding Company acquires all the issued shares of the Three Companies ("Cut-off Time"). Accordingly, the number of treasury shares owned by the Bank as of 31st March, 2016 (11,629,569 shares) is excluded in calculating the above-mentioned number of new shares of common stock to be delivered by the Joint Holding Company.

The number of new shares to be delivered by the Joint Holding Company may change if the number of the Three Companies' treasury shares as of 31st March, 2016 changes before the Cut-off Time due to reasons such as exercise of the right to request purchase of shares by a shareholder of any of the Three Companies.

*(Note 3) Treatment of fractional units*

The shareholders of the Three Companies who receive a portion of a unit (share-trading-unit of 100 shares) of the Joint Holding Company common stock ("Fractional Unit") as a result of the Share Transfer will not be able to trade their Fractional Units on the TSE or any other financial instruments exchange. The shareholders holding such Fractional Unit may request the Joint Holding Company to purchase their Fractional Units in accordance with the provisions of Article 192, paragraph (1) of the Companies Act. Moreover, in accordance with Article 194, paragraph (1) of the Companies Act and pursuant to the Joint Holding Company's Articles of Incorporation, the shareholders holding Fractional Units may request the Joint Holding Company to offer for sale the number of shares necessary to achieve a whole share-trading-unit with respect to shares for which they only have a Fractional Unit.

*4.Treatment of stock acquisition rights and bonds with stock acquisition rights in connection with the Share Transfer*

None of the Three Companies has issued any stock acquisition rights or bonds with stock acquisition rights.

*5. Treatment of Shares of the Joint Holding Company which the Bank is to receive*

The shares of the Joint Holding Company which the Bank is to receive in connection with the Share Transfer with respect to the Nagasaki Bank shares (935,534,209 shares as of March 31, 2016) and Nishi-Nippon Credit Guarantee shares (1,000 shares as of March 31, 2016) that the Bank holds will be disposed in accordance with the provisions of the Companies Act at a reasonable date following the effective date of the Share Transfer. The method of the disposition will be informed once it is determined.

*(3) Profile of the Company (Joint Holding Company) to be Established through the Share Transfer**1. Name*

Nishi-Nippon Financial Holdings, Inc.

*2. Location*

1-1, Hakata-ekimae 3-chome, Hakata-ku, Fukuoka, Japan

*3. Representatives, directors and executives, etc. expected to assume office*

Chairman and Director (Representative Director), Isao Kubota, Present: Chairman of The Nishi-Nippon City Bank, Ltd.

President and Director (Representative Director), Hiromichi Tanigawa, Present: President of The Nishi-Nippon City Bank, Ltd.

Deputy President and Director (Representative Director), Seiji Isoyama, Present: Deputy President of The Nishi-Nippon City Bank, Ltd.

Director, Souichi Kawamoto, Present: Deputy President of The Nishi-Nippon City Bank, Ltd.

Director, Kiyota Takata, Present: Deputy President of The Nishi-Nippon City Bank, Ltd.

Director, Hiroyuki Irie, Present: Executive Director of The Nishi-Nippon City Bank, Ltd.

Director, Shinya Hirota, Present: Managing Director of The Nishi-Nippon City Bank, Ltd.

Director, Hideyuki Murakami, Present: Managing Director of The Nishi-Nippon City Bank, Ltd.

Director, Hiroyuki Takeo, Present: Managing Director of The Nishi-Nippon City Bank, Ltd.

Director (Audit and Supervisory Committee Member), Masaru Ikeda, Present: Corporate Auditor of The Nishi-Nippon City Bank, Ltd.

Director (Audit and Supervisory Committee Member), Yuji Tanaka, Present: Chairman and Representative Director of SAIBUGAS Co., Ltd.

Director (Audit and Supervisory Committee Member), Hirohiko Okumura, Present: Professor Emeritus of Gakushuin University

Director (Audit and Supervisory Committee Member), Nobuko Takahashi, Present: Life and Economy Journalist

Reserve Director (Audit and Supervisory Committee Member), Seiji Ino, Present: Corporate Auditor of The Nishi-Nippon City Bank, Ltd. (Reserve Director of Masaru Ikeda who serves as Director (Audit and Supervisory Committee Member))

\* Of the Directors (Audit and Supervisory Committee Members), Yuji Tanaka, Hirohiko Okumura and Nobuko Takahashi are outside directors stipulated in Article 2, item 15 of the Companies Act.

