



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Tokyo TY Financial Group, Inc.

We have audited the accompanying consolidated financial statements of Tokyo TY Financial Group, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, 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 Tokyo TY Financial Group, Inc. and its consolidated subsidiaries as at March 31, 2017, 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 2.

Ernst & Young ShinNihon LLC

June 29, 2017
Tokyo, Japan

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Financial Statements Years Ended March 31, 2017 and 2016

Contents:

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries

Independent Auditor's Report
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Net Assets
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

The Tokyo Tomin Bank, Limited

Non-consolidated Balance Sheets (Unaudited)
Non-consolidated Statements of Income (Unaudited)

The Yachiyo Bank, Limited

Non-consolidated Balance Sheets (Unaudited)
Non-consolidated Statements of Income (Unaudited)

ShinGinko Tokyo, Limited

Non-consolidated Balance Sheets (Unaudited)
Non-consolidated Statements of Income (Unaudited)

Tokyo TY Financial Group Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
As of March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Assets			
Cash and due from banks (Notes 21 and 24)	¥ 515,886	¥ 405,539	\$ 4,598,327
Call loans and bills bought	3,987	43,600	35,540
Monetary claims bought	45,724	4,202	407,563
Trading account securities (Note 24)	794	658	7,082
Securities (Notes 3, 6 and 24)	1,281,164	1,210,097	11,419,597
Loans and bills discounted (Notes 4, 6 and 24)	3,621,372	3,359,919	32,278,925
Foreign exchanges	7,584	6,531	67,604
Other assets (Note 6)	42,617	29,314	379,871
Tangible fixed assets (Note 5)	56,085	53,217	499,914
Intangible fixed assets	1,903	2,039	16,968
Net defined benefit asset (Note 10)	14,125	8,647	125,907
Deferred tax assets (Note 15)	7,823	7,035	69,732
Customers' liabilities for acceptances and guarantees	7,880	5,860	70,244
Reserve for loan losses	(29,644)	(24,122)	(264,236)
Total assets	¥ 5,577,306	¥ 5,112,540	\$ 49,713,043
Liabilities			
Deposits (Notes 6 and 24)	¥ 4,717,562	¥ 4,502,192	\$ 42,049,755
Negotiable certificates of deposit	21,340	34,206	190,213
Call money and bills sold (Note 6)	40,706	-	362,837
Payables under securities lending transactions (Notes 6 and 24)	361,309	293,327	3,220,518
Borrowed money (Notes 6, 7 and 24)	103,416	7,425	921,793
Foreign exchanges	936	68	8,345
Bonds payable (Note 8)	-	16,000	-
Bonds with stock acquisition rights (Note 8)	-	5,000	-
Other liabilities (Note 9)	30,150	35,803	268,741
Reserve for employees' bonuses	2,213	2,038	19,727
Net defined benefit liability (Note 10)	4,453	5,530	39,692
Reserve for officers and directors' retirement benefits	110	85	980
Reserve for point card program	57	53	513
Reserve for losses on interest repayments	10	14	92
Reserve for losses from reimbursement of inactive accounts	1,010	988	9,008
Reserve for losses on cancellation of system contracts	200	-	1,782
Reserve for contingent losses	675	659	6,019
Deferred tax liabilities (Note 15)	1,902	55	16,958
Deferred tax liabilities on land revaluation (Notes 5 and 15)	14	14	129
Acceptances and guarantees (Note 11)	7,880	5,860	70,244
Total liabilities	5,293,949	4,909,324	47,187,353
Net assets (Notes 12, 13 and 16)			
Shareholders' equity:			
Common stock	27,500	20,000	245,119
Capital surplus	150,733	99,585	1,343,555
Retained earnings	104,574	80,913	932,118
Treasury stock	(632)	(594)	(5,635)
Total shareholders' equity	282,175	199,905	2,515,159
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 14)	3,166	8,390	28,219
Deferred gains or losses on hedges	-	6	-
Revaluation reserve for land (Note 5)	(209)	(209)	(1,867)
Foreign currency translation adjustments	8	11	72
Remeasurements of defined benefit plans	(2,216)	(5,221)	(19,752)
Total accumulated other comprehensive income	748	2,977	6,672
Stock acquisition rights	95	46	853
Non-controlling interests	337	286	3,004
Total net assets	283,357	203,216	2,525,690
Total liabilities and net assets	¥ 5,577,306	¥ 5,112,540	\$ 49,713,043

See notes to consolidated financial statements.

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Income			
Interest income:			
Interest on loans and discounts	¥ 45,992	¥ 45,740	\$ 409,953
Interest and dividends on securities	11,570	9,060	103,134
Interest on call loans and bills bought	77	204	689
Interest on receivables under securities borrowing transactions	0	-	0
Interest on due from banks	324	311	2,891
Other interest income	924	523	8,240
Trust fees	61	-	546
Fees and commissions	16,165	15,832	144,093
Other operating income	5,301	4,899	47,252
Other income (Note 17)	22,280	3,402	198,596
Total income	<u>102,698</u>	<u>79,975</u>	<u>915,397</u>
Expenses			
Interest expense:			
Interest on deposits	2,078	2,147	18,526
Interest on negotiable certificates of deposit	5	27	49
Interest on call money and bills sold	26	0	239
Interest on payables under securities lending transactions	1,219	664	10,868
Interest on borrowed money	128	131	1,141
Interest on bonds payable	225	488	2,014
Interest on bonds with stock acquisition rights	53	107	479
Other interest expense	55	56	493
Fees and commissions payments	3,540	3,424	31,562
Other operating expenses	1,815	363	16,178
General and administrative expenses (Note 18)	59,976	54,269	534,599
Other expenses (Note 19)	6,121	3,742	54,567
Total expenses	<u>75,248</u>	<u>65,423</u>	<u>670,719</u>
Income before income taxes	27,450	14,551	244,677
Income taxes (Note 15):			
Current	1,997	2,475	17,800
Deferred	(120)	2,638	(1,078)
Total income taxes	<u>1,876</u>	<u>5,113</u>	<u>16,722</u>
Net income (Note 16)	25,574	9,437	227,955
Net income belonging to non-controlling shareholders	<u>38</u>	<u>24</u>	<u>343</u>
Net income belonging to parent company's shareholders	<u>¥ 25,535</u>	<u>¥ 9,412</u>	<u>\$ 227,611</u>

See notes to consolidated financial statements.

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Net Income	¥ 25,574	¥ 9,437	\$ 227,955
Other comprehensive loss (Note 20):			
Valuation difference on available-for-sale securities	(5,318)	(1,284)	(47,407)
Deferred gains or losses on hedges	(6)	4	(62)
Revaluation reserve for land	-	0	-
Foreign currency translation adjustments	(3)	(5)	(32)
Remeasurements of defined benefit plans	3,005	(5,654)	26,790
Share of other comprehensive income of affiliate accounted for by the equity method	104	(108)	932
Total other comprehensive loss	(2,218)	(7,046)	(19,778)
Comprehensive income	¥ 23,355	¥ 2,390	\$ 208,177
Total comprehensive income attributable to:			
Parent company's shareholders	¥ 23,306	¥ 2,363	\$ 207,741
Non-controlling shareholders	48	26	436

See notes to consolidated financial statements.

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2017 and 2016

	<i>Thousands</i>	<i>Millions of Yen</i>				
	Issued number of shares of common stock	Shareholders' Equity				Total Shareholders' Equity
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2015	29,227	¥ 20,000	¥ 99,607	¥ 73,245	¥ (544)	¥ 192,308
Cash dividends				(1,744)		(1,744)
Net income belonging to parent company's shareholders				9,412		9,412
Purchase of treasury stock					(52)	(52)
Disposition of treasury stock			0		2	2
Change in interest in subsidiaries			(21)			(21)
Net changes in items other than those in shareholders' equity						
Total changes during the year	-	-	(21)	7,668	(50)	7,596
Balance, March 31, 2016	29,227	¥ 20,000	¥ 99,585	¥ 80,913	¥ (594)	¥ 199,905
Issuance of new shares		7,500	7,500			15,000
Increase by share exchanges	1,422		43,719			43,719
Cash dividends				(1,874)		(1,874)
Net income belonging to parent company's shareholders				25,535		25,535
Purchase of treasury stock					(47)	(47)
Disposition of treasury stock			0		9	10
Change in interest in subsidiaries			(72)			(72)
Net changes in items other than those in shareholders' equity						
Total changes during the year	1,422	7,500	51,147	23,660	(37)	82,270
Balance, March 31, 2017	30,650	¥ 27,500	¥ 150,733	¥ 104,574	¥ (632)	¥ 282,175

See notes to consolidated financial statements.

Millions of Yen

	Accumulated Other Comprehensive Income								Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	
Balance, April 1, 2015	¥ 9,784	¥ 2	¥ (210)	¥ 17	¥ 432	¥ 10,026	¥ -	¥ 245	¥ 202,580
Cash dividends									(1,744)
Net income belonging to parent company's shareholders									9,412
Purchase of treasury stock									(52)
Disposition of treasury stock									2
Change in interest in subsidiaries									(21)
Net changes in items other than those in shareholders' equity	(1,393)	4	0	(5)	(5,654)	(7,048)	46	41	(6,960)
Total changes during the year	(1,393)	4	0	(5)	(5,654)	(7,048)	46	41	636
Balance, March 31, 2016	¥ 8,390	¥ 6	¥ (209)	¥ 11	¥ (5,221)	¥ 2,977	¥ 46	¥ 286	¥ 203,216
Issuance of new shares									15,000
Increase by share exchanges									43,719
Cash dividends									(1,874)
Net income belonging to parent company's shareholders									25,535
Purchase of treasury stock									(47)
Disposition of treasury stock									10
Change in interest in subsidiaries									(72)
Net changes in items other than those in shareholders' equity	(5,224)	(6)	-	(3)	3,005	(2,229)	49	50	(2,129)
Total changes during the year	(5,224)	(6)	-	(3)	3,005	(2,229)	49	50	80,140
Balance, March 31, 2017	¥ 3,166	¥ -	¥ (209)	¥ 8	¥ (2,216)	¥ 748	¥ 95	¥ 337	¥ 283,357

See notes to consolidated financial statements.

Thousands of U.S. Dollars (Note 2)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, April 1, 2016	\$ 178,269	\$ 887,654	\$ 721,219	\$ (5,299)	\$ 1,781,843
Issuance of new shares	66,850	66,850			133,701
Increase by share exchanges		389,689			389,689
Cash dividends			(16,711)		(16,711)
Net income belonging to parent company's shareholders			227,611		227,611
Purchase of treasury stock				(422)	(422)
Disposition of treasury stock		7		87	94
Change in interest in subsidiaries		(647)			(647)
Net changes in items other than those in shareholders' equity					
Total changes during the year	66,850	455,900	210,899	(335)	733,315
Balance, March 31, 2017	\$ 245,119	\$ 1,343,555	\$ 932,118	\$ (5,635)	\$ 2,515,159

Thousands of U.S. Dollars (Note 2)

	Accumulated Other Comprehensive Income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
Balance, April 1, 2016	\$ 74,786	\$ 62	\$ (1,867)	\$ 105	\$ (46,543)	\$ 26,543	\$ 415	\$ 2,556	\$ 1,811,358
Issuance of new shares									133,701
Increase by share exchanges									389,689
Cash dividends									(16,711)
Net income belonging to parent company's shareholders									227,611
Purchase of treasury stock									(422)
Disposition of treasury stock									94
Change in interest in subsidiaries									(647)
Net changes in items other than those in shareholders' equity	(46,566)	(62)	-	(32)	26,790	(19,870)	438	447	(18,984)
Total changes during the year	(46,566)	(62)	-	(32)	26,790	(19,870)	438	447	714,331
Balance, March 31, 2017	\$ 28,219	\$ -	\$ (1,867)	\$ 72	\$ (19,752)	\$ 6,672	\$ 853	\$ 3,004	\$ 2,525,690

See notes to consolidated financial statements.

