

## 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, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo TY Financial Group, Inc. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

1. We draw attention to Note 30 to the consolidated financial statements. The Company and ShinGinko Tokyo, Limited resolved to implement management integration through share exchange with effective date of April 1, 2016, in which the Company shall become a wholly-owning parent and ShinGinko Tokyo shall become a wholly-owned subsidiary.

2. We draw attention to Note 30 to the consolidated financial statements. The Company resolved at the board of directors' meeting held on June 3, 2016, to issue shares of 1st tranche class 1 preferred stock by means of third-party allotment to Sumitomo Mitsui Trust Bank, Limited, as an allottee, and the issuance was made on June 24, 2016.

Our opinion is not qualified in respect of this matter.

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 29, 2016  
Tokyo, Japan

## **Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**

### **Consolidated Financial Statements Years Ended March 31, 2016 and 2015**

#### **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)

**Tokyo TY Financial Group Inc. and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
**As of March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Assets</b>			
Cash and due from banks (Notes 24 and 27)	¥ 405,539	¥ 298,834	\$ 3,599,036
Call loans and bills bought	43,600	28,938	386,944
Monetary claims bought	4,202	3,012	37,294
Trading account securities (Note 27)	658	607	5,843
Securities (Notes 3, 7 and 27)	1,210,097	1,236,834	10,739,238
Loans and bills discounted (Notes 4 and 27)	3,359,919	3,294,802	29,818,240
Foreign exchanges (Note 5)	6,531	7,731	57,962
Other assets (Note 7)	29,258	21,018	259,657
Tangible fixed assets (Note 6)	53,217	53,613	472,286
Intangible fixed assets	2,039	3,295	18,103
Deferred assets	56	74	497
Net defined benefit asset (Note 13)	8,647	10,777	76,739
Deferred tax assets (Note 18)	7,035	6,570	62,433
Customers' liabilities for acceptances and guarantees	5,860	6,630	52,010
Reserve for loan losses	(24,122)	(28,913)	(214,079)
<b>Total assets</b>	<b>¥ 5,112,540</b>	<b>¥ 4,943,828</b>	<b>\$ 45,372,209</b>
<b>Liabilities</b>			
Deposits (Notes 7, 8 and 27)	¥ 4,502,192	¥ 4,491,306	\$ 39,955,559
Negotiable certificates of deposit	34,206	27,038	303,567
Payables under securities lending transactions (Notes 7 and 27)	293,327	140,876	2,603,191
Borrowed money (Notes 7 and 9)	7,425	7,409	65,897
Foreign exchanges (Note 5)	68	139	607
Bonds payable (Note 10)	16,000	25,600	141,995
Bonds with stock acquisition rights (Notes 10 and 11)	5,000	5,000	44,373
Other liabilities (Note 12)	35,803	30,012	317,744
Reserve for employees' bonuses	2,038	2,074	18,088
Net defined benefit liability (Note 13)	5,530	3,326	49,083
Reserve for officers and directors' retirement benefits	85	137	760
Reserve for point card program	53	51	473
Reserve for losses on interest repayments	14	14	126
Reserve for losses from reimbursement of inactive accounts	988	844	8,775
Reserve for contingent losses	659	740	5,851
Deferred tax liabilities (Note 18)	55	30	493
Deferred tax liabilities on land revaluation (Notes 6 and 18)	14	15	128
Acceptances and guarantees (Note 14)	5,860	6,630	52,010
<b>Total liabilities</b>	<b>4,909,324</b>	<b>4,741,248</b>	<b>43,568,727</b>
<b>Net assets (Notes 15, 16 and 19)</b>			
Shareholders' equity:			
Common stock	20,000	20,000	177,493
Capital surplus	99,585	99,607	883,794
Retained earnings	80,913	73,245	718,082
Treasury stock	(594)	(544)	(5,276)
<b>Total shareholders' equity</b>	<b>199,905</b>	<b>192,308</b>	<b>1,774,095</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 17)	8,390	9,784	74,461
Deferred gains or losses on hedges	6	2	61
Revaluation reserve for land (Notes 6 and 18)	(209)	(210)	(1,858)
Foreign currency translation adjustments	11	17	104
Remeasurements of defined benefit plans	(5,221)	432	(46,341)
<b>Total accumulated other comprehensive income</b>	<b>2,977</b>	<b>10,026</b>	<b>26,427</b>
Stock acquisition rights	46	-	413
Non-controlling interests	286	245	2,545
<b>Total net assets</b>	<b>203,216</b>	<b>202,580</b>	<b>1,803,481</b>
<b>Total liabilities and net assets</b>	<b>¥ 5,112,540</b>	<b>¥ 4,943,828</b>	<b>\$ 45,372,209</b>

See notes to consolidated financial statements.

**Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**  
**Consolidated Statements of Income**  
**For the Years Ended March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Income</b>			
Interest income:			
Interest on loans and discounts	¥ 45,740	¥ 37,879	\$ 405,930
Interest and dividends on securities	9,060	6,409	80,411
Interest on call loans and bills bought	204	145	1,816
Interest on receivables under securities borrowing transactions	-	9	-
Interest on due from banks	311	163	2,767
Other interest income	523	395	4,642
Fees and commissions	15,832	13,410	140,506
Other operating income	4,899	3,946	43,480
Other income (Note 20)	3,402	53,159	30,198
<b>Total income</b>	<u>79,975</u>	<u>115,519</u>	<u>709,753</u>
<b>Expenses</b>			
Interest expense:			
Interest on deposits	2,147	1,812	19,055
Interest on negotiable certificates of deposit	27	38	242
Interest on call money and bills sold	0	0	6
Interest on payables under securities lending transactions	664	117	5,901
Interest on borrowed money	131	212	1,165
Interest on bonds payable	488	698	4,334
Interest on bonds with stock acquisition rights	107	53	954
Other interest expense	56	42	500
Fees and commissions payments	3,424	2,895	30,391
Other operating expenses	363	209	3,228
General and administrative expenses (Note 21)	54,269	43,749	481,622
Other expenses (Note 22)	3,742	3,483	33,214
<b>Total expenses</b>	<u>65,423</u>	<u>53,314</u>	<u>580,617</u>
<b>Income before income taxes</b>	14,551	62,205	129,136
Income taxes (Note 18):			
Current	2,475	2,054	21,968
Deferred	2,638	2,815	23,416
<b>Total income taxes</b>	<u>5,113</u>	<u>4,870</u>	<u>45,384</u>
<b>Net income</b>	9,437	57,335	83,751
<b>Net income belonging to non-controlling shareholders</b>	<u>24</u>	<u>44</u>	<u>220</u>
<b>Net income belonging to parent company's shareholders</b>	<u>¥ 9,412</u>	<u>¥ 57,290</u>	<u>\$ 83,530</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, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Net Income</b>	¥ 9,437	¥ 57,335	\$ 83,751
<b>Other comprehensive income (Note 23):</b>			
Valuation difference on available-for-sale securities	(1,284)	7,966	(11,396)
Deferred gains or losses on hedges	4	2	40
Revaluation reserve for land	0	1	7
Foreign currency translation adjustments	(5)	6	(51)
Remeasurements of defined benefit plans	(5,654)	5,087	(50,179)
Share of other comprehensive income of affiliate accounted for by the equity method	(108)	100	(959)
<b>Total other comprehensive (loss) income</b>	<b>(7,046)</b>	<b>13,164</b>	<b>(62,539)</b>
<b>Comprehensive income</b>	<b>¥ 2,390</b>	<b>¥ 70,500</b>	<b>\$ 21,212</b>
<b>Total comprehensive income attributable to:</b>			
Parent company's shareholders	¥ 2,363	¥ 70,465	\$ 20,977
Non-controlling shareholders	26	34	235

*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, 2016 and 2015**

	<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	
<b>Balance, April 1, 2014</b>	40,050	¥ 48,120	¥ 18,379	¥ 19,031	¥ (1,636)	¥ 83,894
Cumulative effect of changes in accounting policies				260		260
<b>Restated balance, April 1, 2014</b>	40,050	48,120	18,379	19,291	(1,636)	84,155
Increase (decrease) due to share transfer	(10,822)	(28,120)	81,089			52,969
Acquisition of shares of subsidiaries due to share transfer			153			153
Cash dividends				(1,758)		(1,758)
Net income belonging to parent company's shareholders				57,290		57,290
Purchase of treasury stock					(548)	(548)
Disposition of treasury stock			0	(6)	68	62
Cancellation of treasury stock			(1,571)		1,571	-
Transfer from retained earnings to capital surplus			1,571	(1,571)		-
Change in interest in subsidiaries			(15)			(15)
Net change in items other than those in shareholders' equity						
Total changes during the year	(10,822)	(28,120)	81,227	53,953	1,092	108,152
<b>Balance, March 31, 2015</b>	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 change in items other than those in shareholders' equity						
Total changes during the year	-	-	(21)	7,668	(50)	7,596
<b>Balance, March 31, 2016</b>	29,227	¥ 20,000	¥ 99,585	¥ 80,913	¥ (594)	¥ 199,905

