

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Assets			
Cash and due from banks (Note 16)	¥ 335,643	¥ 539,879	\$ 4,812,191
Call loans and bills bought	—	2,243	20,000
Monetary claims bought	11,564	10,891	97,077
Trading account securities	1,039	1,028	9,164
Money held in trust (Note 8)	4,967	4,429	39,486
Securities (Note 7 and 13)	2,133,238	2,089,768	18,627,049
Loans and bills discounted (Note 4)	5,010,417	5,181,288	46,183,159
Foreign exchanges	3,196	6,852	61,080
Lease receivables and investment assets	43,898	47,126	420,058
Other assets	32,852	48,188	429,528
Property, plant and equipment (Note 12)	67,732	68,655	611,956
Intangible assets	8,623	10,094	89,980
Net defined benefit asset	—	335	2,987
Deferred tax assets (Note 19)	1,416	1,459	13,007
Customers' liabilities for acceptances and guarantees	15,870	13,376	119,227
Allowance for loan losses	(38,951)	(39,019)	(347,802)
Total assets	<u>¥7,631,510</u>	<u>¥7,986,598</u>	<u>\$71,188,146</u>
Liabilities			
Deposits (Note 13)	¥6,421,045	¥6,652,907	\$59,300,362
Call money and bills sold	29,296	12,259	109,271
Payable under securities lending transactions (Note 13)	270,574	329,844	2,940,052
Borrowed money	257,764	326,833	2,913,211
Foreign exchanges	292	405	3,612
Bonds payable (Note 26)	—	10,000	89,135
Bonds with subscription rights to shares	22,536	22,438	200,000
Other liabilities	45,002	49,467	440,925
Provision for directors' bonuses	62	57	508
Net defined benefit liability	17,890	3,207	28,591
Provision for directors' retirement benefits	571	518	4,619
Provision for reimbursement of deposits	1,070	1,056	9,417
Provision for point loyalty programs	151	132	1,183
Provision for contingent loss	1,008	991	8,839
Reserves under special laws	—	0	0
Deferred tax liabilities	32,564	28,840	257,068
Deferred tax liabilities for land revaluation (Note 14)	8,081	8,081	72,032
Acceptances and guarantees	15,870	13,376	119,227
Total liabilities	<u>7,123,782</u>	<u>7,460,416</u>	<u>66,498,051</u>
Net assets			
Capital stock	48,652	48,652	433,659
Capital surplus	29,140	29,140	259,745
Retained earnings	326,122	346,848	3,091,621
Treasury shares	(17,296)	(21,276)	(189,643)
Total shareholders' equity	<u>386,619</u>	<u>403,365</u>	<u>3,595,382</u>
Valuation difference on available-for-sale securities	112,745	107,251	955,978
Deferred gains or losses on hedges	(134)	(140)	(1,255)
Revaluation reserve for land (Note 14)	14,287	14,287	127,347
Foreign currency translation adjustment	463	303	2,702
Remeasurements of defined benefit plans	(12,196)	(4,995)	(44,530)
Total accumulated other comprehensive income	<u>115,165</u>	<u>116,704</u>	<u>1,040,241</u>
Subscription rights to shares	377	413	3,683
Non-controlling interests	5,564	5,697	50,788
Total net assets	<u>507,727</u>	<u>526,181</u>	<u>4,690,094</u>
Total liabilities and net assets	<u>¥7,631,510</u>	<u>¥7,986,598</u>	<u>\$71,188,146</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Income			
Interest income:			
Interest on loans and discounts	¥ 58,786	¥ 56,904	\$ 507,211
Interest and dividends on securities	26,007	26,913	239,893
Other interest income	1,031	898	8,008
Fees and commissions	18,996	18,690	166,598
Other ordinary income	23,753	25,562	227,850
Other income	7,648	15,161	135,144
Total income	136,224	144,130	1,284,704
Expenses			
Interest expense:			
Interest on deposits	2,435	1,781	15,883
Interest on call money and borrowing	669	604	5,389
Other interest expenses	1,407	3,400	30,307
Fees and commissions payments	7,202	7,467	66,558
Other ordinary expenses	19,974	25,880	230,685
General and administrative expenses	57,472	61,672	549,714
Other expenses (Note 17 and 20)	3,783	7,076	63,075
Total expenses	92,945	107,883	961,611
Profit before income taxes	43,278	36,247	323,094
Income taxes:			
Current	12,096	14,344	127,860
Deferred	2,039	(4,477)	(39,908)
Profit	29,142	26,380	235,142
Profit attributable to non-controlling interests	526	75	675
Profit attributable to owners of parent	¥ 28,616	¥ 26,304	\$ 234,467
Per share amounts			
Profit – primary	¥ 63.78	¥ 59.46	\$ 0.53
Profit – fully diluted	63.68	59.36	0.53