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Operating activities:			
Income before income taxes	¥ 27,450	¥ 14,551	\$ 244,677
Depreciation and amortization	3,023	3,485	26,945
Retirement benefit expenses	830	(216)	7,400
Gain on negative goodwill	(19,443)	-	(173,311)
Equity in earnings of investment in affiliate	(78)	(189)	(700)
Net decrease in reserve for loan losses	(454)	(4,791)	(4,050)
Net increase (decrease) in reserve for employees' bonuses	37	(36)	336
Net (increase) decrease in retirement benefit asset	(5,478)	2,130	(48,832)
Net (decrease) increase in retirement benefit liability	(1,215)	2,204	(10,837)
Net increase (decrease) in reserve for officers and directors' retirement benefits	24	(51)	216
Net increase in reserve for point card program	4	2	37
Net decrease in reserve for losses on interest repayments	(3)	(0)	(33)
Net increase in reserve for losses from reimbursement of inactive accounts	21	144	194
Net increase in reserve for losses on cancellation of system contracts	200	-	1,782
Net decrease in reserve for contingent losses	(5)	(80)	(44)
Interest income	(58,889)	(55,840)	(524,909)
Interest expense	3,793	3,623	33,812
Net gains related to securities transactions	(2,544)	(2,984)	(22,680)
Net exchange (gains) losses	(8,308)	19,144	(74,054)
Net losses (gains) on disposition of fixed assets	272	(87)	2,432
Net increase in provision for special account for advanced depreciation of fixed assets	-	122	-
Gain on state subsidy and other grants	(156)	(132)	(1,395)
Net increase in trading securities	(136)	(51)	(1,213)
Net increase in loans and bills discounted	(38,866)	(65,117)	(346,430)
Net (decrease) increase in deposits	(78,076)	10,886	(695,926)
Net (decrease) increase in negotiable certificates of deposit	(12,866)	7,168	(114,680)
Net (decrease) increase in borrowed money (excluding subordinated borrowed money)	(2,009)	15	(17,910)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	1,860	(33)	16,582
Net decrease (increase) in call loans and bills bought	29,819	(15,852)	265,791
Net increase in call money	40,706	-	362,837
Net increase in payables under securities lending transactions	67,982	152,450	605,957
Net (increase) decrease in foreign exchange-assets	(1,053)	1,200	(9,389)
Net increase (decrease) in foreign exchange-liabilities	867	(70)	7,735
Interest received	60,717	57,631	541,205
Interest paid	(4,354)	(3,845)	(38,812)
Other-net	(5,554)	(16,436)	(49,506)
Subtotal	(1,881)	108,940	(16,773)
Income taxes paid	(2,745)	(3,544)	(24,471)
Income taxes refunded	350	312	3,127
Net cash (used in) provided by operating activities	¥ (4,276)	¥ 105,708	\$ (38,117)

(Continued)

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Investing activities:			
Purchases of securities	¥ (556,723)	¥ (657,580)	\$ (4,962,328)
Proceeds from sales of securities	362,521	577,214	3,231,320
Proceeds from maturity of securities	291,314	94,063	2,596,616
Purchases of tangible fixed assets	(4,467)	(1,408)	(39,819)
Payments for disposition of tangible fixed assets	(171)	(41)	(1,527)
Proceeds from sales of tangible assets	42	534	380
Purchases of intangible assets	(758)	(260)	(6,764)
Payments of investments in capital	(103)	-	(922)
Proceeds from state subsidy and other grants	58	234	521
Net cash provided by investing activities	91,712	12,757	817,477
Financing activities:			
Repayments of subordinated borrowings	(2,000)	-	(17,826)
Payments for redemption of subordinated bonds	(21,000)	(9,600)	(187,182)
Proceeds from issuance of shares	14,881	-	132,647
Cash dividends paid	(1,877)	(1,747)	(16,734)
Cash dividends paid to non-controlling interests	(54)	(6)	(487)
Payments for purchase of treasury stock	(47)	(52)	(422)
Proceeds from sales of treasury stock	10	2	94
Payments for acquisition of shares in subsidiaries that do not result in change in scope of consolidation	(52)	-	(465)
Proceeds from sales of shares in subsidiaries that do not result in change in scope of consolidation	81	-	721
Payments of lease obligations	(363)	(390)	(3,237)
Net cash used in financing activities	(10,421)	(11,794)	(92,892)
Effect of exchange rate change on cash and cash equivalents	4	0	37
Net increase in cash and cash equivalents	77,018	106,671	686,504
Cash and cash equivalents at beginning of year	393,056	286,385	3,503,491
Increase in cash and cash equivalents resulting from share exchange (Note 22)	34,369	-	306,346
Cash and cash equivalents at end of year (Note 21)	¥ 504,444	¥ 393,056	\$ 4,496,343

(Concluded)

See notes to consolidated financial statements.

Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2017 and 2016

1. Summary of Significant Accounting Policies

a. Basis of presentation

Tokyo TY Financial Group Inc. (the “Company”) was established as a joint holding company through a share transfer between The Tokyo Tomin Bank, Limited (“Tokyo Tomin”) and The Yachiyo Bank, Limited (“Yachiyo”) on October 1, 2014. The share transfer was accounted for applying the purchase method stipulated in accounting standards relating to business combinations with Tokyo Tomin as the acquiring company and Yachiyo as the acquired company.

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

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its 12 subsidiaries (collectively, the “Group”).

As a result of the management integration with ShinGinko Tokyo, Limited (“ShinGinko Tokyo”), a share exchange was implemented as of April 1, 2016, in which the Company became a wholly-owning parent and ShinGinko Tokyo became a wholly-owned subsidiary. ShinGinko Tokyo has accordingly been included in the scope of consolidation from the year ended March 31, 2017.

As of April 3, 2017, Tomin Management Research Institute Co., Limited changed its trade name to Kiraboshi Consulting Co., Limited.

Under the control and influence concept, those companies which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence in terms of its operating and financial policies is accounted for by the equity method in the consolidated financial statements.

Investments in two affiliated companies are accounted for by the equity method.

From the year ended March 31, 2017, Sky Ocean Assets Management Co., Ltd., a new investment, has been included in the scope of those accounted for by the equity-method.

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

The balance sheet dates of the consolidated subsidiaries at March 31, 2017 are as follows:

December 31.....	1
March 31.....	11

The subsidiary with the balance sheet date of December 31 is consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. The other subsidiaries are consolidated on the basis of their respective financial statement with the balance sheet date same as the consolidated balance sheet date.

c. Trading account securities

Trading account securities are stated at fair value as of the balance sheet date. Cost of sales of trading account securities is determined using the moving average method.

d. Securities

Held-to-maturity debt securities are carried at amortized cost (straight-line method) determined by the moving-average method.

Available-for-sale securities for which fair value is available are stated at the fair value at the fiscal year-end. Cost of sales of these available-for-sale securities is determined using the moving-average method. Available-for-sale securities for which fair value is not readily determinable are stated at cost determined by the moving average method. Valuation difference on available-for-sale securities, net of applicable taxes, is reported in a separate component of net assets.

e. Derivative transactions

Derivatives are stated at fair value.

f. Depreciation and amortization of fixed assets

Depreciation of tangible fixed assets (other than lease assets) of consolidated subsidiaries conducting banking business (“banking subsidiaries”) is computed using the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is mainly applied to buildings.

The following is the ranges of useful lives of principal tangible fixed assets.

Buildings:	6 to 50 years
Other:	2 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries (“non-banking subsidiaries”) is principally computed using the declining-balance method based on the estimated useful lives of the assets.

Intangible fixed assets (other than lease assets) are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are amortized using the straight-line method over the estimated useful life of 5 years.

Lease assets under finance leases which do not transfer ownership of assets to lessees are depreciated using the straight-line method over the lease terms of the respective assets. Residual value of these lease assets is guaranteed residual value per the respective lease contracts or zero value.

g. Treatment of deferred assets

Organization costs and stock issuance costs are amortized using the straight-line method over 5 years and 3 years, respectively.

h. Reserve for loan losses

A reserve for loan losses is provided by consolidated banking subsidiaries in accordance with internally established standards for write-offs and provisions:

- For claims on borrowers who have entered into bankruptcy, special liquidation proceedings or similar legal proceedings under the Bankruptcy Law, Special Liquidation in the Commercial Law or other similar laws (“bankrupt borrowers”), and borrowers who are not legally or formally bankrupt but effectively in similar conditions (“effectively bankrupt borrowers”), a reserve is fully provided based on the amount of claims, net of the expected amount of recoveries from collateral and guarantees.
- For claims on borrowers who are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy (“potentially bankrupt borrowers”), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

- For other claims, a reserve is provided based on the rates derived from default experiences for a certain period in the past and other factors.

For claims on borrowers who are effectively bankrupt borrowers or borrowers whose credit terms are rescheduled or reconditioned and exceed certain thresholds, if cash flows from collection of principal and interest can be reasonably estimated, the difference between the cash flows discounted by the original interest rate and the carrying value of the loan is provided as a reserve for loan losses (discounted cash flows method).

All claims are assessed by the Asset Assessment Department under the cooperation by credit origination department in accordance with the Group's policies and guidelines for the self-assessment of asset quality. For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers of part of the consolidated subsidiaries engaged in banking, the amount of the claims exceeding the estimated value of collateral and guarantees was deemed to be uncollectible and was written off against the total amount of the outstanding claims until the year ended March 31, 2015; however, from the year ended March 31, 2016, in line with the management integration, such amount is no longer written off directly but provided as a reserve. As of March 31, 2017 and 2016, the outstanding write-offs made before April 1, 2015 amounted to ¥1,615 million (\$14,397 thousand) and ¥1,992 million, respectively.

For part of the consolidated non-banking subsidiaries, a general reserve is provided based on the historical credit loss experience for normal claims and a specific reserve is provided at the amount deemed uncollectible based on an evaluation of potential losses for each claim other than normal claims.

i. Reserve for employees' bonuses

A reserve for employees' bonuses is recorded at the estimated amount attributed to the current fiscal year, to provide for the future bonus payments to employees.

j. Reserve for officers' and directors' retirement benefits

A reserve for officers' retirement benefits is recorded to provide future pension payments by certain consolidated banking subsidiaries and that for directors' by certain consolidated non-banking subsidiaries in the amount deemed accrued at the current fiscal year-end based on the estimated amount of benefits.

k. Reserve for point card program

A reserve for point card program is provided by certain consolidated subsidiaries at the amount considered necessary to cover the estimated future costs of credit points.

l. Reserve for losses on interest repayments

Certain consolidated subsidiaries account for the necessary amount to provide for possible losses on claims for repayments of interest on loans that exceed the maximum interest rate set by the Interest Limitation Law.

m. Reserve for losses from reimbursement of inactive accounts

A reserve for losses from reimbursement of inactive accounts is provided by consolidated banking subsidiaries at the amount considered necessary for future payments of deposits which were derecognized from liabilities, owing to depositors request for reimbursements.

n. Reserve for losses on cancellation of system contracts

A reserve for losses on cancellation of system contracts is provided at the amount considered necessary to cover the estimated future losses on early cancellation of the outsourcing service contracts for existing core systems as a result of integrating core systems used by a certain consolidated banking subsidiary to those used by another consolidated banking subsidiary, which is expected to be made around May 2018.

o. Reserve for contingent losses

A reserve for contingent losses is provided by consolidated banking subsidiaries at the amount considered necessary to cover possible contingent losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations.

p. Retirement benefits

In determining the retirement benefit liability for certain consolidated banking subsidiaries, the benefit formula basis is adopted as the attribution method of the projected retirement benefit.

Prior service costs are charged to income using the straight-line method based on the average remaining service period of the employees (3 years).

Actuarial differences are charged to income from the period following the period in which they arise using the straight-line method based on the average remaining service period of the employees (11 to 12 years, 14 to 15 years).

Simplified methods are applied by certain consolidated non-banking subsidiaries in calculating the net defined benefit liability and retirement benefit expenses which allow them to determine based on the amount considered necessary upon voluntary resignation at the end of fiscal year.

q. Translation of assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

r. Hedge accounting

For derivatives to hedge the interest rate risk associated with various financial assets and liabilities of the consolidated banking subsidiaries, the Group applies the deferred method which is stipulated in “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” (Japanese Institute of Certified Public Accountants (the “JICPA”) Industry Audit Committee Report No. 24, February 13, 2002). The Group assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. The Group had not entered into new derivative transactions for the purpose of hedging against changes in interest rates related to deposits and loans during the fiscal years ended March 31, 2017 and 2016.

Exceptional treatment is applied to interest rate swaps for certain financial assets.