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 and 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	
<b>Balance, April 1, 2014</b>	¥ 1,707	¥ -	¥ (211)	¥ 10	¥ (4,655)	¥ (3,148)	¥ 79	¥ 248	¥ 81,073
Cumulative effect of changes in accounting policies									260
<b>Restated balance, April 1, 2014</b>	1,707	-	(211)	10	(4,655)	(3,148)	79	248	81,334
Increase (decrease) due to share transfer									52,969
Acquisition of shares of subsidiaries due to share transfer									153
Cash dividends									(1,758)
Net income belonging to parent company's shareholders									57,290
Purchase of treasury stock									(548)
Disposition of treasury stock									62
Cancellation of treasury stock									-
Transfer from retained earnings to capital surplus									-
Change in interest in subsidiaries									(15)
Net change in items other than those in shareholders' equity	8,076	2	1	6	5,087	13,174	(79)	(2)	13,092
Total changes during the year	8,076	2	1	6	5,087	13,174	(79)	(2)	121,245
<b>Balance, March 31, 2015</b>	¥ 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 change 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
<b>Balance, March 31, 2016</b>	¥ 8,390	¥ 6	¥ (209)	¥ 11	¥ (5,221)	¥ 2,977	¥ 46	¥ 286	¥ 203,216

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
<b>Balance, April 1, 2015</b>	\$ 177,493	\$ 883,984	\$ 650,030	\$ (4,831)	\$ 1,706,676
Cash dividends			(15,478)		(15,478)
Net income belonging to parent company's shareholders			83,530		83,530
Purchase of treasury stock				(463)	(463)
Disposition of treasury stock		1		18	19
Change in interest in subsidiaries		(190)			(190)
Net change in items other than those in shareholders' equity					
Total changes during the year	-	(189)	68,052	(444)	67,418
<b>Balance, March 31, 2016</b>	\$ 177,493	\$ 883,794	\$ 718,082	\$ (5,276)	\$ 1,774,095

*Thousands of U.S. Dollars (Note 2)*

	Accumulated Other Comprehensive Income								
	Valuation difference on available-for- sale securities	Deferred gains and 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
<b>Balance, April 1, 2015</b>	\$ 86,831	\$ 20	\$ (1,866)	\$ 156	\$ 3,838	\$ 88,981	\$ -	\$ 2,177	\$ 1,797,835
Cash dividends									(15,478)
Net income belonging to parent company's shareholders									83,530
Purchase of treasury stock									(463)
Disposition of treasury stock									19
Change in interest in subsidiaries									(190)
Net change in items other than those in shareholders' equity	(12,369)	40	7	(51)	(50,179)	(62,553)	413	367	(61,772)
Total changes during the year	(12,369)	40	7	(51)	(50,179)	(62,553)	413	367	5,646
<b>Balance, March 31, 2016</b>	\$ 74,461	\$ 61	\$ (1,858)	\$ 104	\$ (46,341)	\$ 26,427	\$ 413	\$ 2,545	\$ 1,803,481

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, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Operating activities:</b>			
Income before income taxes	¥ 14,551	¥ 62,205	\$ 129,136
Depreciation and amortization	3,485	2,508	30,929
Retirement benefit expenses	(216)	1,263	(1,923)
Gain on negative goodwill	-	(50,476)	-
Loss on step acquisitions	-	3	-
Equity in earnings of investment in affiliate	(189)	(202)	(1,686)
Net decrease in reserve for loan losses	(4,791)	(4,104)	(42,522)
Net decrease in reserve for employees' bonuses	(36)	(50)	(319)
Net decrease ( increase) in retirement benefit asset	2,130	(8,207)	18,908
Net increase (decrease) in retirement benefit liability	2,204	(1,768)	19,564
Net (decrease) increase in reserve for officers and directors' retirement benefits	(51)	9	(459)
Net increase in reserve for point card program	2	4	20
Net (decrease) increase in reserve for losses on interest repayments	(0)	3	(6)
Net increase in reserve for losses from reimbursement of inactive accounts	144	113	1,278
Net decrease in reserve for contingent losses	(80)	(68)	(718)
Interest income	(55,840)	(45,003)	(495,568)
Interest expense	3,623	2,975	32,160
Net gains related to securities transactions	(2,984)	(2,389)	(26,482)
Net exchange losses (gains)	19,144	(9,010)	169,897
Net (gains) losses on disposition of fixed assets	(87)	76	(776)
Net increase in provision for special account for advanced depreciation of fixed assets	122	-	1,087
Gain on state subsidy and other grants	(132)	-	(1,173)
Net increase in trading securities	(51)	(213)	(454)
Net increase in loans and bills discounted	(65,117)	(18,788)	(577,893)
Net increase in deposits	10,886	7,587	96,611
Net increase (decrease) in negotiable certificates of deposit	7,168	(5,127)	63,613
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	15	(119)	138
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	(33)	7,878	(297)
Net (increase) decrease in call loans and bills bought	(15,852)	27,026	(140,689)
Net increase in payables under securities lending transactions	152,450	140,876	1,352,953
Net decrease in money held in trust	-	20	-
Net decrease in foreign exchange-assets	1,200	496	10,653
Net (decrease) increase in foreign exchange-liabilities	(70)	17	(629)
Interest received	57,631	45,518	511,460
Interest paid	(3,845)	(3,130)	(34,128)
Other-net	(16,436)	8,185	(145,872)
<b>Subtotal</b>	<b>108,940</b>	<b>158,109</b>	<b>966,810</b>
Income taxes paid	(3,544)	(1,208)	(31,457)
Income taxes refunded	312	-	2,775
<b>Net cash provided by operating activities</b>	<b>105,708</b>	<b>156,901</b>	<b>938,129</b>
<b>Investing activities:</b>			
Purchases of securities	(657,580)	(588,928)	(5,835,821)
Proceeds from sales of securities	577,214	500,403	5,122,603
Proceeds from maturity of securities	94,063	13,998	834,788
Purchases of tangible fixed assets	(1,408)	(18,332)	(12,501)
Payments for disposition of tangible fixed assets	(41)	(46)	(364)
Proceeds from sales of tangible assets	534	0	4,744
Purchases of intangible assets	(260)	(393)	(2,310)
Proceeds from state subsidy and other grants	234	-	2,077
<b>Net cash provided by (used in) investing activities</b>	<b>¥ 12,757</b>	<b>¥ (93,299)</b>	<b>\$ 113,215</b>

**Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Financing activities:</b>			
Repayments of subordinated borrowings	¥ -	¥ (5,000)	\$ -
Payments for redemption of subordinated bonds	(9,600)	(5,000)	(85,197)
Cash dividends paid	(1,747)	(1,755)	(15,508)
Cash dividends paid to non-controlling interests	(6)	(0)	(57)
Payments for purchase of treasury stock	(52)	(55)	(463)
Proceeds from sales of treasury stock	2	37	19
Payments of lease obligations	(390)	(290)	(3,469)
<b>Net cash used in financing activities</b>	<u>(11,794)</u>	<u>(12,066)</u>	<u>(104,675)</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<u>0</u>	<u>11</u>	<u>8</u>
<b>Net increase in cash and cash equivalents</b>	106,671	51,546	946,678
<b>Cash and cash equivalents at beginning of year</b>	286,385	122,982	2,541,578
<b>Increase in cash and cash equivalents resulting from share transfer (Note 25)</b>	<u>-</u>	<u>111,855</u>	<u>-</u>
<b>Cash and cash equivalents at end of year (Note 24)</b>	<u>¥ 393,056</u>	<u>¥ 286,385</u>	<u>\$ 3,488,256</u>

(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, 2016 and 2015**

---

**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 11 (12 in 2015) subsidiaries (collectively, the “Group”).

From the year ended March 31, 2016, Tomingin Office Support Center Co., Ltd. has been excluded from the scope of consolidation, with the completion of its liquidation on September 28, 2015, but its results of operations until the liquidation are consolidated.

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.

An investment in one affiliated company is 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 fiscal year end of one consolidated subsidiary of the Company is different from that of the Company. For consolidation purposes, the financial statements of the subsidiary as of the Company's fiscal year end were additionally prepared and used for consolidation.

**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 prior year; 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, 2016 and 2015, the outstanding write-offs made before April 1, 2015 amounted to ¥1,992 million (\$17,683 thousand) and ¥3,854 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.

Estimated interest repayments to be applied to principals of loans amounted to ¥1 million (\$9 thousand) and included in reserve for loan losses as of March 31, 2016 and 2015.

**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 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.

**o. Retirement benefits**

To provide for payments of retirement benefits to employees, an asset or liability is established at an amount of projected benefit obligation net of the fair value of plan assets based on the estimated amounts at the end of the fiscal year.

In determining the retirement benefit liability for 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 or 12 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 15 years).

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

**p. Stock options**

In December 2005, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 8, “Accounting Standard for Stock Options,” and related guidance. This standard requires companies to recognize compensation expense for employee stock options based on the fair value of the stock options at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock options are presented as subscription rights to shares, a separate component of equity until exercised.

**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 hedge 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, 2016 and 2015.

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. Income taxes**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**t. Appropriation of retained earnings**

Under the Corporation Law, 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 30.

**u. 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.

**v. 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.

## w. Unapplied accounting standards

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

#### (1) Summary

The ASBJ Guidance basically follows the guidance on recoverability of deferred tax assets in the JICPA Audit Committee Report No.66, "Treatment of Auditing for Judgment of Recoverability of Deferred Tax Assets," with partial revision.