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31,	millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Profit	¥ 29,142	¥ 26,380	\$ 235,142
Other comprehensive income (Note 11)			
Valuation difference on available-for-sale securities	(24,096)	(5,495)	(48,980)
Deferred gains or losses on hedges	(125)	(6)	(57)
Revaluation reserve for land	423	—	—
Foreign currency translation adjustment	2	(160)	(1,433)
Remeasurements of defined benefit plans, net of tax	(10,766)	7,200	64,184
Share of other comprehensive income of entities accounted for the using equity method	49	69	616
Total other comprehensive income	(34,513)	1,607	14,329
Comprehensive income	(5,370)	27,988	249,471
(Details)			
Comprehensive income attributable to owners of parent	(5,887)	27,844	248,188
Comprehensive income attributable to non-controlling interests	¥ 516	¥ 143	\$ 1,283

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2015	¥48,652	¥29,140	¥302,852	¥(12,251)	¥368,394
Changes of items during period					
Dividends of surplus	—	—	(5,407)	—	(5,407)
Profit attributable to owners of parent	—	—	28,616	—	28,616
Purchase of treasury shares	—	—	—	(5,532)	(5,532)
Disposal of treasury shares	—	—	(35)	487	452
Reversal of revaluation reserve for land	—	—	97	—	97
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	23,270	(5,044)	18,225
Balance as of March 31, 2016	¥48,652	¥29,140	¥326,122	¥(17,296)	¥386,619

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance as of March 31, 2015	¥136,783	¥ (9)	¥13,960	¥461	¥ (1,429)	¥149,766	¥316	¥5,058	¥523,535
Changes of items during period									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,407)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	28,616
Purchase of treasury shares	—	—	—	—	—	—	—	—	(5,532)
Disposal of treasury shares	—	—	—	—	—	—	—	—	452
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	97
Net changes of items other than shareholders' equity	(24,038)	(125)	326	2	(10,766)	(34,600)	60	505	(34,033)
Total changes of items during period	(24,038)	(125)	326	2	(10,766)	(34,600)	60	505	(15,808)
Balance as of March 31, 2016	¥112,745	¥(134)	¥14,287	¥463	¥(12,196)	¥115,165	¥377	¥5,564	¥507,727

The accompanying notes are an integral part of these statements.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2016	¥48,652	¥29,140	¥326,122	¥(17,296)	¥386,619
Changes of items during period					
Dividends of surplus	—	—	(5,551)	—	(5,551)
Profit attributable to owners of parent	—	—	26,304	—	26,304
Purchase of treasury shares	—	—	—	(4,701)	(4,701)
Disposal of treasury shares	—	—	(28)	721	693
Reversal of revaluation reserve for land	—	—	0	—	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	20,726	(3,980)	16,746
Balance as of March 31, 2017	¥48,652	¥29,140	¥346,848	¥(21,276)	¥403,365

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance as of March 31, 2016	¥112,745	¥(134)	¥14,287	¥463	¥(12,196)	¥115,165	¥377	¥5,564	¥507,727
Changes of items during period									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,551)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	26,304
Purchase of treasury shares	—	—	—	—	—	—	—	—	(4,701)
Disposal of treasury shares	—	—	—	—	—	—	—	—	693
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(5,494)	(6)	(0)	(160)	7,200	1,538	35	133	1,708
Total changes of items during period	(5,494)	(6)	(0)	(160)	7,200	1,538	35	133	18,454
Balance as of March 31, 2017	¥107,251	¥(140)	¥14,287	¥303	¥(4,995)	¥116,704	¥413	¥5,697	¥526,181

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2016	\$433,659	\$259,745	\$2,906,880	\$(154,167)	\$3,446,117
Changes of items during period					
Dividends of surplus	—	—	(49,480)	—	(49,480)
Profit attributable to owners of parent	—	—	234,467	—	234,467
Purchase of treasury shares	—	—	—	(41,905)	(41,905)
Disposal of treasury shares	—	—	(251)	6,429	6,178
Reversal of revaluation reserve for land	—	—	4	—	4
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	184,741	(35,476)	149,265
Balance as of March 31, 2017	\$433,659	\$259,745	\$3,091,621	\$(189,643)	\$3,595,382