Consolidated non-banking subsidiaries have no transactions to which hedge accounting is applied.

s. Appropriation of retained earnings

Under the Companies Act of Japan (the “Companies Act”), the appropriation of retained earnings with respect to a given financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of such financial period. Therefore, the accounts for that period do not, reflect such appropriations. See Note 28.

t. Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and deposits with the Bank of Japan which are included in “Cash and due from banks” in the consolidated balance sheets.

u. Consumption taxes

The Company and its domestic consolidated subsidiaries account for consumption taxes and local consumption taxes by the tax-exclusion method whereby receipts and payments of consumption taxes are not included in the transaction amounts and, accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions. However, consumption taxes etc. relating to tangible fixed assets that are not tax-deductible are accounted for as an expense in the fiscal year in which they are incurred.

v. Change in accounting policies

The Group has adopted the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No.32, June 17, 2016) from the year ended March 31, 2017, and has changed its depreciation method for building fixtures and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this change on income before income taxes for the year ended March 31, 2017 is immaterial.

w. Additional information

The Group has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the year ended March 31, 2017.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.19 = \$1, the approximate rate of exchange on March 31, 2017, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Securities

As of March 31, 2017 and 2016, securities included equity investments in an affiliated company that amounted to ¥977 million (\$8,714 thousand) and ¥998 million, respectively.

As of March 31, 2016, Japanese government bonds included bonds of ¥2,999 million, which were being loaned to third parties without collateral under lending contracts (securities lending transactions).

Japanese corporate bonds included bonds offered through private placement. The Group’s guarantee obligation for such private-placement bonds as of March 31, 2017 and 2016 were ¥32,246 million (\$287,429 thousand) and ¥27,889 million, respectively.

In the following description, in addition to “Securities”, also presented are negotiable certificates of deposit which are classified as “Trading account securities” and “Cash and due from banks” in the consolidated balance sheets and beneficiary claims on loan trusts which are classified as “Monetary claims bought” in the consolidated balance sheets.

As of March 31, 2017 and 2016, valuation gain on trading securities included in income before income taxes was ¥3 million (\$33 thousand) and ¥6 million, respectively.

■ Held-to-maturity securities

The following tables summarize carrying values, fair values and differences of securities with available fair values as of March 31, 2017 and 2016:

		<i>Millions of Yen</i>		
		2017		
		Carrying value	Fair value	Net unrealized gains (losses)
Securities with fair value exceeding carrying value:				
Japanese government bonds	¥	295,633	¥ 310,271	¥ 14,638
Japanese local government bonds		34,286	34,576	290
Japanese corporate bonds		83,007	83,962	955
Foreign securities		26,132	26,343	211
Subtotal		439,059	455,154	16,095
Securities with fair value not exceeding carrying value:				
Japanese government bonds		12,126	11,935	(190)
Japanese local government bonds		-	-	-
Japanese corporate bonds		11,877	11,772	(105)
Foreign securities		2,000	1,922	(77)
Subtotal		26,004	25,630	(373)
Total	¥	465,063	¥ 480,785	¥ 15,722

		<i>Millions of Yen</i>		
		2016		
		Carrying value	Fair value	Net unrealized gains (losses)
Securities with fair value exceeding carrying value:				
Japanese government bonds	¥	340,371	¥ 359,354	¥ 18,982
Japanese local government bonds		63,637	64,072	435
Japanese corporate bonds		90,237	91,408	1,170
Foreign securities		15,133	15,674	541
Subtotal		509,380	530,509	21,129
Securities with fair value not exceeding carrying value:				
Japanese government bonds		40	40	(0)
Japanese local government bonds		4,017	4,016	(0)
Japanese corporate bonds		6,308	6,306	(1)
Foreign securities		3,000	2,931	(68)
Subtotal		13,365	13,294	(70)
Total	¥	522,745	¥ 543,804	¥ 21,059

	<i>Thousands of U.S. Dollars</i>		
	2017		
	Carrying value	Fair value	Net unrealized gains (losses)
Securities with fair value exceeding carrying value:			
Japanese government bonds	\$ 2,635,112	\$ 2,765,590	\$ 130,478
Japanese local government bonds	305,607	308,196	2,589
Japanese corporate bonds	739,883	748,398	8,514
Foreign securities	232,928	234,814	1,886
Subtotal	<u>3,913,532</u>	<u>4,057,001</u>	<u>143,468</u>
Securities with fair value not exceeding carrying value:			
Japanese government bonds	108,086	106,385	(1,700)
Japanese local government bonds	-	-	-
Japanese corporate bonds	105,872	104,932	(940)
Foreign securities	17,826	17,137	(689)
Subtotal	<u>231,785</u>	<u>228,455</u>	<u>(3,329)</u>
Total	<u>\$ 4,145,317</u>	<u>\$ 4,285,457</u>	<u>\$ 140,139</u>

■ Available-for-sale securities

The following tables summarize carrying values, acquisition costs and differences of securities with available fair values as of March 31, 2017 and 2016:

	<i>Millions of Yen</i>		
	2017		
	Carrying value	Acquisition cost	Net unrealized gains (losses)
Securities with carrying value exceeding acquisition cost:			
Corporate stocks	¥ 24,204	¥ 16,819	¥ 7,384
Bonds:			
Japanese government bonds	148,645	147,655	989
Japanese local government bonds	27,141	26,869	271
Japanese short-term corporate bonds	-	-	-
Japanese corporate bonds	209,327	207,669	1,658
Total bonds	<u>385,114</u>	<u>382,194</u>	<u>2,920</u>
Other securities	109,950	108,321	1,628
Subtotal	<u>519,269</u>	<u>507,335</u>	<u>11,933</u>
Securities with carrying value not exceeding acquisition cost:			
Corporate stocks	8,202	9,929	(1,726)
Bonds:			
Japanese government bonds	29,059	29,909	(849)
Japanese local government bonds	10,928	11,184	(256)
Japanese short-term corporate bonds	9,999	9,999	-
Japanese corporate bonds	117,576	118,415	(839)
Total bonds	<u>167,563</u>	<u>169,509</u>	<u>(1,945)</u>
Other securities	150,909	154,855	(3,946)
Subtotal	<u>326,675</u>	<u>334,293</u>	<u>(7,618)</u>
Total	<u>¥ 845,944</u>	<u>¥ 841,629</u>	<u>¥ 4,315</u>

		<i>Millions of Yen</i>		
		2016		
		Carrying value	Acquisition cost	Net unrealized gains (losses)
Securities with carrying value exceeding acquisition cost:				
Corporate stocks	¥	22,329	¥ 15,163	¥ 7,166
Bonds:				
Japanese government bonds		176,318	173,763	2,555
Japanese local government bonds		47,711	46,957	754
Japanese short-term corporate bonds		-	-	-
Japanese corporate bonds		231,717	229,548	2,169
Total bonds		455,747	450,268	5,478
Other securities		122,218	118,917	3,301
Subtotal		600,295	584,349	15,946
Securities with carrying value not exceeding acquisition cost:				
Corporate stocks		10,428	12,975	(2,546)
Bonds:				
Japanese government bonds		1,984	1,998	(13)
Japanese local government bonds		999	1,000	(0)
Japanese short-term corporate bonds		9,999	9,999	-
Japanese corporate bonds		26,793	27,042	(248)
Total bonds		39,777	40,040	(262)
Other securities		43,539	44,529	(990)
Subtotal		93,746	97,546	(3,800)
Total		694,041	681,895	12,146

		<i>Thousands of U.S. Dollars</i>		
		2017		
		Carrying value	Acquisition cost	Net unrealized gains (losses)
Securities with carrying value exceeding acquisition cost:				
Corporate stocks	\$	215,744	\$ 149,919	\$ 65,825
Bonds:				
Japanese government bonds		1,324,941	1,316,118	8,822
Japanese local government bonds		241,923	239,503	2,420
Japanese short-term corporate bonds		-	-	-
Japanese corporate bonds		1,865,833	1,851,047	14,785
Total bonds		3,432,698	3,406,670	26,028
Other securities		980,038	965,520	14,517
Subtotal		4,628,481	4,522,110	106,371
Securities with carrying value not exceeding acquisition cost:				
Corporate stocks		73,113	88,504	(15,390)
Bonds:				
Japanese government bonds		259,020	266,594	(7,574)
Japanese local government bonds		97,406	99,690	(2,283)
Japanese short-term corporate bonds		89,134	89,134	-
Japanese corporate bonds		1,048,010	1,055,491	(7,481)
Total bonds		1,493,572	1,510,911	(17,338)
Other securities		1,345,119	1,380,294	(35,174)
Subtotal		2,911,806	2,979,710	(67,904)
Total	\$	7,540,287	\$ 7,501,820	\$ 38,467

Securities with fair values (excluding securities held for trading purpose) that have substantially declined from the acquisition cost are valued at fair value and losses on devaluation of those securities are recognized in the consolidated statements of income unless the value is considered recoverable.

For the year ended March 31, 2017, impairment loss of ¥1 million (\$14 thousand) for bonds was recognized. For the year ended March 31, 2016, no impairment loss was recognized.

Determining whether the fair value has “significantly declined” is based on the fair value declining by more than 50% or the criteria considering the trend of the fair value during a certain past period and credit risks of the issuers when the fair value declined between 30% and 50% of the acquisition cost.

The following table summarizes total available-for-sale securities sold and amounts of the related gains and losses for the years ended March 31, 2017 and 2016:

	<i>Millions of Yen</i>		
	2017		
	Sales proceeds	Realized gains	Realized losses
Corporate stocks	¥ 4,474	¥ 1,198	¥ 77
Bonds:			
Japanese government bonds	131,326	1,067	562
Japanese local government bonds	27,691	376	11
Japanese short-term corporate bonds	-	-	-
Japanese corporate bonds	28,888	448	150
Total bonds	187,905	1,892	723
Other securities	149,008	1,059	867
Total	¥ 341,388	¥ 4,149	¥ 1,669

	<i>Millions of Yen</i>		
	2016		
	Sales proceeds	Realized gains	Realized losses
Corporate stocks	¥ 6,692	¥ 844	¥ 241
Bonds:			
Japanese government bonds	315,467	771	-
Japanese local government bonds	60,429	318	10
Japanese short-term corporate bonds	-	-	-
Japanese corporate bonds	85,625	344	2
Total bonds	461,522	1,434	12
Other securities	101,347	904	213
Total	¥ 569,563	¥ 3,183	¥ 467

	<i>Thousands of U.S. Dollars</i>		
	2017		
	Sales proceeds	Realized gains	Realized losses
Corporate stocks	\$ 39,885	\$ 10,681	\$ 694
Bonds:			
Japanese government bonds	1,170,570	9,513	5,009
Japanese local government bonds	246,823	3,357	98
Japanese short-term corporate bonds	-	-	-
Japanese corporate bonds	257,496	3,995	1,344
Total bonds	1,674,889	16,866	6,452
Other securities	1,328,177	9,440	7,733
Total	\$ 3,042,952	\$ 36,989	\$ 14,880

4. Loans and Bills Discounted

Loans and bills discounted include loans to borrowers in bankruptcy, delinquent loans, loans past due for three months or more, and restructured loans. The amounts of these loans as of March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Loans to borrowers in bankruptcy	¥ 5,768	¥ 3,693	\$ 51,418
Delinquent loans	83,620	83,414	745,346
Loans past due for three months or more	239	291	2,139
Restructured loans	3,253	3,138	28,997
Total	¥ 92,882	¥ 90,536	\$ 827,901

Loans are generally placed on non-accrual status when the ultimate collectability of either the principal or interest becomes doubtful because payments have been in arrears for a certain period of time or due to other reasons. Loans to borrowers in bankruptcy represent non-accrual loans to borrowers in legal bankruptcy as defined in the Corporation Tax Law. Delinquent loans represent non-accrual loans other than loans to borrowers in bankruptcy and restructured loans.

Loans past due for three months or more represent loans on which payments of principal or interest have been in arrears for three months or more, but do not meet the criteria for loans to borrowers in bankruptcy and delinquent loans.

Restructured loans are loans that have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.), and are not classified in any of the above categories.

These amounts represent the gross amounts before deduction of the reserve for loan losses.

Notes discounted are recorded as cash lending/borrowing transactions in accordance with “Accounting and Auditing Treatments of the Application of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24). The Group has a right to sell or collateralize such bills at its discretion. As of March 31, 2017 and 2016, total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥40,944 million (\$364,960 thousand) and ¥42,124 million, respectively.

As of March 31, 2017 and 2016, loans and bills discounted included the portion of extended to original borrowers based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3, in the amount of ¥500 million (\$4,458 thousand) and ¥1,500 million, respectively.

Line-of-credit agreements relating to overdrafts and loans are agreements which oblige the Group to lend funds up to a certain limit agreed to in advance. The Group makes the loan upon the request of an obligor to draw down funds under such a loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused line-of-credit balance relating to these overdrafts and loan agreements as of March 31, 2017 and 2016 amounted to ¥923,915 million (\$8,235,277 thousand) and ¥878,776 million, respectively. The amount related to overdrafts and loans with a term of one year or less or overdrafts and loans which permit unconditional cancellation at any time were ¥898,224 million (\$8,006,280 thousand) and ¥855,417 million, as of March 31, 2017 and 2016, respectively.