#### (2) Scheduled date of adoption

The Group expects to adopt the implementation guidance from the beginning of the year starting April 1, 2016.

#### (3) Impact of adopting the implementation guidance

The Group is currently evaluating the effects of adopting the implementation guidance on its consolidated financial statements.

## x. Changes in presentation

Following the application of the provision set forth in Article 39 of the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), changes in presentation have been made concerning the net income as well as from "Minority interests" to "Non-controlling interests." Consolidated financial statements for the year ended March 31, 2015 have been restated in order to reflect these changes in presentation.

## 2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.68 = \$1, the approximate rate of exchange on March 31, 2016, 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

Securities as of March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Japanese government bonds	¥ 518,714	¥ 602,991	\$ 4,603,432
Japanese local government bonds	116,365	115,391	1,032,709
Japanese corporate bonds	365,056	350,272	3,239,767
Equity securities	37,905	45,803	336,400
Foreign securities	118,901	99,645	1,055,212
Other securities	53,152	22,730	471,716
Total	¥ 1,210,097	¥ 1,236,834	\$ 10,739,238

As of March 31, 2016 and 2015, securities included equity investments in an affiliated company that amounted to ¥998 million (\$8,864 thousand) and ¥1,173 million, respectively.

As of March 31, 2016 and 2015, Japanese government bonds included bonds of ¥2,999 million (\$26,616 thousand) and zero, respectively. These bonds 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, 2016 and 2015 were ¥27,889 million (\$247,508 thousand) and ¥24,020 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, 2016 and 2015, valuation gain or loss on trading securities included in income before income taxes was ¥6 million (\$58 thousand) and ¥2 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, 2016 and 2015:

	<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>Millions of Yen</i>		
	2015		
	Carrying value	Fair value	Net unrealized gains (losses)
Securities with fair value exceeding carrying value:			
Japanese government bonds	¥ 361,096	¥ 371,236	¥ 10,139
Japanese local government bonds	69,846	70,182	336
Japanese corporate bonds	94,573	95,133	560
Foreign securities	12,997	13,194	196
Subtotal	538,514	549,747	11,232
Securities with fair value not exceeding carrying value:			
Japanese government bonds	3,519	3,518	(1)
Japanese local government bonds	2,008	2,008	(0)
Japanese corporate bonds	5,187	5,183	(3)
Foreign securities	5,056	4,927	(128)
Subtotal	15,771	15,638	(133)
Total	¥ 554,286	¥ 565,385	¥ 11,099



<i>Thousands of U.S. Dollars</i>			
2016			
	Carrying value	Fair value	Net unrealized gains (losses)
Securities with fair value exceeding carrying value:			
Japanese government bonds	\$ 3,020,693	\$ 3,189,155	\$ 168,462
Japanese local government bonds	564,762	568,625	3,863
Japanese corporate bonds	800,832	811,222	10,389
Foreign securities	134,301	139,106	4,805
Subtotal	4,520,590	4,708,110	187,519
Securities with fair value not exceeding carrying value:			
Japanese government bonds	355	355	(0)
Japanese local government bonds	35,651	35,644	(6)
Japanese corporate bonds	55,983	55,968	(14)
Foreign securities	26,624	26,017	(606)
Subtotal	118,613	117,986	(627)
Total	\$ 4,639,203	\$ 4,826,096	\$ 186,892

■ Available-for-sale securities

The following tables summarize carrying values, acquisition costs and differences of securities with available fair values as of March 31, 2016 and 2015:

<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 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>Millions of Yen</i>			
2015			
	Carrying value	Acquisition cost	Net unrealized gains (losses)
Securities with carrying value exceeding acquisition cost:			
Corporate stocks	¥ 38,988	¥ 27,884	¥ 11,104
Bonds:			
Japanese government bonds	179,188	178,422	765
Japanese local government bonds	37,415	37,228	186
Japanese corporate bonds	199,312	198,681	631
Total bonds	415,916	414,332	1,583
Other securities	91,478	89,509	1,968
Subtotal	546,383	531,727	14,655
Securities with carrying value not exceeding acquisition cost:			
Corporate stocks	1,947	2,172	(224)
Bonds:			
Japanese government bonds	59,186	59,427	(241)
Japanese local government bonds	6,120	6,186	(65)
Japanese corporate bonds	51,198	51,452	(253)
Total bonds	116,506	117,066	(560)
Other securities	19,534	19,580	(45)
Subtotal	137,988	138,819	(830)
Total	¥ 684,371	¥ 670,546	¥ 13,825

<i>Thousands of U.S. Dollars</i>			
2016			
	Carrying value	Acquisition cost	Net unrealized gains (losses)
Securities with carrying value exceeding acquisition cost:			
Corporate stocks	\$ 198,170	\$ 134,569	\$ 63,600
Bonds:			
Japanese government bonds	1,564,769	1,542,094	22,674
Japanese local government bonds	423,424	416,729	6,694
Japanese corporate bonds	2,056,421	2,037,169	19,251
Total bonds	4,044,615	3,995,993	48,621
Other securities	1,084,652	1,055,353	29,298
Subtotal	5,327,437	5,185,917	141,520
Securities with carrying value not exceeding acquisition cost:			
Corporate stocks	92,553	115,156	(22,602)
Bonds:			
Japanese government bonds	17,614	17,736	(122)
Japanese local government bonds	8,871	8,874	(3)
Japanese short-term corporate bonds	88,746	88,746	-
Japanese corporate bonds	237,783	239,990	(2,207)
Total bonds	353,015	355,348	(2,333)
Other securities	386,397	395,185	(8,788)
Subtotal	831,966	865,690	(33,723)
Total	\$ 6,159,404	\$ 6,051,608	\$ 107,796

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 years ended March 31, 2016 and 2015, 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, 2016 and 2015:

	<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 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>Millions of Yen</i>		
	2015		
	Sales proceeds	Realized gains	Realized losses
Corporate stocks	¥ 2,444	¥ 232	¥ 27
Bonds:			
Japanese government bonds	358,465	1,238	76
Japanese local government bonds	13,165	37	-
Japanese corporate bonds	54,822	136	1
Total bonds	426,453	1,412	77
Other securities	61,368	608	29
Total	¥ 490,266	¥ 2,253	¥ 134

	<i>Thousands of U.S. Dollars</i>		
	2016		
	Sales proceeds	Realized gains	Realized losses
Corporate stocks	\$ 59,395	\$ 7,493	\$ 2,142
Bonds:			
Japanese government bonds	2,799,672	6,844	-
Japanese local government bonds	536,295	2,825	92
Japanese corporate bonds	759,901	3,057	18
Total bonds	4,095,870	12,727	111
Other securities	899,432	8,030	1,898
Total	\$ 5,054,698	\$ 28,251	\$ 4,151

#### 4. Loans and Bills Discounted

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2016	2015	2016
Commercial bills discounted	¥ 41,917	¥ 46,038	\$ 372,004
Loans on bills	104,276	95,849	925,425
Loans on deeds	3,014,588	2,957,071	26,753,538
Overdrafts	199,136	195,842	1,767,271
Total	¥ 3,359,919	¥ 3,294,802	\$ 29,818,240

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, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2016	2015	2016
Loans to borrowers in bankruptcy	¥ 3,693	¥ 4,032	\$ 32,776
Delinquent loans	83,414	104,109	740,274
Loans past due for three months or more	291	588	2,584
Restructured loans	3,138	4,063	27,849
Total	¥ 90,536	¥ 112,793	\$ 803,485

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, 2016 and 2015, total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥42,124 million (\$373,840 thousand) and ¥46,683 million, respectively.

As of March 31, 2016 and 2015, 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 ¥1,500 million (\$13,320 thousand) and ¥5,002 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, 2016 and 2015 amounted to ¥878,776 million (\$7,798,867 thousand) and ¥873,529 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 ¥855,417 million (\$7,591,568 thousand) and ¥850,299 million, as of March 31, 2016 and 2015, 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. Foreign Exchanges

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

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Assets:			2016
Due from foreign banks	¥ 4,951	¥ 4,431	\$ 43,940
Foreign exchange bills bought	226	769	2,008
Foreign exchange bills receivable	1,353	2,530	12,013
Total	¥ 6,531	¥ 7,731	\$ 57,962
Liabilities:			
Due to foreign banks	¥ 1	¥ 1	\$ 15
Foreign exchange bills sold	2	52	25
Foreign exchange bills payable	63	85	566
Total	¥ 68	¥ 139	\$ 607

## 6. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Land	¥ 34,547	¥ 34,625	\$ 306,600
Buildings	33,812	33,909	300,071
Lease assets	2,260	1,914	20,064
Construction in progress	2,226	2,223	19,761
Other	18,195	18,393	161,476
Subtotal	91,042	91,066	807,973
Accumulated depreciation	(37,825)	(37,452)	(335,687)
Total	¥ 53,217	¥ 53,613	\$ 472,286

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 official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119 dated March 31, 1998), after making reasonable adjustments. 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, 2016 and 2015 were ¥149 million (\$1,325 thousand) and ¥184 million, respectively.