	Accumulated other comprehensive income								
	Valuation difference On available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non- controlling interests	Total net assets
Balance as of March 31, 2016	\$1,004,950	\$(1,197)	\$127,351	\$4,135	\$(108,714)	\$1,026,525	\$3,364	\$49,599	\$4,525,605
Changes of items during period									
Dividends of surplus	—	—	—	—	—	—	—	—	(49,480)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	234,467
Purchase of treasury shares	—	—	—	—	—	—	—	—	(41,905)
Disposal of treasury shares	—	—	—	—	—	—	—	—	6,178
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	4
Net changes of items other than shareholders' equity	(48,972)	(57)	(4)	(1,433)	64,184	13,716	319	1,190	15,225
Total changes of items during period	(48,972)	(57)	(4)	(1,433)	64,184	13,716	319	1,190	164,489
Balance as of March 31, 2017	\$ 955,978	\$(1,255)	\$127,347	\$2,702	\$(44,530)	\$1,040,241	\$3,683	\$50,788	\$4,690,094

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Cash flows from operating activities			
Profit before income taxes	¥ 43,278	¥ 36,247	\$ 323,094
Depreciation	5,943	5,876	52,380
Impairment loss	91	62	556
Share of (profit) loss of entities accounted for the using equity method	(100)	(35)	(316)
Increase (decrease) in allowance for loan losses	(5,639)	68	607
Increase (decrease) in provision for directors' bonuses	(5)	(5)	(45)
Increase (decrease) in net defined benefit asset	3	(335)	(2,987)
Increase (decrease) in net defined benefit liability	16,592	(14,682)	(130,873)
Increase (decrease) in provision for directors' retirement benefits	(68)	(53)	(479)
Increase (decrease) in provision for reimbursement of deposits	12	(13)	(121)
Increase (decrease) in provision for point loyalty programs	(0)	(18)	(167)
Increase (decrease) in provision for contingent loss	(124)	(17)	(153)
Gain on fund management	(85,825)	(84,716)	(755,112)
Financing expenses	4,513	5,786	51,579
Loss (gain) related to securities	(2,744)	(8,936)	(79,652)
Loss (gain) on money held in trust	15	24	218
Foreign exchange losses (gains)	(305)	(334)	(2,982)
Loss (gain) on disposal of non-current assets	255	211	1,882
Net decrease (increase) in trading account securities	35	11	99
Net decrease (increase) in loans and bills discounted	(203,509)	(170,870)	(1,523,049)
Net increase (decrease) in deposit	172,433	204,454	1,822,395
Net increase (decrease) in negotiable certificates of deposit	(6,746)	27,407	244,298
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	70,116	69,068	615,642
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	(8,381)	5,041	44,941
Net decrease (increase) in call loans	115,707	(1,570)	(13,997)
Net increase (decrease) in call money	(140,968)	(17,037)	(151,865)
Net increase (decrease) in payables under securities lending transactions	7,667	59,269	528,297
Net decrease (increase) in foreign exchanges - assets	1,342	(3,655)	(32,585)
Net increase (decrease) in foreign exchanges - liabilities	51	112	1,007
Net decrease (increase) in lease receivables and investment assets	(2,400)	(3,227)	(28,770)
Proceeds from fund management	85,368	84,480	753,016
Payments for finance	(4,393)	(5,895)	(52,550)
Other-net	(1,135)	4,904	43,716
Subtotal	61,081	191,623	1,708,022
Income taxes paid	(11,261)	(14,479)	(129,061)
Net cash provided by (used in) operating activities	49,820	177,143	1,578,962
Cash flows from investing activities			
Purchases of securities	(251,243)	(564,597)	(5,032,514)
Proceeds from sales of securities	126,928	280,008	2,495,841
Proceeds from redemption of securities	253,258	324,477	2,892,212
Decrease in money held in trust	—	500	4,457
Purchase of property, plant and equipment	(3,582)	(4,359)	(38,863)
Purchase of intangible assets	(2,462)	(4,161)	(37,096)
Proceeds from sales of property, plant and equipment	124	0	1
Net cash provided by (used in) investing activities	123,024	31,866	284,038
Cash flows from financing activities			
Issuance of subordinated bonds	—	10,000	89,135
Cash dividends paid	(5,403)	(5,552)	(49,488)
Dividends paid to non-controlling interests	(10)	(10)	(94)
Purchase of treasury shares	(5,532)	(4,701)	(41,905)
Proceeds from sales of treasury shares	452	693	6,178
Net cash provided by (used in) financing activities	(10,493)	429	3,825
Effect of exchange rate change on cash and cash equivalents	(6)	(161)	(1,438)
Net increase (decrease) in cash and cash equivalents	162,343	209,277	1,865,387
Cash and cash equivalents at beginning of period	161,807	324,151	2,889,311
Cash and cash equivalents at end of period	¥ 324,151	¥ 533,429	\$ 4,754,699