As many of these contracts expire undrawn, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Group. Many of these contracts have clauses that allow the Group to turn down a loan request or reduce the amounts of the credit line if there is a change in financial conditions, a need to establish increased securities, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the commitment contract is entered into, the Group assesses the condition of the customer's business operations, and analyzes 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.

5. Tangible Fixed Assets

Tangible fixed assets were shown at net of the following accumulated depreciation:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Accumulated depreciation	¥ 38,204	¥ 37,825	\$ 340,534

Land used for Tokyo Tomin's business activities has been revalued on the basis prescribed by the Law Concerning Land Revaluation (Proclamation No. 34 dated March 31, 1998). As for the revaluation difference, the income tax account corresponding to the revaluation difference amount is included in liabilities as "Deferred tax liabilities on land revaluation," and the revaluation difference, net of this deferred tax liability, is included in net assets as "Revaluation reserve for land."

Date of revaluation:
March 31, 1998

Revaluation method as stated in Article 3-3 Law Concerning Land Revaluation

The value of land is based on the posted land price governed by the Law Concerning Public Notification of Land Prices and the standard land price governed by the Order for Enforcement of the National Land Use Planning Law, with making reasonable adjustments, as stipulated in Article 2-1 or 2-2 of the Order for Enforcement of the Law Concerning Land Revaluation (Cabinet Order No. 119 promulgated on March 31, 1998). Difference between the revalued carrying amount and fair value of lands being revalued pursuant to the Article 10 of the law as of March 31, 2017 and 2016 were ¥153 million (\$1,363 thousand) and ¥149 million, respectively.

The advanced depreciation entry for tangible fixed assets amounted to ¥191 million (\$1,704 thousand) and ¥216 million for the years ended March 31, 2017 and 2016, respectively.

6. Pledged Assets

Assets pledged as collateral as of March 31, 2017 and 2016 consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Assets pledged as collateral:			
Securities	¥ 505,717	¥ 330,445	\$ 4,507,689
Loan and bills discounted	17,544	-	156,379
Other assets	36	36	325
Liabilities corresponding to assets pledged as collateral:			
Deposits	¥ 43,013	¥ 55,382	\$ 383,403
Call money and bills sold	15,706	-	140,000
Payable under securities lending transactions	354,801	293,327	3,162,509
Borrowed money	98,000	2	873,518

In addition to the assets presented above, securities totaling ¥82,363 million (\$734,140 thousand) and ¥89,194 million were pledged as collateral relating to transactions on exchange settlements, foreign exchange administration services, cooperative system settlements and derivative transactions or as substitutes for future transaction margins as of March 31, 2017 and 2016, respectively.

Other assets as of March 31, 2017 and 2016 included following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Deposits	¥ 5,701	¥ 5,513	\$ 50,819
Margin deposits to central counterparty clearing house	10,236	129	91,245

7. Borrowed Money

Borrowed money as of March 31, 2017 and 2016 included subordinated borrowings amounting to ¥5,000 million (\$44,567 thousand) and ¥7,000 million, respectively.

Annual maturities of borrowed money as of March 31, 2017 and 2016 were as follows:

<u>Year ending March 31</u>	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
2018	¥ 30,278	¥ 277	\$ 269,881
2019	30,060	63	267,941
2020	10,043	45	89,524
2021	28,025	28	249,803
2022	8	10	74
2023 and thereafter	5,000	7,000	44,567
Total	¥ 103,416	¥ 7,425	\$ 921,793

8. Bonds Payable

Bonds payable and bonds with stock acquisition rights as of March 31, 2017 and 2016 consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Issued by the Company:			
1st unsecured subordinated bonds with stock acquisition rights, due September 2016, 2.15% interest	¥ -	¥ 5,000	\$ -
Issued by Tokyo Tomin:			
6th unsecured fixed and floating callable (subordinated) debenture bonds, due November 2021, 2.38% interest	-	12,500	-
7th unsecured fixed and floating callable (subordinated) debenture bonds, due November 2021, 2.38% interest	-	3,500	-
Total	¥ -	¥ 21,000	\$ -

On November 4, 2016, the 6th unsecured fixed and floating callable (subordinated) debenture bonds and the 7th unsecured fixed and floating callable (subordinated) debenture bonds were fully redeemed prior to maturity.

9. Other Liabilities

Lease obligations

Lease obligations of ¥1,455 million (\$12,969 thousand) were included in “Other liabilities”. The average interest rate on lease obligations as of March 31, 2017 with maturities dates subsequent to March 31, 2018 was 4.03%.

The aggregate annual maturities of lease obligations subsequent to March 31, 2017 were summarized as follows:

<u>Year ending March 31</u>	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
2018	¥ 360	\$ 3,213
2019	349	3,113
2020	302	2,693
2021	186	1,666
2022	118	1,060
2023 and thereafter	137	1,223
Total	¥ 1,455	\$ 12,969

10. Retirement Benefit Plans

(1) Outline of retirement benefit plans adopted

Tokyo Tomin maintains a corporate pension fund plan and a lump-sum payment plan. As of October 1, 2013, the retirement benefit system was revised and a switch was made from a defined benefit corporate pension plan to a cash balance-type pension plan using a point system. In some cases, premium severance may be paid when employees retire.

In 1987, for participants with the participating period of 20 years or more, approximately 20% of the retirement benefits were transferred from a lump-sum payment plan to a welfare pension fund plan.

Concerning the substitutional portion of the welfare pension fund plan, approval by the Minister of Health, Labor and Welfare on the exemption from the obligation to pay the future portion of funds was received on April 1, 2004 and approval on the return of the past portion was received on April 1, 2005.

Yachiyo maintains a corporate pension plan and a lump-sum payment plan. Concerning the corporate pension plan, a corporate pension fund was established as of March 1, 2004 as a result of an approved transfer from a welfare pension fund and, as of April 1, 2005, the corporate pension plan was transferred from a fund-type to a contract-type.

On March 31, 2004, a portion of retirement benefits was shifted to a defined contribution pension plan established as of March 1, 2004. The defined contribution pension plan adopted matching contributions as of January 1, 2013.

Certain domestic consolidated subsidiaries, other than the above mentioned two banks, maintain lump-sum payment plans and defined contribution pension plans. For the lump-sum payment plans, the simplified method is applied in calculating the net defined benefit liability and retirement benefit expenses.

Tokyo Tomin and Yachiyo have established retirement benefit trusts.

(2) Defined benefit plans

The changes in the benefit obligation during the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Retirement benefit obligation at beginning of year	¥ 58,717	¥ 57,004	\$ 523,376
Increase due to share exchange	138	-	1,231
Service cost	1,575	1,425	14,042
Interest cost	205	357	1,836
Actuarial difference	485	3,491	4,328
Retirement benefits paid	(3,485)	(3,552)	(31,064)
Other	-	(7)	-
Retirement benefit obligation at end of year	¥ 57,637	¥ 58,717	\$ 513,751

The changes in plan assets during the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Plan assets at beginning of year	¥ 61,833	¥ 64,455	\$ 551,152
Expected return on plan assets	1,214	1,263	10,827
Actuarial difference	4,000	(4,345)	35,656
Contributions by employers	2,801	2,903	24,969
Retirement benefits paid	(2,539)	(2,443)	(22,639)
Plan assets at end of year	¥ 67,310	¥ 61,833	\$ 599,966

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016.

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Funded retirement benefit obligation	¥ 57,412	¥ 58,651	\$ 511,747
Plan assets	(67,310)	(61,833)	(599,966)
	(9,897)	(3,181)	(88,218)
Unfunded retirement benefit obligation	224	65	2,004
Net defined benefit asset in the consolidated balance sheets	¥ (9,672)	¥ (3,116)	\$ (86,214)

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Net defined benefit liability	¥ 4,453	¥ 5,530	\$ 39,692
Net defined benefit asset	(14,125)	(8,647)	(125,907)
Net defined benefit asset in the consolidated balance sheets	¥ (9,672)	¥ (3,116)	\$ (86,214)

The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Service cost	¥ 1,575	¥ 1,425	\$ 14,042
Interest cost	205	357	1,836
Expected return on plan assets	(1,214)	(1,263)	(10,827)
Amortization of actuarial difference	1,258	241	11,214
Amortization of prior service cost	(427)	(564)	(3,814)
Other	3	(80)	35
Retirement benefit expenses for defined benefit plans	¥ 1,400	¥ 115	\$ 12,486

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Prior service cost	¥ (427)	¥ (564)	\$ (3,814)
Actuarial difference	4,772	(7,595)	42,542
Other	-	(77)	-
Total	¥ 4,344	¥ (8,237)	\$ 38,728

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Unrecognized prior service cost	¥ -	¥ (427)	\$ -
Unrecognized actuarial difference	3,198	7,970	28,505
Total	¥ 3,198	¥ 7,542	\$ 28,505

The plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 were as follows:

	2017	2016
Debt securities	29.7%	32.2%
Equity securities	54.0%	51.3%
Cash and due from banks (including call loans)	8.9%	9.5%
Life insurance general accounts	4.1%	4.3%
Other	3.3%	2.7%
Total	100.0%	100.0%

Total plan assets included retirement benefit trusts of 32.3% and 30.0% as of March 31, 2017 and 2016, respectively, which were set for corporate pension plans.

The long-term expected rate of return on plan assets has been estimated based on the current and anticipated allocation of plan assets and the current and long-term expected return on plan assets composed of various assets.

The main assumptions used in accounting for the above plans for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Discount rate	0.36% or 0.68%	0.57% or 0.64%
Long-term expected rate of return on plan assets	1.90% or 2.00%	1.90% or 2.00%
Expected rate of salary increase	3.38% or 5.00%	3.70% or 5.00%

(3) Defined contribution plans

The amount to be paid to defined contribution plans by consolidated subsidiaries was ¥96 million (\$863 thousand) and ¥95 million for the years ended March 31, 2017 and 2016, respectively.

11. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in this account. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown on the assets side, which represents the Group's right of indemnity from the applicants.

12. Shareholders' Equity

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury Stock and Treasury Stock Acquisition Rights

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

13. Stock Options

The stock options outstanding as of March 31, 2017 were as follows:

Stock option	Grantees	Number of options granted (*)	Grant date	Vesting period	Exercise period
1st Stock Option	8 directors 10 directors of subsidiaries	12,000 shares	August 3, 2015	Not defined	From August 3, 2015 to August 2, 2045
2nd Stock Option	7 directors 11 directors of subsidiaries	22,000 shares	August 1, 2016	Not defined	From August 1, 2016 to July 31, 2046

(*) Number of options granted is expressed in number of shares of common stock granted.

Conditions for the exercise of stock options are not defined.

The stock option activity for the stock options for the year ended March 31, 2017 was as follows:

	1st Stock Option	2nd Stock Option
Non-vested (Shares) (*1)		
March 31, 2016 – Outstanding	-	-
Granted	-	22,000
Forfeited	-	-
Vested	-	22,000
March 31, 2017 – Outstanding	-	-
Vested (Shares) (*1)		
March 31, 2016 – Outstanding	12,000	-
Vested	-	22,000
Exercised	2,600	-
Forfeited	-	-
March 31, 2017 – Outstanding	9,400	22,000
Exercise price (Yen)	¥ 1	¥ 1
Average stock price at exercise date (Yen)	¥ 2,363	¥ -
Fair value price at grant date (Yen)	¥ 3,881	¥ 2,695
Exercise price (U.S. Dollar)	\$ 0.00	\$ 0.00
Average stock price at exercise date (U.S. Dollar)	\$ 21.06	\$ -
Fair value price at grant date (U.S. Dollar)	\$ 34.59	\$ 24.02

(*1) Numbers of options granted are expressed in number of shares of common stock granted.

Fair value price of the 2nd Stock Option is estimated using the Black-Scholes model based on the following assumptions:

Stock price volatility (*1)	44.3%
Expected remaining period (*2)	2.0 years
Expected dividend (*3)	¥60 (\$0.53) per share
Risk free rate (*4)	-0.27%

(*1) Calculated based on actual stock prices for 2.0 years, i.e., the expected remaining period.

(*2) Estimated by subtracting average term of office of current directors from that of past directors.

(*3) Actual dividend for the six-month period ended March 31, 2016 is annualized.

(*4) Interest rate of government bonds corresponding to the expected remaining period.