The advanced depreciation entry for tangible fixed assets amounted to ¥216 million (\$1,925 thousand) and ¥216 million for the years ended March 31, 2016 and 2015, respectively.

## 7. Pledged Assets

Assets pledged as collateral as of March 31, 2016 and 2015 consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Assets pledged as collateral:			2016
Securities	¥ 330,445	¥ 188,297	\$ 2,932,603
Other assets	36	18	323
Liabilities corresponding to assets pledged as collateral:			
Deposits	¥ 55,382	¥ 10,714	\$ 491,505
Payable under securities lending transactions	293,327	140,876	2,603,191
Borrowed money	2	5	24

In addition to the assets presented above, securities totaling ¥89,194 million (\$791,569 thousand) and ¥95,540 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, 2016 and 2015, respectively.

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

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Deposits	¥ 5,513	¥ 5,544	\$ 48,926
Cash collateral paid for financial instruments	129	-	1,152

## 8. Deposits

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2016	2015	2016
Current deposits	¥ 213,024	¥ 220,855	\$ 1,890,529
Ordinary deposits	2,135,844	2,042,268	18,954,959
Savings deposits	38,058	39,740	337,760
Deposits at notice	16,704	22,225	148,248
Time deposits	1,963,709	2,021,308	17,427,310
Other deposits	134,849	144,907	1,196,751
Total	¥ 4,502,192	¥ 4,491,306	\$ 39,955,559

## 9. Borrowed Money

Borrowed money as of March 31, 2016 and 2015 included subordinated borrowings amounting to ¥7,000 million (\$62,122 thousand) and ¥7,000 million, respectively.

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

<u>Year ending March 31</u>	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2016	2015	2016
2017	¥ 277	¥ 272	\$ 2,459
2018	63	57	560
2019	45	43	404
2020	28	25	256
2021	10	8	93
2022 and thereafter	7,000	7,000	62,122
Total	¥ 7,425	¥ 7,409	\$ 65,897

## 10. Bonds Payable

Bonds payable and bonds with stock acquisition rights as of March 31, 2016 and 2015 consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2016	2015	2016
Issued by the Company:			
Unsecured subordinated bonds with stock acquisition rights, due September 2016, 2.15% interest	¥ 5,000	¥ 5,000	\$ 44,373
Issued by Tokyo Tomin:			
Unsecured fixed and floating callable (subordinated) debenture bonds, due July 2020, 2.15% interest	-	6,000	-
Unsecured fixed and floating callable (subordinated) debenture bonds, due February 2021, 2.21% interest	-	3,600	-
Unsecured fixed and floating callable (subordinated) debenture bonds, due November 2021, 2.38% interest	12,500	12,500	110,933
Unsecured fixed and floating callable (subordinated) debenture bonds, due November 2021, 2.38% interest	3,500	3,500	31,061
Total	¥ 21,000	¥ 30,600	\$ 186,368

Annual maturities of bonds payable and bonds with stock acquisition rights of March 31, 2016 were as follows:

<u>Year ending March 31</u>	Bonds with stock acquisition rights		Bonds payable	
	<i>Thousands of</i>		<i>Thousands of</i>	
	<i>Millions of Yen</i>	<i>U.S. Dollars</i>	<i>Millions of Yen</i>	<i>U.S. Dollars</i>
2017	¥ 5,000	\$ 44,373	¥ -	\$ -
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022 and thereafter	-	-	16,000	141,995
Total	¥ 5,000	\$ 44,373	¥ 16,000	\$ 141,995

### 11. Issuance of Convertible Bonds

On October 1, 2014, the Company issued ¥5,000 million unsecured subordinated bonds due September 30, 2016. The bonds include stock acquisition rights which entitle bondholders to acquire common stock under certain circumstances, and exercisable on and after October 1, 2014 up to September 29, 2016. Conversion price of the bond as of March 31, 2016 is ¥3,741.4 (\$33.20), subject to adjustment for certain events such as a stock split, consolidation of stock or issuance of stock at a consideration per share which is less than the current market price. Conversion ratio of the bond is 100%.

The bonds were not converted into shares of common stock during the years ended March 31, 2016 and 2015.

### 12. Other Liabilities

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

	<i>Millions of Yen</i>		<i>Thousands of</i>
			<i>U.S. Dollars</i>
	2016	2015	2016
Accrued expenses	¥ 2,736	¥ 3,227	\$ 24,282
Unearned revenue and other liabilities	33,067	26,784	293,461
Total	¥ 35,803	¥ 30,012	\$ 317,744

Lease obligations of ¥1,352 million (\$12,003 thousand) were included in “Unearned revenue and other liabilities” in the table above. The average interest rates on lease obligations as of March 31, 2016 with maturities dates subsequent to March 31, 2017 was 3.66%.

The aggregate annual maturities of lease obligations subsequent to March 31, 2016 were summarized as follows:

<u>Year ending March 31</u>	<i>Thousands of</i>	
	<i>Millions of Yen</i>	<i>U.S. Dollars</i>
2017	¥ 334	\$ 2,970
2018	296	2,630
2019	282	2,503
2020	230	2,046
2021	112	1,001
2022 and thereafter	95	850
Total	¥ 1,352	\$ 12,003



### 13. 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.

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, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Retirement benefit obligation at beginning of year	¥ 57,004	¥ 32,526	\$ 505,896
Cumulative effect of accounting change	-	(405)	-
Retirement benefit obligation at beginning of year after cumulative effect of accounting change	57,004	32,121	505,896
Increase due to share transfer	-	23,934	-
Service cost	1,425	1,013	12,650
Interest cost	357	356	3,169
Actuarial difference	3,491	2,339	30,984
Retirement benefits paid	(3,552)	(2,762)	(31,531)
Other	(7)	-	(69)
Retirement benefit obligation at end of year	¥ 58,717	¥ 57,004	\$ 521,100

The changes in plan assets during the years ended March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Plan assets at beginning of year	¥ 64,455	¥ 35,089	\$ 572,024
Increase due to share transfer	-	18,847	-
Expected return on plan assets	1,263	877	11,215
Actuarial difference	(4,345)	9,046	(38,566)
Contributions by employers	2,903	2,663	25,765
Retirement benefits paid	(2,443)	(2,068)	(21,683)
Plan assets at end of year	¥ 61,833	¥ 64,455	\$ 548,756

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015.

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Funded retirement benefit obligation	¥ 58,651	¥ 56,932	\$ 520,518
Plan assets	(61,833)	(64,455)	(548,756)
	(3,181)	(7,523)	(28,238)
Unfunded retirement benefit obligation	65	72	582
Net defined benefit asset in the consolidated balance sheets	¥ (3,116)	¥ (7,451)	\$ (27,656)

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Net defined benefit liability	¥ 5,530	¥ 3,326	\$ 49,083
Net defined benefit asset	(8,647)	(10,777)	(76,739)
Net defined benefit asset in the consolidated balance sheets	¥ (3,116)	¥ (7,451)	\$ (27,656)

The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Service cost	¥ 1,425	¥ 1,013	\$ 12,650
Interest cost	357	356	3,169
Expected return on plan assets	(1,263)	(877)	(11,215)
Amortization of actuarial difference	241	1,830	2,147
Amortization of prior service cost	(564)	(1,147)	(5,009)
Other	(80)	536	(712)
Retirement benefit expenses for defined benefit plans	¥ 115	¥ 1,712	\$ 1,029

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Prior service cost	¥ (564)	¥ (1,147)	\$ (5,009)
Actuarial difference	(7,595)	8,537	(67,403)
Other	(77)	537	(688)
Total	¥ (8,237)	¥ 7,927	\$ (73,102)

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Unrecognized prior service cost	¥ (427)	¥ (1,495)	\$ (3,797)
Unrecognized actuarial difference	7,970	2,032	70,738
Total	¥ 7,542	¥ 537	\$ 66,941

The plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 were as follows:

	2016	2015
Debt securities	32.2%	30.0%
Equity securities	51.3%	55.5%
Cash and due from banks	9.5%	5.7%
Life insurance general accounts	4.3%	5.6%
Other	2.7%	3.2%
Total	100.0%	100.0%

Total plan assets included retirement benefit trusts of 30.0% and 31.8% as of March 31, 2016 and 2015, respectively, which were set for corporate pension plans.

From the year ended March 31, 2016, “Life insurance general accounts” previously included in “Other” has been separately presented for clear classification and figures for the year ended March 31, 2015 have been reclassified accordingly.

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, 2016 and 2015 were as follows:

	2016	2015
Discount rate	0.57% or 0.64%	0.82% or 1.00%
Long-term expected rate of return on plan assets	1.90% or 2.00%	1.90% or 2.00%
Expected rate of salary increase	3.70% or 5.00%	4.5% or 5.00%

### (3) Defined contribution plans

The amount to be paid to defined contribution plans by consolidated subsidiaries was ¥95 million (\$845 thousand) and ¥51 million for the years ended March 31, 2016 and 2015, respectively.

## 14. 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.

In addition, the Group's guarantees total ¥27,889 million (\$247,508 thousand) and ¥24,020 million as of March 31, 2016 and 2015, respectively, for private placement Japanese corporate bonds held by the Group and included in Securities. Relevant acceptances and guarantees and customers' liabilities for acceptances and guarantees have been recorded in the net amount.