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Gunma Bank, Ltd. (the "Bank") and consolidated subsidiaries (the "Group") have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Banking Law, the Financial Instruments and Exchange Act of Japan and other applicable rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act for the convenience of readers outside Japan. Certain prior year amounts have been reclassified to comply with the current year presentation.

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2016 and 2017 was 5.

The remaining unconsolidated subsidiaries have been excluded from the scope of consolidation because, judging from their assets, ordinary profit, net income or loss (amounts corresponding to the Bank's equity interest), retained earnings (amounts corresponding to the Bank's equity interest) and accumulated other comprehensive income (amounts corresponding to the Bank's equity interest), they do not have a material effect on the accompanying consolidated financial statements.

As of March 31, 2016 and 2017, the Bank had 2 unconsolidated subsidiaries, which were accounted for by the equity method.

Sky Ocean Asset Management Co., Ltd. has been included in the scope of affiliates accounted for using the equity method from the fiscal year ended March 31, 2017 due to the purchase of its shares.

In reference to the consolidated subsidiaries' closing dates, one company closes accounts at the end of December, while three others close at the end of March.

Consolidation is based on each subsidiary's respective financial statement on the respective closing dates.

For any significant transactions taking place between the consolidated closing date and each subsidiary's closing date, necessary adjustments are made.

c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the fiscal year end with its related cost of sales being determined mainly by the moving average method.

d. Securities

Securities are classified into four categories: trading, held-to-maturity bonds, equity of subsidiaries and affiliates or securities available for sale. Trading securities are carried at market value and held-to-maturity bonds are carried at amortized cost. Equity of subsidiaries and affiliates are stated at cost and accounted for by the equity method, respectively. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of net assets. Securities whose fair

value is not readily determinable are stated at cost determined by the moving average method or amortized cost.

Securities comprising the trust asset in money held in trust which is solely managed primarily for the purpose of securities operations are stated at market value.

e. Derivatives

Derivatives are stated at market value.

f. Non-current assets

(1) Property, plant and equipment

Depreciation of Property, plant and equipment of the Bank are computed by the straight line method.

The estimated useful lives principally applied are as follows.

Buildings	6 to 50 years
Equipment and furniture	3 to 20 years

Depreciation of Property, plant and equipment of the consolidated subsidiaries are principally computed by the straight line method based on the estimated useful lives of the respective assets.

(2) Intangible assets

Intangible assets are depreciated using the straight line method. Software used internally is depreciated over its estimated useful life (mainly five years).

(3) Leased assets

Leased assets in "Property, plant and equipment" subject to finance lease transactions other than those under which the title of the leased equipment is transferred to the lessee are depreciated using the straight line method assuming that the lease period is equal to the useful life. If a guarantee for residual value is prescribed by the lease contract, the residual value is equal to such guaranteed residual value; otherwise, the residual value is zero.

g. Foreign Currency Translation

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

h. Allowance for loan losses

The reserve for possible loan losses is provided in accordance with the internal policies regarding write-offs and allowance for loan losses.

For credit extended to obligors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to obligors that are effectively in similar conditions, reserves are maintained at 100% of amounts of claims net of expected amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

For credit extended to obligors that are not yet legally or formally bankrupt but who are likely to be bankrupt, reserves are maintained at the amount deemed necessary based on overall solvency analyses of the amount of claims less expected amounts recoverable under guarantees.

For credit extended to obligors with Restructured Loan as defined in Note 5 below, reserves are maintained using Discounted Cash Flow Method ("the DCF Method") if i) the exposure to the obligor exceeds a certain threshold and ii) the future cash flow from the repayment of principal and interest can be reasonably estimated. Under the DCF Method, the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate before the loan was classified as a Restructured Loan.