Actual numbers of forfeited options are used to measure the number of vested options, considering the difficulty to reasonably estimate future forfeitures.

Stock option expenses recognized in general and administrative expenses were ¥59 million (\$528 thousand) and ¥46 million for the years ended March 31, 2017 and 2016, respectively.

14. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale securities as of March 31, 2017 and 2016 consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Valuation difference on available-for-securities	¥ 4,437	¥ 13,193	\$ 39,555
Valuation difference on money held in trust	-	-	-
Deferred tax liabilities applicable to valuation difference	(1,451)	(4,886)	(12,940)
Valuation difference on available-for-sale securities, net of the applicable income taxes before adjustment for non-controlling interest	2,985	8,307	26,614
Amount attributable to non-controlling interests	(20)	(12)	(180)
Share of valuation difference on available-for-sale securities held by affiliate accounted for by the equity method	200	95	1,785
Valuation difference on available-for-sale securities	¥ 3,166	¥ 8,390	\$ 28,219

15. Income Taxes

The significant components of the deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Deferred tax assets:			
Net losses carried forward	¥ 13,131	¥ 2,033	\$ 117,046
Items related to retirement benefits	5,399	7,316	48,129
Reserve for loan losses	8,422	7,156	75,070
Depreciation of securities	1,006	1,023	8,967
Depreciation expense	472	844	4,210
Other	3,385	2,343	30,174
Subtotal	31,816	20,717	283,598
Valuation allowance	(17,725)	(4,728)	(157,997)
Total	14,091	15,989	125,600
Deferred tax liabilities:			
Items related to securities	(896)	(931)	(7,994)
Valuation difference on available-for-sale securities	(3,419)	(4,526)	(30,475)
Items related to asset retirement obligations	(23)	(35)	(209)
Valuation of assets	(3,830)	(3,516)	(34,147)
Other	-	(0)	-
Total	(8,170)	(9,009)	(72,827)
Net deferred tax assets	¥ 5,920	¥ 6,979	\$ 52,773

Net deferred tax assets as of March 31, 2017 and 2016 are included in the following accounts in the consolidated balance sheets.

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Deferred tax assets	¥ 7,823	¥ 7,035	\$ 69,732
Deferred tax liabilities	1,902	55	16,958

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.86% and 33.06% for the years ended March 31, 2017 and 2016, respectively.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the years ended March 31, 2017 and 2016.

	2017	2016
Statutory tax rate	30.86%	33.06%
Entertainment expenses and other items permanently excluded from deductible expenses	0.41	0.78
Dividend income and other items permanently excluded from reportable revenue	(0.30)	(0.71)
Per capita inhabitants' tax	0.39	0.68
Decrease in deferred tax assets due to tax rate changes	-	3.13
Change in valuation allowance	(3.01)	(0.80)
Refund of income taxes	-	(0.40)
Gains on negative goodwill	(21.86)	-
Other	0.34	(0.60)
Effective tax rate	6.83%	35.14%

16. Amounts per Share

Amounts per share as of and for the years ended March 31, 2017 and 2016 were as follows:

	<i>Yen</i>		<i>U.S. Dollars</i>
	2017	2016	2017
Net income per share:			
Basic	¥ 830.61	¥ 323.84	\$ 7.40
Diluted	511.40	311.89	4.55
Net assets per share	7,476.05	6,982.00	66.63

Basic net income per share is computed based on the average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock acquisition rights.

Net assets per share are computed based on the net assets excluding stock acquisition rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

The bases for calculation are as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	<i>U.S. Dollars</i>
Basic net income per share:			2017
Net income belonging to parent company's shareholders	¥ 25,535	¥ 9,412	\$ 227,611
Amount not belonging to shareholders of common stock— preferred dividends	221	-	1,972
Net income belonging to parent company's shareholders in relation to common stock	25,314	9,412	225,639
Average number of shares of common stock during the period (thousands of shares)	30,476	29,064	
Diluted net income per share:			
Adjustment to net income belonging to parent company's shareholders	¥ 258	¥ 71	\$ 2,303
Including, interest on bonds with stock acquisition rights (net of applicable taxes)	37	71	331
Including, preferred dividends	221	-	1,972
Effect of dilutive securities (thousands of shares)	19,527	1,344	
Including, bonds with stock acquisition rights	666	1,336	
Including, preferred stock	18,836	-	
Including, stock acquisition rights	24	7	
Summary of residual securities not included in calculation of dilutive net income per share because they have no dilutive effects	-	-	
Net assets per share:			
Total of net assets	¥ 283,357	¥ 203,216	\$ 2,525,690
Amount deducted from total of net assets	55,565	333	495,278
Including, amount paid in for preferred stock	55,000	-	490,239
Including, preferred dividends	132	-	1,180
Including, stock acquisition rights	95	46	853
Including, non-controlling interests	337	286	3,004
Net asset amount for common stock at year end	227,791	202,882	2,030,411
Number of shares of common stock outstanding at year end for calculating net assets per share (thousands of shares)	30,469	29,057	

17. Other Income

Other income for the years ended March 31, 2017 and 2016 is as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
Gain on sales of securities	¥ 1,235	¥ 969	\$ 11,014
Gain on sales of monetary claims	17	0	153
Equity in earnings of investment in affiliate	78	189	700
Gain on negative goodwill	19,443	-	173,311
Gain on recovery of write-offs of monetary claims	186	528	1,665
Gain on disposition of fixed assets	5	258	45
Gain on state subsidy and other grants	156	132	1,395
Other	1,156	1,323	10,309
Total	¥ 22,280	¥ 3,402	\$ 198,596

18. General and Administrative Expenses

General and administrative expenses include following items for the years ended March 31, 2017 and 2016:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
Salaries and allowances	¥ 26,983	¥ 24,982	\$ 240,514
Retirement benefit expenses	1,497	213	13,350
Operations consignment expenses	6,065	4,918	54,061

19. Other Expenses

Other expenses for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
Write-offs of loans	¥ 242	¥ 190	\$ 2,160
Loss on sales of securities	121	299	1,083
Loss on sales of monetary claims	156	117	1,396
Loss on disposition of fixed assets	278	171	2,478
Provision for special account for advanced depreciation of fixed assets	-	122	-
Reserve for losses on cancellation of system contracts	200	-	1,782
Provision for loan losses	2,419	1,103	21,565
Other	2,703	1,737	24,100
Total	¥ 6,121	¥ 3,742	\$ 54,567

20. Comprehensive Income

Each component of other comprehensive (loss) income for the years ended March 31, 2017 and 2016 was the following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2017	2016	U.S. Dollars
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (5,301)	¥ 1,188	\$ (47,258)
Reclassification adjustments to profit or loss	(2,271)	(3,165)	(20,248)
Amount before income tax effect	(7,573)	(1,976)	(67,506)
Income tax effect	2,255	692	20,099
Total	(5,318)	(1,284)	(47,407)
Deferred gains or losses on hedges			
Amount arising during the year	1	(2)	15
Reclassification adjustments to profit or loss	(12)	9	(112)
Amount before income tax effect	(10)	6	(97)
Income tax effect	4	(2)	35
Total	(6)	4	(62)
Revaluation reserve for land			
Amount arising during the year	-	-	-
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	-	-	-
Income tax effect	-	0	-
Total	-	0	-
Foreign currency translation adjustments			
Amount arising during the year	(3)	(5)	(32)
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	(3)	(5)	(32)
Income tax effect	-	-	-
Total	(3)	(5)	(32)
Remeasurements of defined benefit plans			
Amount arising during the year	3,514	(7,837)	31,327
Reclassification adjustments to profit or loss	830	(400)	7,400
Amount before income tax effect	4,344	(8,237)	38,728
Income tax effect	(1,339)	2,582	(11,937)
Total	3,005	(5,654)	26,790
Share of other comprehensive income of affiliate accounted for by the equity method			
Amount arising during the year	104	(102)	932
Reclassification adjustments to profit or loss	-	(5)	-
Amount before income tax effect	104	(108)	932
Income tax effect	-	-	-
Total	104	(108)	932
Total other comprehensive (loss) income	¥ (2,218)	¥ (7,046)	\$ (19,778)

21. Supplementary Cash Flow Information

The reconciliation of cash and due from banks in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2017 and 2016 was as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
Cash and due from banks	¥ 515,886	¥ 405,539	\$ 4,598,327
Time deposits	(40)	(2,043)	(363)
Negotiable certificates of deposit	(10,000)	(10,000)	(89,134)
Other deposits	(1,400)	(439)	(12,486)
Cash and cash equivalents	¥ 504,444	¥ 393,056	\$ 4,496,343

22. Assets and Liabilities Held by Subsidiary Newly Consolidated through Share Exchange

For the year ended March 31, 2017, breakdown of assets and liabilities held by ShinGinko Tokyo newly consolidated through share exchange at the time of the consolidation was as follows.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
Total assets	¥ 463,533		\$ 4,131,682
Including, loans and bills discounted		222,587	1,984,020
Including, securities		175,000	1,559,862
Including, reserve for loan losses		(5,976)	(53,272)
Total liabilities		400,370	3,568,680
Including, deposits		293,445	2,615,613

23. Leases

Finance leases

As lessee of finance leases which do not transfer ownership of leased assets to lessees:

The leased assets primarily consist of computers, office machinery and equipment and software. See Note 1. f. for the depreciation method of the leased assets.

Operating leases

Total future lease payments under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

As lessee

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
Within one year	¥ 119	¥ 103	\$ 1,069
Over one year	189	230	1,692
Total	¥ 309	¥ 333	\$ 2,761

As lessor

	Millions of Yen		Thousands of U.S. Dollars	
	2017	2016	2017	
Within one year	¥ 26	¥ 60	\$ 238	
Over one year	-	26	-	
Total	¥ 26	¥ 87	\$ 238	

24. Financial Instruments

Overview

(1) Policy for financial instruments

The Group's operations center on the banking business such as deposits business and lending business, with financial services including credit card services and credit guarantee services. The Group raises funds mainly through local customer deposits and invests them in loans and bills discounted and securities. In this way, the Group principally holds financial assets and financial liabilities that are subject to interest rate fluctuations, and the Group conducts asset-liability management (ALM) to minimize the negative impact of interest rate fluctuations. ALM includes the use of derivative transactions.

(2) Primary details of financial instruments and their risk

The Group's financial assets mainly consist of loans and bills discounted extended to domestic corporate and private customers, and securities. Loans and bills discounted are subject to credit risk stemming from a borrower's failure to meet a contractual obligation.

Securities mainly consist of domestic debt and equity securities and investment funds. Debt securities are classified into held-to-maturity securities and available-for-sale securities. In addition, trading account securities are held for trading purposes. These securities are subject to issuers' credit risk and market fluctuation risk in interest rates and prices, respectively.

The Group's financial liabilities mainly consist of deposits raised from domestic corporate and private customers. Such deposits are subject to liquidity risk, which is the risk that the Group is unable to secure the funds required to honor these deposits because of certain conditions in the operating environment.

The Group is also engaged in derivative transactions with domestic corporate customers and financial institutions. Such derivative transactions are subject to credit risk stemming from a counterparty's failure to meet a contractual obligation and market fluctuation risk in interest rates and exchange rates.

(3) Risk management system for financial instruments

(a) Integrated risk management

The Group establishes an integrated risk management system that captures overall risks evaluated by risk category, compares them with the Group's strength and checks its management soundness.

(b) Management of credit risk

The Group manages credit risk appropriately, in accordance with rules and standards for credit risk management, mainly through credit screening of each proposal with a perspective of future business prospects, credit rating of each borrower, self-assessment of loan assets, assistance efforts for business reconstruction and problem loan management. Credit portfolio is monitored for concentration level by industry and customer and is aimed to be developed eliminating concentration risk.

Credit risk management is handled by each branch office and the Credit Management Department and reported regularly to the Company's Risk Management Committee. The audit function audits the status of credit risk management.

(c) Management of market risk

The Group manages market risk appropriately, in accordance with rules and standards for market risk management, through evaluating, monitoring and controlling market risk under the mutual checking structure of three departments, the Market Transaction Department (front office), the Market Operations Management Department (back office) and the Market Risk Management Department (middle office).

The Market Risk Management Department measures the volume of market risk for measurable market risk and, in order to control the market risk volume appropriately, sets limits to holdings and losses, monitors the status of compliance and reports to the Group Risk Management Committee on a monthly basis.

The Group's main financial instruments affected by market risk are "Due from banks," "Securities," "Loans and bills discounted," "Deposits," "Borrowed money," "Bonds payable" and "Derivative transactions."