## 15. Shareholders' Equity

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

### (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.

## 16. Stock Options

The stock option outstanding as of March 31, 2016 was 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

(\*) 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 1st Stock Option for the year ended March 31, 2016 was as follows:

Non-vested (Shares) (*1)	
March 31, 2015 – Outstanding	-
Granted	12,000
Forfeited	-
Vested	12,000
March 31, 2016 – Outstanding	-
Vested (Shares) (*1)	
March 31, 2015 – Outstanding	-
Vested	12,000
Exercised	-
Forfeited	-
March 31, 2016 – Outstanding	12,000
Exercise price (Yen)	¥ 1
Fair value price on grant date (Yen)	¥ 3,881
Exercise price (U.S. Dollar)	\$ 0.00
Fair value price on grant date (U.S. Dollar)	\$ 34.44

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

Fair value price of the 1st Stock Option is estimated using the Black-Scholes model based on the following assumptions:

Stock price volatility (*1)	28.5%
Expected remaining period (*2)	2.0 years
Expected dividend (*3)	¥60 (\$0.53) per share
Risk free rate (*4)	0.01%

(\*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, 2015 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 ¥46 million (\$413 thousand) and ¥8 million for the years ended March 31, 2016 and 2015, respectively.

### 17. Valuation Difference on Available-for-sale Securities

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

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Valuation difference on available-for-securities	¥ 13,193	¥ 14,984	\$ 117,086
Deferred tax liabilities applicable to valuation difference	(4,886)	(5,392)	(43,362)
Valuation difference on available-for-sale securities, net of the applicable income taxes before adjustment for non-controlling interests	8,307	9,591	73,724
Amount attributable to non-controlling interests	(12)	(11)	(111)
Share of valuation difference on available-for-sale securities held by affiliate accounted for by the equity method	95	203	848
Valuation difference on available-for-sale securities	¥ 8,390	¥ 9,784	\$ 74,461

### 18. Income Taxes

The significant components of the deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Deferred tax assets:			
Net losses carried forward	¥ 2,033	¥ 2,316	\$ 18,047
Items related to retirement benefits	7,316	6,216	64,931
Reserve for loan losses	7,156	9,196	63,512
Depreciation of securities	1,023	1,003	9,079
Depreciation expense	844	1,032	7,491
Other	2,343	2,348	20,800
Subtotal	20,717	22,113	183,863
Valuation allowance	(4,728)	(4,951)	(41,964)
Total	15,989	17,162	141,899
Deferred tax liabilities:			
Items related to securities	(931)	(1,017)	(8,267)
Valuation difference on available-for-sale securities	(4,526)	(5,292)	(40,167)
Items related to asset retirement obligations	(35)	(34)	(313)
Valuation of assets	(3,516)	(4,277)	(31,208)
Other	(0)	(0)	(1)
Total	(9,009)	(10,622)	(79,959)
Net deferred tax assets	¥ 6,979	¥ 6,540	\$ 61,940

Net deferred tax assets as of March 31, 2016 and 2015 are included in the following accounts in the consolidated balance sheets.

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Deferred tax assets	¥ 7,035	¥ 6,570	\$ 62,433
Deferred tax liabilities	55	30	493

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.06% and 35.64% for the years ended March 31, 2016 and 2015, 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, 2016 and 2015.

	2016	2015
Statutory tax rate	33.06%	35.64%
Entertainment expenses and other items permanently excluded from deductible expenses	0.78	0.18
Dividend income and other items permanently excluded from reportable revenue	(0.71)	(0.39)
Per capita inhabitants' tax	0.68	0.12
Decrease in deferred tax assets due to tax rate changes	3.13	2.37
Change in valuation allowance	(0.80)	(0.34)
Refund of income taxes	(0.40)	-
Gains on negative goodwill	-	(28.92)
Other	(0.60)	(0.83)
Effective tax rate	35.14%	7.83%

#### **Adjustments to deferred tax assets and liabilities due to income tax rate change**

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment, etc. of the Local Tax Act, etc.” (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016 and, as a result, the corporate tax rate, among others, will be reduced from the fiscal year beginning on or after April 1, 2016. As a result, the effective statutory tax rate used to measure the Group’s deferred tax assets and liabilities was changed from the previous 32.26% to 30.86% for the temporary differences expected to be realized or settled for the years beginning on April 1, 2016 and 2017, and to 30.62% for the temporary differences expected to be realized or settled for the year beginning on April 1, 2018 and thereafter. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets by ¥317 million (\$2,820 thousand), decrease deferred tax liabilities by ¥2 million (\$20 thousand), increase valuation difference on available-for-sale securities by ¥241 million (\$2,142 thousand), decrease remeasurements of defined benefit plans by ¥125 million (\$1,115 thousand), increase income taxes-deferred by ¥403 million (\$3,576 thousand), and to decrease deferred tax liabilities on land revaluation by ¥0 million (\$6 thousand) and increase revaluation reserve for land by the same amount, as of and for the year ended March 31, 2016.

Furthermore, the system of deduction for losses carried forward has been revised. The limit of deduction from taxable income applicable to losses carried forward will be an amount equivalent to 60% of the income before loss carried forward effective from the fiscal year beginning on and after April 1, 2016, 55% effective from the fiscal year beginning on and after April 1, 2017, and 50% effective from the fiscal year beginning on and after April 1, 2018. The effect of this revision was immaterial for the year ended March 31, 2016.

## 19. Amounts per Share

Amounts per share as of and for the years ended March 31, 2016 and 2015 were as follows:

	<i>Yen</i>		<i>U.S. Dollars</i>
	2016	2015	2016
Net income per share:			
Basic	¥ 323.84	¥ 2,638.39	\$ 2.87
Diluted	311.89	2,561.38	2.76
Net assets per share	6,982.00	6,959.92	61.96

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the weighted 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 U.S. Dollars</i>
	2016	2015	2016
Basic net income per share:			
Net income belonging to parent company's shareholders	¥ 9,412	¥ 57,290	\$ 83,530
Amount not belonging to shareholders of common stock	-	-	-
Net income belonging to parent company's shareholders in relation to common stock	9,412	57,290	83,530
Weighted average number of shares of common stock during the period (thousands of shares)	29,064	21,714	
Diluted net income per share:			
Adjustment to net income belonging to parent company's shareholders—			
Interest on bonds with stock acquisition rights (net of applicable taxes)	¥ 71	¥ 34	\$ 638
Effect of dilutive securities (thousands of shares)	1,344	666	
Including, bonds with stock acquisition rights	1,336	666	
Including, stock acquisition rights	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	¥ 203,216	¥ 202,580	\$ 1,803,481
Amount deducted from total of net assets	333	245	2,958
Including, stock acquisition rights	46	-	413
Including, non-controlling interests	286	245	2,545
Net asset amount for common stock at year end	202,882	202,334	1,800,523
Number of shares of common stock outstanding at year end for calculating net assets per share (thousands of shares)	29,057	29,071	



As the Company was established on October 1, 2014 through a joint share transfer, the weighted average number of shares of common stock outstanding during the year ended March 31, 2015 was calculated based on the weighted average number of shares of Tokyo Tomin multiplied by its share transfer ratio for the period from April 1, 2014 to September 30, 2014 prior to the establishment of the Company, and the weighted average number of shares of common stock of the Company for the period from October 1, 2014 to March 31, 2015.

## 20. Other Income

Other income for the years ended March 31, 2016 and 2015 is as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Gain on sales of securities	¥ 969	¥ 367	\$ 8,604
Gain on sales of monetary claims	0	556	0
Equity in earnings of investment in affiliate	189	202	1,686
Gain on negative goodwill	-	50,476	-
Gain on recovery of write-offs of monetary claims	528	210	4,693
Gain on disposition of fixed assets	258	0	2,298
Gain on state subsidy and other grants	132	-	1,173
Other	1,323	1,345	11,742
Total	¥ 3,402	¥ 53,159	\$ 30,198

## 21. General and Administrative Expenses

General and administrative expenses include following items for the years ended March 31, 2016 and 2015:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Salaries and allowances	¥ 24,982	¥ 18,739	\$ 221,709
Retirement benefit expenses	213	1,764	1,897

## 22. Other Expenses

Other expenses for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Write-offs of loans	¥ 190	¥ 774	\$ 1,690
Loss on sales of securities	299	76	2,654
Write-down of securities	0	48	2
Loss on sales of monetary claims	117	141	1,046
Loss on disposition of fixed assets	171	76	1,521
Provision for special account for advanced depreciation of fixed assets	122	-	1,087
Provision for loan losses	1,103	721	9,790
Other	1,737	1,643	15,420
Total	¥ 3,742	¥ 3,483	\$ 33,214