For credit extended to all other obligors, reserves are maintained at rates derived from default experiences for a certain period in the past, etc.

The reserve for possible loan losses is provided based on the result of self assessment on quality of assets which is performed in accordance with the Bank's internal guidelines and is independently reviewed by the internal audit unit.

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

i. Provision for directors' bonuses

A provision is provided for the payments of bonuses to directors and Audit & Supervisory Board Member at the amount of the estimated bonus payments corresponding to the end of the fiscal year.

j. Accounting method for retirement benefits

In calculating retirement benefit obligation, the Bank uses the benefit formula basis for the purpose of attributing expected retirement benefit payment to the period up to the end of the fiscal year. In addition, the accounting method for actuarial gain and loss is as follows:

Actuarial gain and loss

Actuarial gain and loss are amortized from the year following the occurrence primarily by the straight line method over a fixed period (mainly 10 years) that is shorter than the average remaining service years of the eligible employees.

Meanwhile, certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses by the simplified method, using the amount of retirement benefit required for voluntary resignations at the end of the fiscal year as retirement benefit obligation.

k. Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and Audit & Supervisory Board Member, a reserve is provided at the amount deemed to have accrued at the end of the fiscal year (the estimated amount payable on the balance sheet date based on the bylaws) out of the estimated amount payable as retirement benefits to directors and Audit & Supervisory Board Member.

l. Provision for reimbursement of deposits

Provision for reimbursement of deposits accounts is provided for the repayment of dormant deposits which are no longer recorded as liabilities, based on the estimated reimbursement losses that may be incurred should the deposits be withdrawn.

m. Provision for point loyalty programs

Provision for point loyalty programs is provided for the future usage of points granted to credit card members at the amount estimated to be used in the future periods.

n. Provision for Contingent Loss

The provision for contingent loss is provided for the payment of charges related to the responsibility-sharing system to Credit Guarantee Corporations at the amount expected to be paid based on the past payment experience.

o. Reserves under Special Laws

Reserves under the special laws represents a reserve for financial products transaction liabilities and is provided for compensation for losses from securities-related accidents in the amount computed in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 the related cabinet order.

p. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis 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 be reversed.

q. Earnings Per Share

Earnings per share was computed based on the profit available for distribution to stockholders and the number of shares of common stock outstanding during the fiscal year.

r. Hedge Accounting

Hedge Accounting for Interest Rate Risks

The Bank adopted the standard treatment of the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" ("Report No. 24") issued by the JICPA on February 13, 2002. Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities. Hedge effectiveness is assessed for each designated group of hedged items (such as deposits) and the corresponding group of hedging instruments (such as interest rate swaps). Both of the hedged items and hedging instruments are grouped based on their durations and compared for the testing of effectiveness.

In addition to the above, the Bank applies exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis.

Hedge Accounting for Foreign Exchange Risks

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopted the standard treatment prescribed in the Report No. 25 issued by the JICPA on July 29, 2002. Under that treatment, the Bank applies the deferred method of hedge accounting. The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge's inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedging instruments that are designated to hedge foreign exchange risk of the foreign currency-denominated receivables and payables exceeds that of the hedged foreign currency-denominated receivables and payables.

In addition, for available-for-sale securities (except for bonds) denominated in foreign currencies, the Bank applies the fair value hedge accounting for a portfolio hedge on the conditions that the issues of foreign currency denominated securities as hedged items are designated in advance and that the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the amount of acquisition cost of the hedged items denominated in foreign currencies.

s. Recognition for Income and Expenses

Income and expenses associated with finance lease transactions are recognized when lease fees are received.

t. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash and deposit with the Bank of Japan which are included in "Cash and due from banks" on the consolidated balance sheets.

2. Additional Information

(Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28, 2016; hereinafter the application of "Implementation Guidance"))
The Bank adopts the Implementation Guidance from the beginning of the fiscal year commencing on April 1, 2016.

(Application of "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts")
The Bank enters into transactions of delivering its own stocks to the employees' stockholding association through trusts for the purpose of employee welfare.

1. Outline of transactions

Based on the resolution at the Board of Directors meeting held on February 8, 2013, the Bank introduced the "Employee Stock Ownership Plan Trust" (hereinafter, the "ESOP Trust") for the purpose of enhancing employee welfare in line with the Bank's 80th anniversary.

This is an incentive plan that covers all the employees participating in the employees' stock holding association.