The Group calculates Value at Risk (VaR) on these financial assets and financial liabilities (observation period of five years, holding period of six months for listed stocks other than those held for political reasons, Japanese government bonds, Japanese local government bonds, Japanese corporate bonds, investment funds, foreign securities, deposits, loans and bills discounted, interest rate swaps and other assets and liabilities that have interest rate sensitivity, and one year for listed stocks held for political reasons, confidence interval of 99%, variance-covariance method) and uses it to capture and control the volume of market risk.

The Group's volume of market risk is managed as the sum of that of the consolidated subsidiaries, Tokyo Tomin, Yachiyo and ShinGinko Tokyo, and, as of March 31, 2017 and 2016, the volume of market risk were ¥41,011 million (\$365,549 thousand) and ¥40,634 million, respectively.

However, such volume is calculated using certain statistical probabilities based on historical market fluctuations. Consequently, this process may not capture risk in the event that market condition changes drastically in a manner that is unthinkable under normal circumstances.

The Group conducts back-testing with respect to each banking subsidiary to check the accuracy of market risk measurement model by comparing the VaR calculated by the model with actual gains or losses. As a result of such back-testing for the year ended March 31, 2017, the Group believes that the model being used captures market risk to an adequate degree of precision.

(d) Management of liquidity risk

In the Group, in accordance with rules and standards for liquidity risk management, the Liquidity Risk Management Department appropriately handles daily stable cash flow management, mainly through watching market environment and analyzing the status of financing and investments.

The status of cash flow management and status of financing and investments are monitored daily, including holding certain level or more of assets as liquidity reserve that are readily convertible into cash in a short time, and is reported regularly to the Company's Risk Management Committee.

(4) Supplementary explanations of the estimated fair value of financial instruments

The fair value of financial instruments is based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheets as of March 31, 2017 and 2016 were as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (See Note 2 below). Immaterial items are omitted.

				<i>Millions of Yen</i>		
				2017		
				Carrying value	Fair value	Difference
Assets:						
(1) Cash and due from banks	¥	515,886	¥	515,886	¥	-
(2) Trading account securities:						
Trading securities		794		794		-
(3) Securities:						
Held-to-maturity bonds		465,063		480,785		15,722
Available-for-sale securities		798,197		798,197		-
(4) Loans and bills discounted		3,621,372				
Reserve for loan losses (*1)		(28,431)				
		3,592,940		3,618,333		25,392
Total	¥	5,372,883	¥	5,413,997	¥	41,114
Liabilities:						
(1) Deposits	¥	4,717,562	¥	4,717,519	¥	(42)
(2) Payables under securities lending transactions		361,309		361,309		-
(3) Borrowed money		103,416		103,429		13
Total	¥	5,182,288	¥	5,182,258	¥	(29)
Derivatives (*2):						
Hedge accounting not applied	¥	1,179	¥	1,179	¥	-
Hedge accounting applied		-		-		-
Total	¥	1,179	¥	1,179	¥	-
				<i>Millions of Yen</i>		
				2016		
				Carrying value	Fair value	Difference
Assets:						
(1) Cash and due from banks	¥	405,539	¥	405,533	¥	(5)
(2) Trading account securities:						
Trading securities		658		658		-
(3) Securities:						
Held-to-maturity bonds		522,745		543,804		21,059
Available-for-sale securities		679,839		679,839		-
(4) Loans and bills discounted		3,359,919				
Reserve for loan losses (*1)		(23,479)				
		3,336,440		3,371,825		35,384
Total	¥	4,945,223	¥	5,001,661	¥	56,438
Liabilities:						
(1) Deposits	¥	4,502,192	¥	4,502,306	¥	114
(2) Payables under securities lending transactions		293,327		293,327		-
Total	¥	4,795,520	¥	4,795,634	¥	114
Derivatives (*2):						
Hedge accounting not applied	¥	1,514	¥	1,514	¥	-
Hedge accounting applied		(10)		(10)		-
Total	¥	1,503	¥	1,503	¥	-

<i>Thousands of U.S. Dollars</i>			
2017			
	Carrying value	Fair value	Difference
Assets:			
(1) Cash and due from banks	\$ 4,598,327	\$ 4,598,327	\$ -
(2) Trading account securities:			
Trading securities	7,082	7,082	-
(3) Securities:			
Held-to-maturity bonds	4,145,317	4,285,457	140,139
Available-for-sale securities	7,114,697	7,114,697	-
(4) Loans and bills discounted	32,278,925		
Reserve for loan losses (*1)	(253,423)		
	<u>32,025,501</u>	<u>32,251,831</u>	<u>226,330</u>
Total	\$ 47,890,926	\$ 48,257,396	\$ 366,470
Liabilities:			
(1) Deposits	\$ 42,049,755	\$ 42,049,373	\$ (382)
(2) Payables under securities lending transactions	3,220,518	3,220,518	-
(3) Borrowed money	921,793	921,912	118
Total	\$ 46,192,067	\$ 46,191,803	\$ (263)
Derivatives (*2):			
Hedge accounting not applied	\$ 10,511	\$ 10,511	\$ -
Hedge accounting applied	-	-	-
Total	\$ 10,511	\$ 10,511	\$ -

(*1) General and specific reserve for loan losses on “Loans and bills discounted” are deducted.

(*2) Derivatives are included within the amounts indicated for “Other assets” and “Other liabilities.” Net amounts of receivables and payables arising from derivative transactions are indicated. Parentheses indicate totals that are net payable amounts.

Notes:

1. Primary method of calculating the fair value of financial instruments

Assets

(1) Cash and due from banks

With regard to cash and due from banks without maturities and with short-term remaining maturities (within one year), the fair values and book values are similar, so the book values are assumed as the fair values. For due from banks with maturities over one year, the fair values are determined by the prices indicated by the financial institutions handling these transactions for the Group.

(2) Trading account securities

The fair values of bonds and other securities held for dealing operations are determined by the statistical reference prices released by the Japan Securities Dealers Association or the prices indicated by the financial institutions handling these transactions for the Group.

(3) Securities

The fair values of equity securities are determined by their prices on stock exchanges. The fair values of bonds are determined by the reference statistical prices released by the Japan Securities Dealers Association or the prices indicated by the financial institutions handling these transactions for the Group. For investment trusts, the fair values are determined by the publicly released base prices or base prices indicated by securities investment trust management companies. For private placement bonds guaranteed by the Group, the present values calculated by the discounted cash flow method are assumed as the fair values.

With regard to private placement bonds guaranteed by the Group issued by bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, the fair values are similar to the expected amounts of recoveries calculated based on guarantees, etc. at the consolidated balance sheet date, so those expected amounts are assumed as the fair values.

See Note 3 for the description of securities by classification.

(4) Loans and bills discounted

With regard to loans with floating interest rates, as they reflect market interest rates in the short term, the fair values of them are similar to the book values unless the credit status of the borrowers change significantly after execution, so the book values are assumed as the fair values. With regard to those with fixed interest rates, the present values are assumed as the fair values, being calculated by discounting the future cash flows by the appropriate index interest rates such as interest rate swap rates plus credit spread, etc., or by the assumed rates which would be applied if a similar new loan were entered into. For those with short-term remaining maturities (within one year), the fair values and book values are similar, so the book values are assumed as the fair values.

With regard to loans to bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, the reserve for loan losses is provided based on the expected amounts of recoveries from collateral and guarantees, and the fair values are similar to the amounts of claims less the reserve for loan losses on the consolidated balance sheet at the consolidated balance sheet date, so the net amounts are taken as the fair value.

For loans that have no specific repayment period because loan amounts are limited within the value of the assets securing them, the fair values are assumed to be similar to the book values based on their expected payment dates and interest rates, so the book values are taken as the fair value.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional treatment are accounted for as part of hedged loans. Their fair values are determined using discounted present values and included in the fair values of the hedged loans.

Liabilities

(1) Deposits

The fair values of demand deposits are determined as if the payment amounts (book values) were demanded on the consolidated balance sheet date. The fair values of time deposits and installment savings are calculated by categorizing these deposits and savings by term, estimating their future cash flows and discounting them to their present values at the rate applied to new deposits (the actual rate for the last month of the fiscal year). For those with short-term remaining maturities (within one year), the fair values and book values are similar, so the book values are assumed as the fair values.

(2) Payables under securities lending transactions

With regard to payables under securities lending transactions, the maturities remain short-term (within one year) and the fair values and book values are similar, so the book values are assumed as the fair values.

(3) Borrowed money

With regard to borrowed money with floating interest rates, as they reflect market interest rates in the short term, and the credit status of the Company and the consolidated subsidiaries has not changed significantly since the execution, the fair values of them are similar to the book values, so the book values are assumed as the fair values. With regard to those with fixed interest rates, the present values are assumed as the fair values, being calculated for the sum of the principal and interest categorized by the remaining period to the maturity, by discounting by the assumed rates which would be applied if a new similar borrowing were made. For those with short-term remaining maturities (within one year), the fair values and book values are similar, so the book values are assumed as the fair values.

Derivatives

Fair value information for derivatives is included in Note 25.

2. Financial instruments for which it is extremely difficult to determine the fair value

Carrying values of financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2017 and 2016 were as follows. These amounts are not included in “Assets, (3) Available-for-sale securities” in the above table.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2017	2016	2017
	Carrying value		
Unlisted stocks (*1) (*3)	¥ 5,056	¥ 5,146	\$ 45,072
Investments in limited partnerships (*2) (*3)	12,846	2,365	114,509
Total	¥ 17,903	¥ 7,512	\$ 159,582

(*1) Unlisted stocks are not subject to disclosures of fair values because there are no quoted market price and it is extremely difficult to determine the fair value.

(*2) Investments in limited partnerships are not subject to disclosures of fair values because their assets comprise those extremely difficult to determine fair values, such as unlisted stocks.

(*3) For the year ended March 31, 2017, impairment losses were not recorded.

For the year ended March 31, 2016, impairment losses were ¥0 million on unlisted stocks.

3. Redemption schedule for receivables and securities with maturities

The redemption schedule for receivables and securities with maturities as of March 31, 2017 and 2016 are summarized as follows:

	<i>Millions of Yen</i>					
	2017					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 475,564	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	2,470	11,100	97,100	147,000	-	44,000
Japanese local government bonds	10,980	5,780	13,824	1,500	1,150	350
Japanese corporate bonds	16,565	9,693	39,012	14,758	9,800	2,971
Foreign securities	-	-	16,828	5,609	2,000	4,000
Available-for-sale securities with maturities:						
Japanese government bonds	24,000	130,130	5,000	-	-	16,000
Japanese local government bonds	2,283	8,159	2,927	5,533	14,638	3,960
Japanese short-term corporate bonds	10,000	-	-	-	-	-
Japanese corporate bonds	40,829	81,301	100,528	29,262	40,637	28,776
Other	2,531	14,167	62,962	24,983	66,744	10,701
Loans and bills discounted (*)	763,687	726,049	451,302	288,381	313,907	752,795
Total	¥ 1,348,911	¥ 986,381	¥ 789,485	¥ 517,029	¥ 448,877	¥ 863,555

<i>Millions of Yen</i>						
2016						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 365,182	¥ -	¥ 2,000	¥ -	¥ -	¥ -
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	44,140	8,070	68,600	133,000	48,000	34,000
Japanese local government bonds	33,010	14,510	5,000	12,124	1,550	400
Japanese corporate bonds	13,140	22,208	16,932	34,998	6,990	-
Foreign securities	-	-	11,268	-	3,000	4,000
Available-for-sale securities with maturities:						
Japanese government bonds	-	140,000	11,600	-	10,000	13,000
Japanese local government bonds	4,254	5,040	7,208	314	29,958	975
Japanese short-term corporate bonds	10,000	-	-	-	-	-
Japanese corporate bonds	38,614	67,214	107,603	11,133	24,405	6,677
Other	3,625	18,494	75,603	6,692	31,335	-
Loans and bills discounted (*)	721,324	656,701	408,077	298,205	328,051	661,379
Total	<u>¥ 1,233,290</u>	<u>¥ 932,238</u>	<u>¥ 713,892</u>	<u>¥ 496,467</u>	<u>¥ 483,291</u>	<u>¥ 720,431</u>

<i>Thousands of U.S. Dollars</i>						
2017						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	\$ 4,238,918	\$ -	\$ -	\$ -	\$ -	\$ -
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	22,016	98,939	865,496	1,310,277	-	392,191
Japanese local government bonds	97,869	51,519	123,219	13,370	10,250	3,119
Japanese corporate bonds	147,651	86,398	347,731	131,544	87,351	26,483
Foreign securities	-	-	150,000	50,000	17,826	35,653
Available-for-sale securities with maturities:						
Japanese government bonds	213,922	1,159,907	44,567	-	-	142,615
Japanese local government bonds	20,355	72,732	26,097	49,325	130,477	35,300
Japanese short-term corporate bonds	89,134	-	-	-	-	-
Japanese corporate bonds	363,932	724,673	896,054	260,832	362,219	256,494
Other	22,564	126,283	561,211	222,692	594,927	95,390
Loans and bills discounted (*)	6,807,091	6,471,606	4,022,661	2,570,475	2,797,994	6,710,005
Total	<u>\$ 12,023,458</u>	<u>\$ 8,792,060</u>	<u>\$ 7,037,038</u>	<u>\$ 4,608,517</u>	<u>\$ 4,001,048</u>	<u>\$ 7,697,255</u>

(*) As of March 31, 2017 and 2016, loans do not include an estimated ¥90,033 million (\$802,509 thousand) and ¥87,883 million, respectively, in uncollectible loans such as those to bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, and ¥235,215 million (\$2,096,579 thousand) and ¥198,295 million, respectively, in loans that have no set term.