### 23. Comprehensive Income

Each component of other comprehensive (loss) income for the years ended March 31, 2016 and 2015 was the following:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 1,188	¥ 13,716	\$ 10,550
Reclassification adjustments to profit or loss	(3,165)	(2,446)	(28,090)
Amount before income tax effect	(1,976)	11,270	(17,540)
Income tax effect	692	(3,303)	6,144
Total	(1,284)	7,966	(11,396)
Deferred gains or losses on hedges			
Amount arising during the year	(2)	(0)	(24)
Reclassification adjustments to profit or loss	9	4	83
Amount before income tax effect	6	4	58
Income tax effect	(2)	(2)	(17)
Total	4	2	40
Revaluation reserve for land			
Amount arising during the year	-	-	-
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	-	-	-
Income tax effect	0	1	7
Total	0	1	7
Foreign currency translation adjustments			
Amount arising during the year	(5)	6	(51)
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	(5)	6	(51)
Income tax effect	-	-	-
Total	(5)	6	(51)
Remeasurements of defined benefit plans			
Amount arising during the year	(7,837)	6,663	(69,551)
Reclassification adjustments to profit or loss	(400)	1,263	(3,551)
Amount before income tax effect	(8,237)	7,927	(73,102)
Income tax effect	2,582	(2,839)	22,922
Total	(5,654)	5,087	(50,179)
Share of other comprehensive income of affiliate accounted for by the equity method			
Amount arising during the year	(102)	100	(912)
Reclassification adjustments to profit or loss	(5)	-	(47)
Amount before income tax effect	(108)	100	(959)
Income tax effect	-	-	-
Total	(108)	100	(959)
Total other comprehensive (loss) income	¥ (7,046)	¥ 13,164	\$ (62,539)

## 24. 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, 2016 and 2015 was as follows:

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Cash and due from banks	¥ 405,539	¥ 298,834	\$ 3,599,036
Time deposits	(2,043)	(2,039)	(18,131)
Negotiable certificates of deposit	(10,000)	(10,000)	(88,746)
Other deposits	(439)	(409)	(3,901)
Cash and cash equivalents	¥ 393,056	¥ 286,385	\$ 3,488,256

## 25. Assets and Liabilities Held by Subsidiary Newly Consolidated through Share Transfer

For the year ended March 31, 2015, breakdown of assets and liabilities held by Yachiyo newly consolidated through share transfer at the time of the consolidation was as follows.

	<i>Millions of Yen</i>
Total assets	¥ 2,260,320
Including, loans and bills discounted	1,444,364
Including, securities	622,404
Including, reserve for loan losses	(12,460)
Total liabilities	2,156,770
Including, deposits	2,122,129

## 26. 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, 2016 and 2015 were as follows:

#### *As lessee*

	<i>Millions of Yen</i>		<i>Thousands of</i>
	2016	2015	<i>U.S. Dollars</i>
Within one year	¥ 103	¥ 47	\$ 920
Over one year	230	177	2,041
Total	¥ 333	¥ 225	\$ 2,961

## As lessor

	Millions of Yen		Thousands of U.S. Dollars	
	2016	2015	2016	
Within one year	¥ 60	¥ 27	\$	538
Over one year	26	20		237
Total	¥ 87	¥ 48	\$	775

## 27. 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 consists 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 consists 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 consists 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, 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 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 use 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 and Yachiyo, and, as of March 31, 2016 and 2015, the volume of market risk were ¥40,634 million (\$360,614 thousand) and ¥32,458 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, 2016, 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, 2016 and 2015 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>				
		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)				
		<u>3,336,440</u>		<u>3,371,825</u>		<u>35,384</u>
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	¥	<u>4,795,520</u>	¥	<u>4,795,634</u>	¥	<u>114</u>
Derivatives (*2):						
Hedge accounting not applied	¥	1,514	¥	1,514	¥	-
Hedge accounting applied		(10)		(10)		-
Total	¥	<u>1,503</u>	¥	<u>1,503</u>	¥	<u>-</u>
		<i>Millions of Yen</i>				
		2015				
		Carrying value	Fair value	Difference		
Assets:						
(1) Cash and due from banks	¥	298,834	¥	298,820	¥	(13)
(2) Trading account securities:						
Trading securities		607		607		-
(3) Securities:						
Held-to-maturity bonds		554,286		565,385		11,099
Available-for-sale securities		671,359		671,359		-
(4) Loans and bills discounted		3,294,802				
Reserve for loan losses (*1)		(27,937)				
		<u>3,266,864</u>		<u>3,296,364</u>		<u>29,499</u>
Total	¥	4,791,952	¥	4,832,537	¥	40,585
Liabilities:						
(1) Deposits	¥	4,491,306	¥	4,491,127	¥	(178)
(2) Payables under securities lending transactions		140,876		140,876		-
Total	¥	<u>4,632,182</u>	¥	<u>4,632,004</u>	¥	<u>(178)</u>
Derivatives (*2):						
Hedge accounting not applied	¥	788	¥	788	¥	-
Hedge accounting applied		(17)		(17)		-
Total	¥	<u>770</u>	¥	<u>770</u>	¥	<u>-</u>

<i>Thousands of U.S. Dollars</i>			
2016			
	Carrying value	Fair value	Difference
<b>Assets:</b>			
(1) Cash and due from banks	\$ 3,599,036	\$ 3,598,986	\$ (49)
(2) Trading account securities:			
Trading securities	5,843	5,843	-
(3) Securities:			
Held-to-maturity bonds	4,639,203	4,826,096	186,892
Available-for-sale securities	6,033,364	6,033,364	-
(4) Loans and bills discounted	29,818,240		
Reserve for loan losses (*1)	(208,368)		
	<u>29,609,871</u>	<u>29,923,900</u>	<u>314,029</u>
<b>Total</b>	<b>\$ 43,887,319</b>	<b>\$ 44,388,191</b>	<b>\$ 500,872</b>
<b>Liabilities:</b>			
(1) Deposits	\$ 39,955,559	\$ 39,956,573	\$ 1,014
(2) Payables under securities lending transactions	2,603,191	2,603,191	-
<b>Total</b>	<b>\$ 42,558,750</b>	<b>\$ 42,559,765</b>	<b>\$ 1,014</b>
<b>Derivatives (*2):</b>			
Hedge accounting not applied	\$ 13,443	\$ 13,443	\$ -
Hedge accounting applied	(96)	(96)	-
<b>Total</b>	<b>\$ 13,347</b>	<b>\$ 13,347</b>	<b>\$ -</b>

(\*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 or with 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 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 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 are within one year and 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 28.



## 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, 2016 and 2015 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>
	2016	2015	2016
	Carrying value		
Unlisted stocks (*1) (*4)	¥ 5,146	¥ 4,867	\$ 45,677
Unlisted REITs (*2)	-	4,019	-
Investments in limited partnerships (*3) (*4)	2,365	2,301	20,992
Total	¥ 7,512	¥ 11,188	\$ 66,669

(\*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) All of unlisted REITs are subject to disclosure of fair values from the year ended March 31, 2016.

(\*3) 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,.

(\*4) For the year ended March 31, 2016, impairment losses were ¥0 million (\$2 thousand) on unlisted stocks.

For the year ended March 31, 2015, impairment losses were ¥9 million on unlisted stocks and ¥39 million on investments in limited partnership.

## 3. Redemption schedule for receivables and securities with maturities

The redemption schedule for receivables and securities with maturities as of March 31, 2016 and 2015 are summarized as follows:

	<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	22,028	16,932	34,998	6,990	-
Foreign securities	-	-	11,268	-	3,000	4,000
Available-for-sale securities with maturities:						
Japanese government bonds	-	141,399	11,600	-	10,000	13,000
Japanese local government bonds	4,264	5,041	7,209	318	29,961	984
Japanese short-term corporate bonds	10,000	-	-	-	-	-
Japanese corporate bonds	38,671	67,394	107,698	11,155	24,583	6,705
Other	3,625	18,660	76,934	6,776	31,335	-
Loans and bills discounted (*)	721,324	656,701	408,077	298,205	328,051	661,379
Total	¥ 1,233,358	¥ 933,986	¥ 715,319	¥ 496,577	¥ 483,471	¥ 720,469

<i>Millions of Yen</i>						
2015						
	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	¥ 251,557	¥ -	¥ 2,000	¥ -	¥ -	¥ -
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	23,640	46,610	11,000	97,000	147,000	34,000
Japanese local government bonds	3,818	43,990	5,780	13,824	2,550	450
Japanese corporate bonds	5,300	29,705	8,493	37,612	15,758	-
Foreign securities	12,017	1,000	-	1,000	2,000	2,000
Available-for-sale securities with maturities:						
Japanese government bonds	33,304	23,132	152,242	-	22,978	6,000
Japanese local government bonds	3,038	6,171	9,540	3,000	21,366	-
Japanese short-term corporate bonds	-	-	-	-	-	-
Japanese corporate bonds	15,477	73,383	110,378	28,617	18,503	2,855
Other	1,478	8,674	70,267	5,731	5,895	710
Loans and bills discounted (*)	685,871	672,180	411,452	267,249	334,908	621,047
Total	<u>¥ 1,035,503</u>	<u>¥ 904,847</u>	<u>¥ 781,153</u>	<u>¥ 454,034</u>	<u>¥ 570,960</u>	<u>¥ 667,063</u>