Under the plan, the Bank sets up the ESOP Trust account in a trust bank, where the ESOP Trust preliminary acquires from the market the number of shares of the Bank the employee's stockholding association is expected to acquire during four years and eight months following the setting up of the trust. Subsequent to this, the ESOP Trust will sell the shares of the Bank to the employee's stockholding association on an ongoing basis. If the amount equivalent to gain on sale of shares is accumulated in the ESOP Trust at the time the shares are sold out, the amount will be treated as residual assets and distributed to eligible beneficiaries. As the Bank provides a guarantee of debt for the ESOP Trust to acquire the shares of the Bank, if the amount equivalent to loss on sale of shares is accumulated in the ESOP Trust due to a fall in the share price of the Bank, and debt in an amount equivalent to that loss is remaining in the Trust at the time the Trust expires, the Bank is obliged to repay the remaining debt in accordance with the guarantee agreement.

2. While the Bank has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015), it is accounted for using the same method the Bank has previously adopted.

3. Matters relating to the shares of the Bank held by the trust

(1) Carrying amount of shares held by the trust:

As of March 31, 2016	¥1,598 million
As of March 31, 2017	¥ 987 million

(2) The shares of the Bank held by the trust are recorded as treasury shares under shareholders' equity.

(3) The number of shares at the fiscal year end and the number of weighted average shares during the fiscal year

The number of shares:

As of March 31, 2016	3,203 thousand shares
As of March 31, 2017	1,979 thousand shares

The weighted average number of shares:

During the fiscal year ended March 31, 2016	3,636 thousand shares
During the fiscal year ended March 31, 2017	2,531 thousand shares

The number of shares at the fiscal year end and the weighted average number of shares during the fiscal year are included in the number of treasury shares that are excluded from the calculation of per share data.

3. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, truncating amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements may not always add up to the sum of the respective account balances. "—" is used to denote nil and "0" is used to denote rounding down to zero.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.19 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2017, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Loans and Bills Discounted

(1) Loans and bills discounted at March 31, 2016 and 2017 included the following items:

Balance of loans to borrowers under bankruptcy procedures as of March 31, 2016 and 2017 were ¥5,509 million and ¥4,624 million (U.S.\$41,224 thousand), respectively.

Balance of delinquent loans as of March 31, 2016 and 2017 were ¥56,992 million and ¥56,960 million (U.S.\$507,714 thousand), respectively.

Loans to borrowers under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

(2) Balance of loans past due for 3 months or more as of March 31, 2016 and 2017 were ¥1,070 million and ¥1,522 million (U.S.\$13,567 thousand), respectively.

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to borrowers under bankruptcy procedures and the balance of delinquent loans are not included in this category.

(3) Balance of restructured loans as of March 31, 2016 and 2017 were ¥44,012 million and ¥41,857 million (U.S.\$373,096 thousand), respectively.

Restructured loans include loans which 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.). Excluded from this balance are the balance of loans to borrowers under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

- (4) The total balance of loans to borrowers under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2016 and 2017 were ¥107,585 million and ¥104,965 million (U.S.\$935,601 thousand), respectively.
- (5) Bills discounted are accounted for as financial transactions in accordance with JICPA industry Audit Committee Report No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2016 and 2017 were ¥38,744 million and ¥35,630 million (U.S.\$317,588 thousand), respectively.

5. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts that require the Bank to extend credit to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount relating to these contracts within the limits was ¥1,311,247 million, ¥1,341,515 million (U.S.\$11,957,531 thousand), respectively at March 31, 2016 and 2017. ¥1,262,580 million, ¥1,281,805 million (U.S.\$11,425,313 thousand), respectively, at March 31, 2016 and 2017 out of these unused balances were for the contracts of which original contractual term are one year or less, or unconditionally cancelable at any time.

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

6. Financial Instruments

- (1) The financial instruments and related disclosures

a. Policy for financial instruments

The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank's derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct ALM within the Bank.

There are the Bank's consolidated subsidiaries that engage in securities business or banking business.

Also leasing operation is conducted by a consolidated subsidiary.

b. Nature and extent of risks arising from financial instruments

Financial assets held by the Group comprise mainly loans to clients, which are exposed to credit risk. The Group's financial assets also include securities such as stocks and bonds, which are exposed to credit risk of the issuing entities as well as the risk of market price fluctuations.