4. Repayment schedule for other interest-bearing liabilities

The repayment schedule for other interest-bearing liabilities as of March 31, 2017 and 2016 are summarized as follows:

<i>Millions of Yen</i>						
2017						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 4,433,756	¥ 244,949	¥ 38,785	¥ 27	¥ 25	¥ 17
Payables under securities lending transactions	361,309	-	-	-	-	-
Borrowed money	30,278	40,104	28,033	-	5,000	-
Total	¥ 4,825,344	¥ 285,053	¥ 66,819	¥ 27	¥ 5,025	¥ 17

<i>Millions of Yen</i>						
2016						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 4,312,538	¥ 170,939	¥ 18,630	¥ 33	¥ 29	¥ 20
Payables under securities lending transactions	293,327	-	-	-	-	-
Total	¥ 4,605,865	¥ 170,939	¥ 18,630	¥ 33	¥ 29	¥ 20

<i>Thousands of U.S. Dollars</i>						
2017						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	\$39,520,067	\$2,183,345	\$ 345,712	\$ 243	\$ 228	\$ 158
Payables under securities lending transactions	3,220,518	-	-	-	-	-
Borrowed money	269,881	357,466	249,877	-	44,567	-
Total	\$43,010,467	\$2,540,812	\$ 595,590	\$ 243	\$ 44,795	\$ 158

(*) Within deposits, demand deposits are included in the column of “Due in one year or less.”

25. Derivative Transactions

The Group has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates and foreign currency exchange rates.

The fair value and unrealized gain or loss on derivative transactions are estimates considered appropriate based on the market at the balance sheet date and, thus, fair value is not necessarily indicative of the actual amounts that may be realized or settled in the future. The contract or notional amount is not a direct measure of the Group's risk exposure in connection with the derivative transactions.

Summarized below are the contract or notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2017 and 2016, for which hedge accounting has not been applied.

(1) Interest-related transactions

<i>Millions of Yen</i>					
2017					
	Contract or notional amount	Contract or notional amount due after one year	Fair Value	Unrealized gains (losses)	
Over-the-counter (OTC) interest rate swaps:					
Receive/fixed and pay/floating	¥ 128,913	¥ 110,763	¥ 1,484	¥	1,484
Receive/floating and pay/fixed	128,054	110,838	(324)	¥	(324)
OTC interest rate swaptions:					
Sell	1,070	420	(1)	¥	6
Buy	1,070	420	1	¥	1
OTC interest rate caps:					
Sell	2,208	1,924	-	¥	65
Buy	2,337	2,053	-	¥	(16)
Total			¥ 1,159	¥	1,215

<i>Millions of Yen</i>					
2016					
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)	
OTC interest rate swaps:					
Receive/fixed and pay/floating	¥ 132,367	¥ 115,163	¥ 2,013	¥	2,013
Receive/floating and pay/fixed	130,967	113,718	(954)	¥	(954)
OTC interest rate swaptions:					
Sell	2,970	1,070	(0)	¥	17
Buy	2,970	1,070	0	¥	0
OTC interest rate caps:					
Sell	2,883	2,825	-	¥	77
Buy	2,937	2,825	-	¥	(19)
Total			¥ 1,059	¥	1,135

Thousands of U.S. Dollars

	2017			
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)
OTC interest rate swaps:				
Receive/fixed and pay/floating	\$ 1,149,064	\$ 987,281	\$ 13,233	\$ 13,233
Receive/floating and pay/fixed	1,141,408	987,949	(2,894)	(2,894)
OTC interest rate swaptions:				
Sell	9,537	3,743	(14)	53
Buy	9,537	3,743	14	14
OTC interest rate caps:				
Sell	19,688	17,156	-	581
Buy	20,838	18,306	-	(150)
Total			<u>\$ 10,338</u>	<u>\$ 10,838</u>

Notes:

1. The above derivative transactions are stated at fair value with the valuation difference being included in the consolidated statements of income.
2. The fair values of the OTC transactions are determined using the discounted present values or option pricing model.

(2) Currency-related transactions

Millions of Yen

	2017			
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)
OTC currency swaps	¥ 10,830	¥ 6,151	¥ 12	¥ 12
OTC foreign exchange contracts:				
Sell	43,658	446	(162)	(162)
Buy	24,196	280	169	169
OTC currency options:				
Sell	24,799	2,289	(420)	108
Buy	24,799	2,289	420	26
Total			<u>¥ 19</u>	<u>¥ 154</u>

<i>Millions of Yen</i>				
2016				
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)
OTC currency swaps	¥ 14,807	¥ 4,380	¥ 30	¥ 30
OTC foreign exchange contracts:				
Sell	28,334	411	549	549
Buy	14,449	140	(126)	(126)
OTC currency options:				
Sell	8,822	896	(119)	72
Buy	8,901	896	120	(15)
Total			¥ 455	¥ 511

<i>Thousands of U.S. Dollars</i>				
2017				
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)
OTC currency swaps	\$ 96,533	\$ 54,834	\$ 114	\$ 114
OTC foreign exchange contracts:				
Sell	389,152	3,976	(1,451)	(1,451)
Buy	215,672	2,503	1,510	1,510
OTC currency options:				
Sell	221,048	20,403	(3,744)	969
Buy	221,048	20,403	3,744	237
Total			\$ 173	\$ 1,380

Notes:

1. The above derivative transactions are stated at fair value with the valuation difference being included in the consolidated statements of income.
2. The fair values of the OTC transactions are determined using the discounted present values or option pricing model.

Summarized below are the contract or notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2017 and 2016, for which hedge accounting has been applied.

(1) Interest-related transactions

			<i>Millions of Yen</i>		
			2017		
	Method of accounting	Hedged item	Contract or notional amount	Contract or notional amount due after one year	Fair value
Interest rate swaps:					
Receive/floating and pay/fixed	Basic method	Loans and bills discounted	¥ -	¥ -	¥ -
Interest rate swaps:					
Receive/fixed and pay/floating	Exceptional treatment	Loans and bills discounted	32,849	32,539	(Note 3)
Total					<u>¥ -</u>
			<i>Millions of Yen</i>		
			2016 (Note 1)		
	Method of accounting	Hedged item	Contract or notional amount	Contract or notional amount due after one year	Fair value
Interest rate swaps:					
Receive/floating and pay/fixed	Basic method	Loans and bills discounted	¥ 550	¥ -	¥ (10)
Interest rate swaps:					
Receive/fixed and pay/floating	Exceptional treatment	Loans and bills discounted	39,778	33,271	(Note 3)
Total					<u>¥ (10)</u>
			<i>Thousands of U.S. Dollars</i>		
			2017		
	Method of accounting	Hedged item	Contract or notional amount	Contract or notional amount due after one year	Fair value
Interest rate swaps:					
Receive/fixed and pay/floating	Exceptional treatment	Loans and bills discounted	292,798	290,035	(Note 3)
Total					<u>\$ -</u>

Notes:

- For the year ended March 31, 2016, the Group basically applied the deferred method which is stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

2. The fair values of the exchange-traded transactions are based on the closing/final price at Tokyo Financial Exchange. The fair values of the OTC transactions are determined using the discounted present values or option pricing model.
3. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional treatment are accounted for as part of hedged loans and their fair values are included in the fair values of the hedged loans.

26. Segment Information

The Group's only reporting segment is the banking business. Note that the Group operates businesses outside the banking business, including a computer-related service business, an information provision service business, and credit card services. This information has been omitted because the ratio of these businesses to all segments is not material.

(1) Information by service

	<i>Millions of Yen</i>				
	2017				
	Lending	Securities investment	Service transactions	Other	Total
Ordinary income from external customers	¥ 46,196	¥ 15,708	¥ 16,165	¥ 5,021	¥ 83,092

	<i>Millions of Yen</i>				
	2016				
	Lending	Securities investment	Service transactions	Other	Total
Ordinary income from external customers	¥ 46,269	¥ 12,250	¥ 15,832	¥ 5,232	¥ 79,583

	<i>Thousands of U.S. Dollars</i>				
	2017				
	Lending	Securities investment	Service transactions	Other	Total
Ordinary income from external customers	\$ 411,772	\$ 140,017	\$ 144,093	\$ 44,760	\$ 740,644

Note: Ordinary income is presented as counterparts of sales of companies in other industries.

(2) Information by geographical area

(a) Ordinary income

Ordinary income from external customers by geographical area has been omitted as ordinary income from the domestic operations accounted for more than 90% of the consolidated ordinary income.

(b) Tangible fixed assets

Information about tangible fixed assets by geographical area has been omitted as tangible fixed assets in Japan accounted for more than 90% of the consolidated tangible fixed assets.

(3) Information by major customers

Information by major customers has been omitted as no single customer accounts for more than 10% of the consolidated ordinary income.

27. Business Combination

1. Overview of the business combination

(1) Name, business content and size of the acquired company

Name of company: ShinGinko Tokyo
Description of business: Banking business
Capital: ¥20,000 million (\$178,269 thousand)

(2) Main reasons for the business combination

While both of the Company and ShinGinko Tokyo have contributed to facilitating regional finance and regional economic development as regional finance providers in the capital of Tokyo, taking advantage of respective strength, the management integration has been implemented because both companies have the common business objective of supporting small and medium-sized enterprises in Tokyo and it is expected to give full scope to their ability as regional finance providers in the Tokyo metropolitan area through achieving synergy by the integration.

(3) Date of the business combination

April 1, 2016

(4) Legal form of the business combination

Share exchange

(5) Company name after the business combination

No change to the company name after the business combination.

(6) The acquired ratio of voting rights

100%

(7) Main basis for deciding on the acquiring company

The Company was designated as the acquiring company as a result of comprehensive consideration of factors including acquisition-deciding factors in the applicable accounting standards for business combinations and various other factors.

2. Period of performance of the acquired company included in the consolidated financial statements

From April 1, 2016 to March 31, 2017

3. Acquisition costs for the acquired company and breakdown

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Consideration for the acquisition:		
The Company's common stock delivered at the business combination date	¥ 3,719	\$ 33,151
The Company's preferred stock delivered at the business combination date	40,000	356,538
Acquisition cost	<u>¥ 43,719</u>	<u>\$ 389,689</u>

4. Exchange ratio by type of stock, the calculation method, and number of shares delivered

(1) Exchange ratio by type of stock

- (i) 0.24 share of the Company common stock for every 1 share of ShinGinko Tokyo common stock
- (ii) 1 share of the Company preferred stock for every 1 share of ShinGinko Tokyo preferred stock

(2) Calculation method for the share exchange ratio

The calculation of the share exchange ratio was first commissioned to multiple financial advisors as third-party calculation institutions, and then, determined through consultation among the relevant parties based on the reports submitted by the advisors.

- (3) Number of shares delivered
- | | |
|-----------------|------------------|
| Common stock | 1,422,289 shares |
| Preferred stock | 2,000,000 shares |

5. Major content and amount of acquisition related cost
 Advisory fees and commissions: ¥144 million (\$1,284 thousand)

6. Amount and cause of accrual of gain on negative goodwill

- (1) Amount of gain on negative goodwill
 ¥19,443 million (\$173,311 thousand)

- (2) Cause of accrual

As the acquisition costs were lower than the net of the amounts allocated to the acquired assets and assumed liabilities, the difference was recognized as a gain on negative goodwill.