<i>Thousands of U.S. Dollars</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	\$ 3,240,880	\$ -	\$ 17,749	\$ -	\$ -	\$ -
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	391,728	71,618	608,803	1,180,333	425,985	301,739
Japanese local government bonds	292,953	128,771	44,373	107,596	13,755	3,549
Japanese corporate bonds	116,613	197,089	150,266	310,596	62,034	-
Foreign securities	-	-	100,000	-	26,624	35,498
Available-for-sale securities with maturities:						
Japanese government bonds	-	1,254,872	102,946	-	88,746	115,370
Japanese local government bonds	37,849	44,745	63,985	2,825	265,901	8,736
Japanese short-term corporate bonds	88,746	-	-	-	-	-
Japanese corporate bonds	343,197	598,107	955,788	99,000	218,168	59,509
Other	32,170	165,607	682,771	60,136	278,090	-
Loans and bills discounted (*)	6,401,532	5,828,024	3,621,557	2,646,478	2,911,356	5,869,537
Total	<u>\$ 10,945,673</u>	<u>\$ 8,288,836</u>	<u>\$ 6,348,241</u>	<u>\$ 4,406,967</u>	<u>\$ 4,290,662</u>	<u>\$ 6,393,942</u>

(\*) As of March 31, 2016 and 2015, loans do not include an estimated ¥87,883 million (\$779,941 thousand) and ¥107,846 million, respectively, in uncollectible loans such as those to bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, and ¥198,295 million (\$1,759,810 thousand) and ¥194,245 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, 2016 and 2015 are summarized as follows:

<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	<u>¥ 4,605,865</u>	<u>¥ 170,939</u>	<u>¥ 18,630</u>	<u>¥ 33</u>	<u>¥ 29</u>	<u>¥ 20</u>

<i>Millions of Yen</i>						
2015						
	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 (*)	¥ 4,233,462	¥ 237,605	¥ 20,139	¥ 40	¥ 33	¥ 25
Payables under securities lending transactions	140,876	-	-	-	-	-
Total	<u>¥ 4,374,339</u>	<u>¥ 237,605</u>	<u>¥ 20,139</u>	<u>¥ 40</u>	<u>¥ 33</u>	<u>¥ 25</u>

<i>Thousands of U.S. Dollars</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 (*)	\$38,272,436	\$1,517,038	\$ 165,342	\$ 297	\$ 258	\$ 185
Payables under securities lending transactions	2,603,191	-	-	-	-	-
Total	<u>\$40,875,628</u>	<u>\$1,517,038</u>	<u>\$ 165,342</u>	<u>\$ 297</u>	<u>\$ 258</u>	<u>\$ 185</u>

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

#### 28. 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, 2016 and 2015, for which hedge accounting has not been applied.

(1) Interest-related transactions

<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/fixd and pay/floating	¥ 132,367	¥ 115,163	¥ 2,013	¥	2,013
Receive/floating and pay/fixd	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

<i>Millions of Yen</i>					
2015					
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)	
OTC interest rate swaps:					
Receive/fixd and pay/floating	¥ 126,990	¥ 111,375	¥ 1,265	¥	1,265
Receive/floating and pay/fixd	125,525	109,890	(296)	¥	(296)
OTC interest rate swaptions:					
Sell	8,300	1,190	(2)	¥	39
Buy	6,800	1,190	2	¥	2
OTC interest rate caps:					
Sell	2,711	2,465	(3)	¥	69
Buy	2,711	2,465	3	¥	(13)
Total			¥ 968	¥	1,066

*Thousands of U.S. Dollars*

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	\$ 1,174,716	\$ 1,022,039	\$ 17,873	\$ 17,873
Receive/floating and pay/fixed	1,162,291	1,009,215	(8,475)	(8,475)
OTC interest rate swaptions:				
Sell	26,357	9,495	(0)	157
Buy	26,357	9,495	0	0
OTC interest rate caps:				
Sell	25,593	25,078	-	691
Buy	26,072	25,078	-	(171)
Total			\$ 9,398	\$ 10,076

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*

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

*Millions of Yen*

2015				
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)
OTC currency swaps	¥ 38,623	¥ 15,301	¥ 63	¥ 63
OTC foreign exchange contracts:				
Sell	21,390	398	(565)	(565)
Buy	10,780	316	320	320
OTC currency options:				
Sell	28,344	91	(464)	56
Buy	28,344	91	464	52
Total			¥ (180)	¥ (70)

*Thousands of U.S. Dollars*

2016				
	Contract or notional amount	Contract or notional amount due after one year	Fair value	Unrealized gains (losses)
OTC currency swaps	\$ 131,408	\$ 38,876	\$ 274	\$ 274
OTC foreign exchange contracts:				
Sell	251,459	3,653	4,877	4,877
Buy	128,233	1,246	(1,118)	(1,118)
OTC currency options:				
Sell	78,294	7,959	(1,060)	641
Buy	78,994	7,959	1,073	(136)
Total			\$ 4,045	\$ 4,537

## 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, 2016 and 2015, for which hedge accounting has been applied.

## (1) Interest-related transactions

			<i>Millions of Yen</i>		
			2016		
	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>Millions of Yen</i>		
			2015		
	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	¥ 550	¥ (17)
Interest rate swaps:					
Receive/fixed and pay/floating	Exceptional treatment	Loans and bills discounted	46,731	39,503	(Note 3)
Total					<u>¥ (17)</u>

			<i>Thousands of U.S. Dollars</i>		
			2016		
	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	\$ 4,881	\$ -	\$ (96)
Interest rate swaps:					
Receive/fixed and pay/floating	Exceptional treatment	Loans and bills discounted	353,022	295,272	(Note 3)
Total					<u>\$ (96)</u>

Notes:

1. The Group basically applies 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.

## 29. Segment Information

The Group’s only reporting segment is the banking business. Note that the Group conducts businesses other than 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>				
	2016				
	Lending	Securities investment	Service transactions	Other	Total
Ordinary income from external customers	¥ 46,269	¥ 12,250	¥ 15,832	¥ 5,232	¥ 79,583

	<i>Millions of Yen</i>				
	2015				
	Lending	Securities investment	Service transactions	Other	Total
Ordinary income from external customers	¥ 38,646	¥ 8,665	¥ 13,410	¥ 4,320	¥ 65,043

	<i>Thousands of U.S. Dollars</i>				
	2016				
	Lending	Securities investment	Service transactions	Other	Total
Ordinary income from external customers	\$ 410,624	\$ 108,718	\$ 140,506	\$ 46,432	\$ 706,282

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.



### 30. Subsequent Events

#### 1. 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, 2016, was approved at the board of directors' meeting held on May 13, 2016 and became effective on June 13, 2016:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Dividends on common stock (¥ 30 (\$0.26) per share)	¥ 871	\$ 7,736

#### 2. Management integration with ShinGinko Tokyo, Limited

The Company and ShinGinko Tokyo, Limited (hereinafter, "ShinGinko Tokyo") resolved at the respective board of directors' meetings held on September 25, 2015, to implement management integration through share exchange with effective date of April 1, 2016, in which the Company shall become a wholly-owning parent and ShinGinko Tokyo shall become a wholly-owned subsidiary, subject to approval at the shareholders' meetings and the class shareholders' meetings of both companies as well as permission by the relevant authorities, and then, entered into a "Share exchange agreement" and a "Management integration agreement." As of April 1, 2016, the Company and ShinGinko Tokyo executed the share exchange based on the agreement and ShinGinko Tokyo became a wholly-owned subsidiary of the Company.

The share exchange agreement was approved at the extraordinary shareholders' meetings and the class shareholders' meetings of both companies held on November 27, 2015.

##### (1) Overview of the business combination

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

Name of company:	ShinGinko Tokyo
Description of business:	Banking business
Capital:	¥20,000 million (\$177,493 thousand)

##### (b) 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.

##### (c) Date of the business combination

April 1, 2016

##### (d) Legal form of the business combination

Share exchange

##### (e) Company name after the business combination

No change to the company name after the business combination.

##### (f) The acquired ratio of voting rights

100%

##### (g) 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) The 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	\$ 33,007
The Company's preferred stock delivered at the business combination date	40,000	354,987
Acquisition cost	<u>¥ 43,719</u>	<u>\$ 387,995</u>

(3) Exchange ratio by type of stock, the calculation method, and number of shares delivered

(a) 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

(b) 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.

(c) Number of shares delivered

Common stock 1,422,289 shares

Preferred stock 2,000,000 shares

(4) Effect of the acquisition on the consolidated statement of income

Gain on negative goodwill of ¥19,443 million (\$172,557 thousand) (provisional value) is expected as a result of the stock acquisition

(5) Major content and amount of acquisition related cost

Advisory fees and commissions: ¥144 million (\$1,279 thousand)

3. Issuance of preferred stock

The Company resolved at the board of directors' meeting held on June 3, 2016, to issue shares of 1st tranche class 1 preferred stock by means of third-party allotment to Sumitomo Mitsui Trust Bank, Limited, as an allottee, and the issuance was made on June 24, 2016.