*4. Capital*

50 billion yen

*5. Net assets*

Undetermined

*6. Total assets*

Undetermined

*7. Business*

Management and operation of banks and other companies that the Company may have as subsidiaries under the Banking Act and any all businesses incidental or related thereto.

# Quarterly Information (Unaudited)

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

Year ended 31st March, 2016

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015
	to 30th June, 2015	to 30th September, 2015	to 31st December, 2015	to 31st March, 2016
Ordinary income	<b>¥41,019</b>	<b>¥78,852</b>	<b>¥119,301</b>	<b>¥154,905</b>
Profit (loss) before income taxes	<b>15,762</b>	<b>24,102</b>	<b>36,627</b>	<b>41,956</b>
Profit (loss) attributable to owners of parent	<b>10,220</b>	<b>16,486</b>	<b>24,418</b>	<b>26,921</b>

  

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015
	to 30th June, 2015	to 30th September, 2015	to 31st December, 2015	to 31st March, 2016
Profit (loss) attributable to owners of parent per share	<b>¥12.94</b>	<b>¥20.90</b>	<b>¥30.98</b>	<b>¥34.19</b>

  

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2015	from 1st July, 2015	from 1st October, 2015	from 1st January, 2016
	to 30th June, 2015	to 30th September, 2015	to 31st December, 2015	to 31st March, 2016
Profit (loss) attributable to owners of parent per share	<b>¥12.94</b>	<b>¥7.95</b>	<b>¥10.08</b>	<b>¥3.18</b>

  

	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015
	to 30th June, 2015	to 30th September, 2015	to 31st December, 2015	to 31st March, 2016
Ordinary income	<b>\$364,036</b>	<b>\$699,793</b>	<b>\$1,058,759</b>	<b>\$1,374,741</b>
Profit (loss) before income taxes	<b>139,889</b>	<b>213,898</b>	<b>325,054</b>	<b>372,352</b>
Profit (loss) attributable to owners of parent	<b>90,701</b>	<b>146,309</b>	<b>216,709</b>	<b>238,923</b>

  

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015	from 1st April, 2015
	to 30th June, 2015	to 30th September, 2015	to 31st December, 2015	to 31st March, 2016
Profit (loss) attributable to owners of parent per share	<b>\$0.11</b>	<b>\$0.18</b>	<b>\$0.27</b>	<b>\$0.30</b>

  

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2015	from 1st July, 2015	from 1st October, 2015	from 1st January, 2016
	to 30th June, 2015	to 30th September, 2015	to 31st December, 2015	to 31st March, 2016
Profit (loss) attributable to owners of parent per share	<b>\$0.11</b>	<b>\$0.07</b>	<b>\$0.08</b>	<b>\$0.02</b>

# Non-Consolidated Balance Sheet (Unaudited)

The Nishi-Nippon City Bank, Ltd.

31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Assets:</b>			
Cash and due from banks	¥605,350	¥336,860	\$5,372,295
Call loans and bills bought	129	9,092	1,148
Trading account assets	1,283	982	11,391
Money held in trust	1,999	1,999	17,743
Securities	1,835,516	1,901,118	16,289,640
Loans and bills discounted	6,220,199	5,927,596	55,202,336
Foreign exchange assets	8,284	8,717	73,521
Other assets	38,814	34,803	344,464
Tangible fixed assets	109,648	106,430	973,095
Intangible fixed assets	5,798	6,448	51,459
Prepaid pension cost	14,143	13,024	125,517
Customers' liabilities for acceptances and guarantees	25,712	28,804	228,193
Reserve for possible loan losses	(34,740)	(27,838)	(308,315)
Reserve for devaluation of securities	(500)	(516)	(4,444)
<b>Total assets</b>	<b>¥8,831,638</b>	<b>¥8,347,524</b>	<b>\$78,378,047</b>
<b>Liabilities and Net assets:</b>			
<b>Liabilities:</b>			
Deposits	¥7,547,963	¥7,130,927	\$66,985,830
Call money and bills sold	41,691	167,130	370,000
Payables under repurchase agreements	65,806	11,624	584,011
Guarantee deposits received under securities lending transactions	19,892	94,169	176,542
Borrowed money	515,061	294,156	4,571,013
Foreign exchange liabilities	74	78	657
Bonds	48,800	78,300	433,084
Other liabilities	71,126	65,674	631,227
Reserve for employee retirement benefits	3,631	4,328	32,229
Reserve for reimbursement of deposits	2,141	2,136	19,007
Reserve for other contingent losses	1,437	2,132	12,758
Deferred tax liabilities	13,126	13,687	116,492
Deferred tax liabilities on revaluation of premises	15,067	15,918	133,715
Acceptances and guarantees	25,712	28,804	228,193
<b>Total liabilities</b>	<b>8,371,534</b>	<b>7,909,068</b>	<b>74,294,765</b>
<b>Net assets:</b>			
Capital stock	85,745	85,745	760,965
Capital surplus			
Capital reserve	85,684	85,684	760,419
Other capital surplus	230	231	2,047
Earned surplus			
Legal reserve	61	61	545
Voluntary reserves	171,203	155,303	1,519,378
Unappropriated retained earnings	30,228	21,126	268,269
Treasury stock	(4,188)	(2,128)	(37,175)
<b>Total shareholders' equity</b>	<b>368,965</b>	<b>346,023</b>	<b>3,274,450</b>
Net unrealized gains on securities available for sale, net of taxes	61,643	63,359	547,063
Net deferred gains (losses) on hedging instruments, net of taxes	(1,011)	(763)	(8,974)
Revaluation of premises, net of taxes	30,507	29,836	270,742
<b>Total valuation and translation adjustments</b>	<b>91,139</b>	<b>92,432</b>	<b>808,831</b>
<b>Total net assets</b>	<b>460,104</b>	<b>438,455</b>	<b>4,083,282</b>
<b>Total liabilities and net assets</b>	<b>¥8,831,638</b>	<b>¥8,347,524</b>	<b>\$78,378,047</b>