7. Amounts of the acquired assets and assumed liabilities as of the date of the business combination and breakdown

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Total assets	¥ 463,533	\$ 4,131,682
Including, loans and bills discounted	222,587	1,984,020
Including, securities	175,000	1,559,862
Including, reserve for loan losses	(5,976)	(53,272)
Total liabilities	400,370	3,568,680
Including, deposits	293,445	2,615,613

28. Subsequent Event

Dividends

The following distribution of retained earnings of the Group, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at the board of directors' meeting held on May 12, 2017 and became effective on June 12, 2017:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Dividends on common stock (¥ 30 (\$0.26) per share)	¥ 914	\$ 8,147
Dividends on 1st tranche class 1 preferred stock (¥127.64 (\$1.13) per share)	95	853
Dividends on class 2 preferred stock (¥18.364 (\$0.16) per share)	36	327

The Tokyo Tomin Bank, Limited
Non-consolidated Balance Sheets (Unaudited)
As of March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Assets			
Cash and due from banks	¥ 316,026	¥ 295,235	\$ 2,816,887
Call loans	987	4,497	8,800
Monetary claims bought	2,004	0	17,867
Trading account securities	32	31	289
Securities	543,504	586,946	4,844,497
Loans and bills discounted	1,837,946	1,842,130	16,382,443
Foreign exchanges	3,329	3,406	29,676
Other assets	24,694	17,051	220,117
Tangible fixed assets	34,477	32,574	307,317
Intangible fixed assets	1,099	1,116	9,797
Prepaid pension cost	16,221	14,316	144,589
Deferred tax assets	3,629	4,194	32,349
Customers' liabilities for acceptances and guarantees	3,078	2,926	27,440
Reserve for loan losses	(13,725)	(12,466)	(122,341)
Total assets	<u>¥ 2,773,306</u>	<u>¥ 2,791,960</u>	<u>\$ 24,719,733</u>
Liabilities			
Deposits	¥ 2,312,237	¥ 2,390,437	\$ 20,610,013
Negotiable certificates of deposit	18,740	32,706	167,038
Call money	-	474	-
Payables under securities lending transactions	312,048	236,597	2,781,433
Borrowed money	5,216	7,225	46,492
Foreign exchanges	935	65	8,341
Bonds payable	-	16,000	-
Other liabilities	13,924	13,212	124,119
Reserve for employees' bonuses	1,087	1,079	9,691
Reserve for officers and directors' retirement benefits	75	60	674
Reserve for point card program	2	2	22
Reserve for losses from reimbursement of inactive accounts	397	374	3,542
Reserve for losses on cancellation of system contracts	85	-	757
Reserve for contingent losses	280	291	2,500
Deferred tax liabilities on land revaluation	14	14	129
Acceptances and guarantees	3,078	2,926	27,440
Total liabilities	<u>2,668,124</u>	<u>2,701,469</u>	<u>23,782,196</u>
Net assets			
Shareholders' equity:			
Common stock	55,620	48,120	495,771
Capital surplus	25,583	18,083	228,035
Retained earnings	20,387	18,655	181,719
Total shareholders' equity	<u>101,590</u>	<u>84,859</u>	<u>905,525</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	3,800	5,840	33,878
Revaluation reserve for land	(209)	(209)	(1,867)
Total accumulated other comprehensive income	<u>3,591</u>	<u>5,631</u>	<u>32,011</u>
Total net assets	<u>105,182</u>	<u>90,491</u>	<u>937,536</u>
Total liabilities and net assets	<u>¥ 2,773,306</u>	<u>¥ 2,791,960</u>	<u>\$ 24,719,733</u>

See notes to consolidated financial statements.

The Tokyo Mimin Bank, Limited
Non-consolidated Statements of Income (Unaudited)
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Income			
Interest income:			
Interest on loans and discounts	¥ 22,785	¥ 24,503	\$ 203,095
Interest and dividends on securities	7,466	5,677	66,555
Interest on call loans	59	54	534
Interest on receivables under securities borrowing transactions	0	-	0
Interest on due from banks	228	233	2,033
Other interest income	131	149	1,174
Fees and commissions	8,431	8,204	75,152
Other operating income	2,692	2,209	24,003
Other income	1,659	1,684	14,789
Total income	<u>43,455</u>	<u>42,717</u>	<u>387,340</u>
Expenses			
Interest expense:			
Interest on deposits	574	1,047	5,117
Interest on negotiable certificates of deposit	4	26	43
Interest on call money	13	7	117
Interest on payables under securities lending transactions	1,215	649	10,835
Interest on borrowed money	103	126	921
Interest on bonds payable	225	488	2,014
Other interest expense	41	31	371
Fees and commissions payments	2,583	2,689	23,024
Other operating expenses	923	142	8,233
General and administrative expenses	29,418	28,317	262,221
Other expenses	3,908	2,310	34,841
Total expenses	<u>39,013</u>	<u>35,837</u>	<u>347,743</u>
Income before income taxes	4,442	6,880	39,596
Income taxes:			
Current	231	84	2,060
Deferred	1,440	2,564	12,843
Total income taxes	<u>1,672</u>	<u>2,649</u>	<u>14,903</u>
Net income	<u>¥ 2,770</u>	<u>¥ 4,231</u>	<u>\$ 24,692</u>

See notes to consolidated financial statements.

The Yachiyo Bank, Limited
Non-consolidated Balance Sheets (Unaudited)
As of March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Assets			
Cash and due from banks	¥ 173,743	¥ 110,233	\$ 1,548,655
Call loans	-	39,577	-
Monetary claims bought	3,787	4,202	33,759
Trading account securities	762	627	6,792
Securities	566,529	613,955	5,049,731
Loans and bills discounted	1,552,605	1,517,513	13,839,073
Foreign exchanges	4,255	3,124	37,928
Other assets	13,146	8,302	117,176
Tangible fixed assets	30,253	29,368	269,664
Intangible fixed assets	583	786	5,197
Deferred tax assets	5,727	3,359	51,047
Customers' liabilities for acceptances and guarantees	2,766	2,934	24,657
Reserve for loan losses	(10,227)	(9,736)	(91,165)
Total assets	¥ 2,343,931	¥ 2,324,249	\$ 20,892,519
Liabilities			
Deposits	¥ 2,149,113	¥ 2,124,520	\$ 19,156,017
Negotiable certificates of deposit	6,730	5,630	59,987
Call money	15,706	-	140,000
Payable under securities lending transactions	49,260	56,730	439,085
Borrowed money	-	5,000	-
Foreign exchanges	0	2	4
Other liabilities	4,416	12,687	39,362
Reserve for employees' bonuses	855	844	7,623
Reserve for officers and directors' retirement benefits	2,575	2,810	22,957
Reserve for losses from reimbursement of inactive accounts	613	614	5,466
Reserve for losses on cancellation of system contracts	85	-	757
Reserve for contingent losses	370	367	3,302
Deferred tax liabilities on land revaluation	2,481	2,481	22,123
Acceptances and guarantees	2,766	2,934	24,657
Total liabilities	2,234,975	2,214,623	19,921,344
Net assets			
Shareholders' equity:			
Common stock	43,734	43,734	389,828
Capital surplus	32,922	32,922	293,455
Retained earnings	30,496	27,540	271,830
Total shareholders' equity	107,154	104,197	955,114
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,184	4,819	10,560
Deferred gains or losses on hedges	-	(7)	-
Revaluation reserve for land	616	616	5,499
Total accumulated other comprehensive income	1,801	5,428	16,060
Total net assets	108,956	109,626	971,175
Total liabilities and net assets	¥ 2,343,931	¥ 2,324,249	\$ 20,892,519

See notes to consolidated financial statements.

The Yachiyo Bank, Limited
Non-consolidated Statements of Income (Unaudited)
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Income			
Interest income:			
Interest on loans and discounts	¥ 19,773	¥ 21,195	\$ 176,246
Interest and dividends on securities	6,300	5,551	56,159
Interest on call loans	31	156	283
Interest on due from banks	71	77	636
Other interest income	359	380	3,207
Fees and commissions	5,901	5,986	52,604
Other operating income	2,198	2,316	19,596
Other income	1,129	1,934	10,070
Total income	<u>35,766</u>	<u>37,599</u>	<u>318,804</u>
Expenses			
Interest expense:			
Interest on deposits	770	1,104	6,865
Interest on negotiable certificates of deposit	1	1	11
Interest on call money	29	0	261
Interest on payables under securities lending transactions	3	15	32
Interest on borrowed money	53	107	479
Interest on interest swaps	9	9	81
Other interest expense	12	14	107
Fees and commissions payments	1,719	1,780	15,326
Other operating expenses	586	25	5,231
General and administrative expenses	25,312	25,309	225,617
Other expenses	3,043	1,980	27,128
Total expenses	<u>31,541</u>	<u>30,348</u>	<u>281,144</u>
Income before income taxes	4,225	7,250	37,659
Income taxes:			
Current	1,185	1,817	10,563
Deferred	(760)	661	(6,774)
Total income taxes	<u>425</u>	<u>2,478</u>	<u>3,789</u>
Net income	<u>¥ 3,799</u>	<u>¥ 4,772</u>	<u>\$ 33,870</u>

See notes to consolidated financial statements.

ShinGinko Tokyo, Limited
Non-consolidated Balance Sheets (Unaudited)
As of March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Assets			
Cash and due from banks	¥ 56,045	¥ 35,188	\$ 499,559
Call loans	3,000	-	26,740
Monetary claims bought	39,932	31,727	355,936
Securities	160,968	172,355	1,434,782
Loans and bills discounted	230,567	222,587	2,055,153
Other assets	858	761	7,648
Tangible fixed assets	23	39	206
Intangible fixed assets	148	265	1,327
Customers' liabilities for acceptances and guarantees	2,035	2,215	18,146
Reserve for loan losses	(4,091)	(5,976)	(36,470)
Allowance for investment loss	-	(264)	-
Total assets	¥ 489,488	¥ 458,899	\$ 4,363,031
Liabilities			
Deposits	¥ 297,580	¥ 293,445	\$ 2,652,465
Call money	25,000	-	222,836
Borrowed money	98,000	100,000	873,518
Other liabilities	2,060	1,976	18,369
Reserve for employees' bonuses	132	137	1,181
Reserve for officers and directors' bonuses	-	7	-
Reserve for employees' retirement benefits	156	138	1,391
Reserve for losses on cancelation of system contracts	30	-	267
Reserve for contingent losses	24	21	216
Deferred tax liabilities	1,113	903	9,926
Acceptances and guarantees	2,035	2,215	18,146
Total liabilities	426,133	398,844	3,798,320
Net assets			
Shareholders' equity:			
Common stock	20,000	20,000	178,269
Capital surplus	32,046	32,046	285,648
Retained earnings	8,203	5,407	73,122
Total shareholders' equity	60,250	57,454	537,040
Accumulated other comprehensive income-			
Valuation difference on available-for-sale securities	3,104	2,600	27,669
Total net assets	63,354	60,055	564,710
Total liabilities and net assets	¥ 489,488	¥ 458,899	\$ 4,363,031

See notes to consolidated financial statements.

ShinGinko Tokyo, Limited
Non-consolidated Statements of Income (Unaudited)
For the Years Ended March 31, 2017 and 2016

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2017	2016	2017
Income			
Interest income:			
Interest on loans and discounts	¥ 3,398	¥ 3,436	\$ 30,291
Interest and dividends on securities	2,700	2,983	24,074
Interest on call loans	0	3	0
Interest on due from banks	30	31	269
Other interest income	539	525	4,807
Trust fees	61	52	546
Fees and commissions	194	231	1,732
Other operating income	215	-	1,924
Other income	1,839	1,911	16,395
Total income	<u>8,979</u>	<u>9,175</u>	<u>80,040</u>
Expenses			
Interest expense:			
Interest on deposits	743	855	6,628
Interest on call money	(1)	-	(10)
Interest on borrowed money	20	100	181
Other interest expense	0	0	0
Fees and commissions payments	144	141	1,289
Other operating expenses	-	203	-
General and administrative expenses	4,142	3,888	36,926
Other expenses	785	262	6,999
Total expenses	<u>5,835</u>	<u>5,453</u>	<u>52,015</u>
Income before income taxes	3,144	3,721	28,024
Income taxes:			
Current	116	39	1,040
Deferred	(11)	(244)	(103)
Total income taxes	<u>105</u>	<u>(204)</u>	<u>936</u>
Net income	<u>¥ 3,039</u>	<u>¥ 3,926</u>	<u>\$ 27,088</u>

See notes to consolidated financial statements.