Assets and liabilities in the forms of loans, bonds and deposits are exposed to interest rate risk, which is partially hedged by interest rate swap transactions. Likewise foreign currency denominated loans and bonds involve foreign currency exchange fluctuation risk, which is mitigated by making it a rule to match the currency of investment and financing, or hedged by the use of currency swap transactions.

Call money and borrowed money, etc. are exposed to cash flow risk, involving inability to settle payments on due dates as a result of the unavailability of market under certain circumstances.

The Bank conducts derivative transactions including interest rate swaps and currency-swaps in an effort to accommodate clients' financial needs, and as part of the Bank's ALM effort. Besides, the Bank engages in proprietary derivative trading with the purpose to earn short-term spread, subject to risk management including the setting of certain position limits and maximum allowable losses, in an effort to prevent losses in excess of certain threshold.

The Bank applies hedge accounting. The Bank confirms that for hedges of interest rate to which exceptional treatment of interest rate swap is applied, the conditions for exceptional treatment are met and that for hedges of the foreign currency exchange fluctuation risk, foreign currency position exceeds the hedged instruments.

c. Risk management for financial instruments

The Bank has formulated Basic Policies of Risk Management and ancillary rules concerning risks, along with the following structure to enforce adequate risk management.

1) Credit risk management

The Bank has established its credit management structure based on the internal rules concerning credit risks, including the Credit Policy and the Basic Rules for Credit Risk Management.

Provision of loans and other credit facilities involves credit risk management such as individual credit review, post-origination credit control including the utilization of Borrower Rating System and self assessment, handling of problem loans and monitoring of the credit concentration in particular sectors in loan portfolios.

Credit risks associated with securities investment and market transactions are managed by capturing fair value and credit rating.

Primary credit risk management tools such as credit rating system, self-assessment of the Bank's asset, write-off /reserve provisioning, are developed and examined by Risk Management Department which is independent of the business promotion division and the screening division, and checked by Inspection & Audit Department, for the purpose of proper check and balance. Executive Committee and the Board of Directors are updated on the latest risk situation regularly and as appropriate.

2) Market risk management

Risk management structure is in place, based on the internal rules concerning market risks including the Basic Rules of Market Risk Management.

For market transactions, the department in charge of market transactions is structured in such a way that they check each other: the Treasury & Securities Department serves as the front office department in charge of transactions, whereas the Financial Markets & International Department serves as the middle-office and back-office department in charge of risk management and administrative processing.

In addition, the Bank establishes the risk tolerance and the risk management criteria, conducts monitoring, and reports the monitored information to the ALM & Profit Management Committee via the Risk Management Department.

The principal financial instruments that expose the Bank to market risk include loans, deposits, securities and derivative transactions. In order to monitor the degree of market risk exposure of these financial instruments and financial obligations, the Bank employs the VaR technique as a uniform indicator tool.

It applies the historical-simulation method to the computation of VaR. Its VaR model uses a 99.9% confidence level and a 5-year observation period, with various holding periods depending on the holding purposes.

The total amount of value at risk (VaR) for the Bank as of March 31, 2017 and 2016 was ¥108,700 million ¥77,500 million, respectively.

The Bank conducts back tests by comparing the VaR derived from its measuring model and actual gains or losses, in order to confirm that its measuring model captures the market risk with sufficient adequacy. It should be noted that the VaR represents the amount of market risk under the condition of a certain event probability which was statistically calculated based on historical market fluctuations; therefore the model may not be able to capture sufficiently the risk associated with financial instruments in market turmoil that exceeds historical levels of market fluctuations.

3) Liquidity risk management

Risk management structure is in place, based on the internal rules concerning liquidity risks including the Basic Rules of Liquidity Risk Management.

With respect to liquidity risk, the ALM & Profit Management Committee, which is convened each month, takes every precaution by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors. With respect to cash flow risk, the Bank determines the department in charge of cash flow management, which rigorously manages cash flow periodically (e.g., daily, weekly, monthly) including its overseas bases.

We have also prepared a Contingency Plan to prepare against emergencies, and are taking every precaution including developing systems that enable us to respond appropriately to a wide range of scenarios.

d. Supplementary explanations on fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if a quoted market price is available, or are measured based on the reasonably estimated value if a quoted market price is not available. Fair value of financial instruments whose quoted market price is not available is calculated based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2016 and 2017 as well as the differences between these values are described below. Financial instruments such as non-listed shares whose fair value is not readily determinable are not included in the table.