See accompanying Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statement of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥83,200	¥84,280	\$738,377
Interest and dividends on securities	22,001	16,119	195,257
Other interest income	301	340	2,675
Fees and commissions	25,710	24,849	228,172
Trading income	24	19	219
Other operating income	2,311	2,567	20,513
Other income	12,801	5,864	113,604
Total income	146,351	134,040	1,298,822
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	4,546	4,272	40,350
Interest on call money and bills sold	557	518	4,950
Interest on payables under repurchase agreements	267	5	2,376
Interest on borrowings	1,054	1,000	9,358
Other interest expenses	1,207	1,968	10,718
Fees and commissions	13,024	12,438	115,589
Other operating expenses	1,915	499	16,998
General and administrative expenses	72,826	73,235	646,310
Other expenses	8,851	7,266	78,555
Total expenses	104,252	101,206	925,208
Income before income taxes	42,098	32,834	373,613
Income taxes			
Current	9,781	3,596	86,803
Deferred	2,301	9,214	20,421
Total income taxes	12,082	12,810	107,225
Net income	¥30,016	¥20,024	\$266,387

See accompanying Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Shareholders' equity</b>			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$760,965
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$760,965
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$760,419
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$760,419
Other capital surplus			
Balance at beginning of the year	¥231	¥ —	\$2,051
Changes during the year			
Sale of treasury stock	(0)	231	(4)
Total changes during the year	(0)	231	(4)
Balance at end of the year	¥230	¥ 231	\$2,047
Total capital surplus			
Balance at beginning of the year	¥85,915	¥85,684	\$762,470
Changes during the year			
Sale of treasury stock	(0)	231	(4)
Total changes during the year	(0)	231	(4)
Balance at end of the year	¥85,914	¥85,915	\$762,466
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$545
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$545
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥3	¥3	\$30
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(1)
Transfer to reserve for deferred capital gains	0	0	0
Total changes during the year	(0)	0	(0)
Balance at end of the year	¥3	¥3	\$30
Other voluntary reserves			
Balance at beginning of the year	¥155,300	¥137,400	\$1,378,241
Changes during the year			
Transfer to other voluntary reserves	15,900	17,900	141,107
Total changes during the year	15,900	17,900	141,107
Balance at end of the year	¥171,200	¥155,300	\$1,519,348
Unappropriated retained earnings			
Balance at beginning of the year	¥21,126	¥22,689	\$187,489
Cumulative effect of change in accounting principle	—	(0)	—
Restated balance at beginning of the year	—	22,688	—
Changes during the year			
Cash dividends paid	(5,133)	(4,769)	(45,561)
Transfer from reserve for deferred capital gains	0	0	1
Transfer to other voluntary reserves	(15,900)	(17,900)	(141,107)
Net income	30,016	20,024	266,387
Sale of treasury stock	—	—	—
Reversal of revaluation of premises	119	1,083	1,060
Total changes during the year	9,102	(1,561)	80,780
Balance at end of the year	¥30,228	¥21,126	\$268,269
Total earned surplus			
Balance at beginning of the year	¥176,491	¥160,154	\$1,566,307
Cumulative effect of change in accounting principle	—	(0)	—
Restated balance at beginning of the year	—	160,153	—
Changes during the year			
Cash dividends paid	(5,133)	(4,769)	(45,561)
Transfer from reserve for deferred capital gains	—	—	—
Transfer to reserve for deferred capital gains	0	0	0
Transfer to other voluntary reserves	—	—	—
Net income	30,016	20,024	266,387
Sale of treasury stock	—	—	—
Reversal of revaluation of premises	119	1,083	1,060
Total changes during the year	25,002	16,338	221,887
Balance at end of the year	¥201,493	¥176,491	\$1,788,194

# Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Treasury stock</b>			
Balance at beginning of the year	(¥2,128)	(¥692)	(\$18,890)
Changes during the year			
Acquisition of treasury stock	(2,066)	(5,081)	(18,339)
Sale of treasury stock	6	3,645	55
Total changes during the year	(2,060)	(1,436)	(18,284)
Balance at end of the year	(¥4,188)	(¥2,128)	(\$37,175)
<b>Total shareholders' equity</b>			
Balance at beginning of the year	¥346,023	¥330,891	\$3,070,852
Cumulative effect of change in accounting principle	—	(0)	—
Restated balance at beginning of the year	346,023	330,890	3,070,852
Changes during the year			
Cash dividends paid	(5,133)	(4,769)	(45,561)
Transfer to reserve for deferred capital gains	0	0	0
Net income	30,016	20,024	266,387
Acquisition of treasury stock	(2,066)	(5,081)	(18,339)
Sale of treasury stock	5	3,876	51
Reversal of revaluation of premises	119	1,083	1,060
Total changes during the year	22,941	15,132	203,598
Balance at end of the year	¥368,965	¥346,023	\$3,274,450
<b>Valuation and translation adjustments</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥63,359	¥37,164	\$562,296
Changes during the year			
Net changes in items other than shareholders' equity	(1,716)	26,194	(15,233)
Total changes during the year	(1,716)	26,194	(15,233)
Balance at end of the year	¥61,643	¥63,359	\$547,063
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥763)	(¥35)	(\$6,775)
Changes during the year			
Net changes in items other than shareholders' equity	(247)	(728)	(2,198)
Total changes during the year	(247)	(728)	(2,198)
Balance at end of the year	(¥1,011)	(¥763)	(\$8,974)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,836	¥29,283	\$264,788
Changes during the year			
Net changes in items other than shareholders' equity	670	553	5,954
Total changes during the year	670	553	5,954
Balance at end of the year	¥30,507	¥29,836	\$270,742
<b>Total valuation and translation adjustments</b>			
Balance at beginning of the year	¥92,432	¥66,412	\$820,308
Changes during the year			
Net changes in items other than shareholders' equity	(1,293)	26,019	(11,476)
Total changes during the year	(1,293)	26,019	(11,476)
Balance at end of the year	¥91,139	¥92,432	\$808,831
<b>Total net assets</b>			
Balance at beginning of the year	¥438,455	¥397,304	\$3,891,160
Cumulative effect of change in accounting principle	—	(0)	—
Restated balance at beginning of the year	438,455	397,303	3,891,160
Changes during the year			
Cash dividends paid	(5,133)	(4,769)	(45,561)
Transfer to reserve for deferred capital gains	0	0	0
Net income	30,016	20,024	266,387
Acquisition of treasury stock	(2,066)	(5,081)	(18,339)
Sale of treasury stock	5	3,876	51
Reversal of revaluation of premises	119	1,083	1,060
Net changes in items other than shareholders' equity	(1,293)	26,019	(11,476)
Total changes during the year	21,648	41,152	192,121
Balance at end of the year	¥460,104	¥438,455	\$4,083,282

See accompanying Notes to Non-Consolidated Financial Statements.



# Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2016 and 2015

- 
- |   |   |
|---|---|
| <b>1. Basis of Presentation of Financial Statements</b> | The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the Bank) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard. |
|---|---|
- 
- |  |   |
|--|---|
| <b>2. Other Accounting Principles and Practices Employed by the Bank</b> | Accounting principles employed by the Bank in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements. |
|--|---|
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## Independent Auditor's Report

The Board of Directors  
The Nishi-Nippon City Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Nishi-Nippon City 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 Nishi-Nippon City 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.

### *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 1.

Ernst & Young Shinnihon

June 29, 2016  
Fukuoka, Japan