1. Type of shares issued	Tokyo TY Financial Group, Inc. 1st tranche class 1 preferred stock
2. Number of new shares issued	750,000 shares
3. Amount paid	¥20,000 (\$177) per share
4. Aggregate amount paid	¥15,000,000,000 (\$133,120 thousand)
5. Amount of increase in capital and capital surplus	Each ¥7,500,000,000 (\$66,560 thousand) or ¥10,000 (\$88) per share
6. Payment date	June 24, 2016 (Friday)
7. Use of proceeds	To be applied to the capital injection to The Tokyo Tomin Bank, Limited

**The Tokyo Moin Bank, Limited**  
**Non-consolidated Balance Sheets (Unaudited)**  
**As of March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Assets</b>			
Cash and due from banks	¥ 295,235	¥ 213,293	\$ 2,620,123
Call loans	4,497	3,442	39,913
Monetary claims bought	0	65	1
Trading account securities	31	177	276
Securities	586,946	586,219	5,208,968
Loans and bills discounted	1,842,130	1,828,147	16,348,333
Foreign exchanges	3,406	5,544	30,231
Other assets	17,051	12,483	151,327
Tangible fixed assets	32,574	32,259	289,089
Intangible fixed assets	1,116	1,850	9,908
Prepaid pension cost	14,316	11,607	127,052
Deferred tax assets	4,194	5,597	37,220
Customers' liabilities for acceptances and guarantees	2,926	3,133	25,969
Reserve for loan losses	(12,466)	(16,508)	(110,634)
<b>Total assets</b>	<b>¥ 2,791,960</b>	<b>¥ 2,687,314</b>	<b>\$ 24,777,780</b>
<b>Liabilities</b>			
Deposits	¥ 2,390,437	¥ 2,379,799	\$ 21,214,388
Negotiable certificates of deposit	32,706	25,838	290,255
Call money	474	-	4,209
Payables under securities lending transactions	236,597	140,876	2,099,729
Borrowed money	7,225	7,209	64,122
Foreign exchanges	65	138	585
Bonds payable	16,000	25,600	141,995
Other liabilities	13,212	13,757	117,260
Reserve for employees' bonuses	1,079	1,076	9,582
Reserve for officers' retirement benefits	60	101	534
Reserve for point card program	2	2	25
Reserve for losses from reimbursement of inactive accounts	374	236	3,322
Reserve for contingent losses	291	302	2,589
Deferred tax liabilities on land revaluation	14	15	128
Acceptances and guarantees	2,926	3,133	25,969
<b>Total liabilities</b>	<b>2,701,469</b>	<b>2,598,089</b>	<b>23,974,699</b>
<b>Net assets</b>			
Shareholders' equity:			
Common stock	48,120	48,120	427,054
Capital surplus	18,083	18,083	160,483
Retained earnings	18,655	15,369	165,564
<b>Total shareholders' equity</b>	<b>84,859</b>	<b>81,573</b>	<b>753,103</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,840	7,862	51,836
Revaluation reserve for land	(209)	(210)	(1,858)
<b>Total accumulated other comprehensive income</b>	<b>5,631</b>	<b>7,651</b>	<b>49,977</b>
<b>Total net assets</b>	<b>90,491</b>	<b>89,225</b>	<b>803,081</b>
<b>Total liabilities and net assets</b>	<b>¥ 2,791,960</b>	<b>¥ 2,687,314</b>	<b>\$ 24,777,780</b>

See notes to consolidated financial statements.

**The Tokyo Mimin Bank, Limited**  
**Non-consolidated Statements of Income (Unaudited)**  
**For the Years Ended March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Income</b>			
Interest income:			
Interest on loans and discounts	¥ 24,503	¥ 26,720	\$ 217,462
Interest and dividends on securities	5,677	4,398	50,387
Interest on call loans	54	86	486
Interest on receivables under securities borrowing transactions	-	9	-
Interest on due from banks	233	121	2,070
Other interest income	149	190	1,328
Fees and commissions	8,204	9,221	72,815
Other operating income	2,209	2,177	19,607
Other income	1,684	1,552	14,947
<b>Total income</b>	<u>42,717</u>	<u>44,477</u>	<u>379,105</u>
<b>Expenses</b>			
Interest expense:			
Interest on deposits	1,047	1,163	9,295
Interest on negotiable certificates of deposit	26	38	236
Interest on call money	7	0	62
Interest on payables under securities lending transactions	649	109	5,761
Interest on borrowed money	126	207	1,125
Interest on bonds payable	488	698	4,334
Other interest expense	31	27	276
Fees and commissions payments	2,689	2,834	23,872
Other operating expenses	142	16	1,266
General and administrative expenses	28,317	30,016	251,307
Other expenses	2,310	2,606	20,506
<b>Total expenses</b>	<u>35,837</u>	<u>37,717</u>	<u>318,045</u>
<b>Income before income taxes</b>	6,880	6,759	61,060
<b>Income taxes:</b>			
Current	84	255	751
Deferred	2,564	3,021	22,758
<b>Total income taxes</b>	<u>2,649</u>	<u>3,277</u>	<u>23,510</u>
<b>Net income</b>	<u>¥ 4,231</u>	<u>¥ 3,482</u>	<u>\$ 37,549</u>

See notes to consolidated financial statements.

**The Yachiyo Bank, Limited**  
**Non-consolidated Balance Sheets (Unaudited)**  
**As of March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Assets</b>			
Cash and due from banks	¥ 110,233	¥ 85,467	\$ 978,290
Call loans	39,577	25,495	351,241
Monetary claims bought	4,202	2,946	37,293
Trading account securities	627	429	5,567
Securities	613,955	637,916	5,448,660
Loans and bills discounted	1,517,513	1,466,028	13,467,459
Foreign exchanges	3,124	2,186	27,731
Other assets	8,302	4,690	73,680
Tangible fixed assets	29,368	30,176	260,638
Intangible fixed assets	786	1,265	6,983
Deferred tax assets	3,359	4,551	29,810
Customers' liabilities for acceptances and guarantees	2,934	3,497	26,041
Reserve for loan losses	(9,736)	(10,139)	(86,406)
<b>Total assets</b>	<b>¥ 2,324,249</b>	<b>¥ 2,254,512</b>	<b>\$ 20,626,992</b>
<b>Liabilities</b>			
Deposits	¥ 2,124,520	¥ 2,122,761	\$ 18,854,461
Negotiable certificates of deposit	5,630	3,930	49,964
Payable under securities lending transactions	56,730	-	503,461
Borrowed money	5,000	5,000	44,373
Foreign exchanges	2	0	22
Other liabilities	12,687	6,447	112,595
Reserve for employees' bonuses	844	869	7,490
Reserve for officers' retirement benefits	2,810	3,546	24,939
Reserve for losses from reimbursement of inactive accounts	614	608	5,452
Reserve for contingent losses	367	438	3,261
Deferred tax liabilities on land revaluation	2,481	2,687	22,026
Acceptances and guarantees	2,934	3,497	26,041
<b>Total liabilities</b>	<b>2,214,623</b>	<b>2,149,786</b>	<b>19,654,091</b>
<b>Net assets</b>			
Shareholders' equity:			
Common stock	43,734	43,734	388,133
Capital surplus	32,922	32,922	292,179
Retained earnings	27,540	23,574	244,410
<b>Total shareholders' equity</b>	<b>104,197</b>	<b>100,232</b>	<b>924,723</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	4,819	3,891	42,772
Deferred gains or losses on hedges	(7)	(12)	(70)
Revaluation reserve for land	616	615	5,475
<b>Total accumulated other comprehensive income</b>	<b>5,428</b>	<b>4,494</b>	<b>48,177</b>
<b>Total net assets</b>	<b>109,626</b>	<b>104,726</b>	<b>972,900</b>
<b>Total liabilities and net assets</b>	<b>¥ 2,324,249</b>	<b>¥ 2,254,512</b>	<b>\$ 20,626,992</b>

See notes to consolidated financial statements.

**The Yachiyo Bank, Limited**  
**Non-consolidated Statements of Income (Unaudited)**  
**For the Years Ended March 31, 2016 and 2015**

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2)</i>
	2016	2015	2016
<b>Income</b>			
Interest income:			
Interest on loans and discounts	¥ 21,195	¥ 22,356	\$ 188,100
Interest and dividends on securities	5,551	5,861	49,271
Interest on call loans	156	116	1,386
Interest on due from banks	77	75	691
Other interest income	380	435	3,377
Fees and commissions	5,986	5,537	53,129
Other operating income	2,316	2,980	20,558
Other income	1,934	3,649	17,166
<b>Total income</b>	<u>37,599</u>	<u>41,012</u>	<u>333,682</u>
<b>Expenses</b>			
Interest expense:			
Interest on deposits	1,104	1,304	9,799
Interest on negotiable certificates of deposit	1	1	11
Interest on call money	0	0	0
Interest on payables under securities lending transactions	15	12	139
Interest on borrowed money	107	55	954
Interest on bonds with stock acquisition rights	-	53	-
Interest on interest swaps	9	9	83
Other interest expense	14	15	124
Fees and commissions payments	1,780	2,196	15,801
Other operating expenses	25	74	225
General and administrative expenses	25,309	26,077	224,615
Other expenses	1,980	1,857	17,579
<b>Total expenses</b>	<u>30,348</u>	<u>31,658</u>	<u>269,334</u>
<b>Income before income taxes</b>	7,250	9,354	64,347
<b>Income taxes:</b>			
Current	1,817	2,142	16,129
Deferred	661	1,144	5,867
<b>Total income taxes</b>	<u>2,478</u>	<u>3,286</u>	<u>21,997</u>
<b>Net income</b>	<u>¥ 4,772</u>	<u>¥ 6,067</u>	<u>\$ 42,350</u>

See notes to consolidated financial statements.