Millions of yen			
2016			
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 335,643	¥ 335,643	¥ —
2. Securities			
Held-to-maturity bonds	12,238	12,386	148
Available for sale	2,115,445	2,115,445	—
3. Loans and bills discounted	5,010,417		
Allowance for loan losses	(37,068)		
	4,973,349	5,023,233	49,884
Total asset	¥7,436,677	¥7,486,709	¥50,032
1. Deposits	¥6,284,836	¥6,285,135	¥ 299
2. Negotiable certificate of deposit	136,209	136,209	—
3. Payable under securities lending transaction	270,574	270,574	—
4. Borrowed money	257,764	257,764	—
Total liability	¥6,949,384	¥6,949,684	¥ 299
Derivative transaction			
derivatives to which hedge accounting is not applied	¥ 334	¥ 334	¥ —
derivatives to which hedge accounting is applied	3,097	3,097	—
Total derivatives	¥ 3,431	¥ 3,431	¥ —

Millions of yen			
2017			
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 539,879	¥ 539,879	¥ —
2. Securities			
Held-to-maturity bonds	10,516	10,611	94
Available for sale	2,073,327	2,073,327	—
3. Loans and bills discounted	5,181,288		
Allowance for loan losses	(36,683)		
	5,144,605	5,182,029	37,423
Total asset	¥7,768,329	¥7,805,847	¥37,518
1. Deposits	¥6,489,290	¥6,489,560	¥ 269
2. Negotiable certificate of deposit	163,617	163,616	(0)
3. Payable under securities lending transaction	329,844	329,844	—
4. Borrowed money	326,833	326,833	—
Total liability	¥7,309,585	¥7,309,854	¥ 269
Derivative transaction			
derivatives to which hedge accounting is not applied	¥ 346	¥ 346	¥ —
derivatives to which hedge accounting is applied	(521)	(521)	—
Total derivatives	¥ (175)	¥ (175)	¥ —

Thousands of U.S. dollars			
	2017		
	Carrying Value	Market Value	Differences
1. Due from Banks	\$ 4,812,191	\$ 4,812,191	—
2. Securities			
Held-to-maturity bonds	93,739	94,581	842
Available for sale	18,480,503	18,480,503	—
3. Loans and bills discounted	46,183,159		
Allowance for loan losses	(326,975)		
	45,856,185	46,189,760	333,575
Total asset	\$69,262,618	\$69,597,035	\$334,417
1. Deposits	\$57,841,970	\$57,844,371	\$ 2,402
2. Negotiable certificate of deposit	1,458,392	1,458,390	(3)
3. Payable under securities lending transaction	2,940,052	2,940,052	—
4. Borrowed money	2,913,211	2,913,211	—
Total liability	\$65,153,625	\$65,156,024	\$ 2,399
Derivative transaction			
derivatives to which hedge accounting is not applied	\$ 3,088	\$ 3,088	—
derivatives to which hedge accounting is applied	\$ (4,649)	\$ (4,649)	—
Total derivatives	\$ (1,561)	\$ (1,561)	—

(Note 1)

Method of estimating fair value

Assets

1) Cash and due from banks

For due from banks without maturity, book value is reported as their fair value. Due from banks with maturity has short-term maturity (1 year or less), and thus book value is recorded as its fair value because of the proximity between the two.

2) Securities

Stocks are stated at prices quoted on stock exchanges, while bonds are stated at the reference prices for over-the-counter bond transactions (average) published by Japan Securities Dealers Association. Investment trusts are stated at the official reference price.

Privately-placed bonds with the Bank's guarantee are stated at the fair value, calculated by discounting the expected cash flows estimated to reflect the issuing entity's credit risk as of the closing date, using the market interest rate. Notes to securities by holding purpose are stated in "Securities."

3) Loans and bills discounted

Interest rates of variable interest rate loans reflect market interest rate at short intervals, and thus their fair values are stated at book value because of their proximity to fair value, unless there are significant changes of the borrowers' credit conditions. Fixed interest rate loans are stated at their fair value as calculated by discounting their cash flows, of which those with OTC interest rate are stated at fair value as calculated by discounting their scheduled cash flow using the interest rate that would be applicable to similar new loans, and are determined by category and by term. Loans not with OTC interest rate are stated at fair value as calculated for each credit rating group, by discounting their future cash flow estimated to reflect the credit risk of each such group, using market interest rate. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

In addition, receivables to borrowers that are Bankrupt borrowers, virtually bankrupt borrowers, or at Borrowers threatened with bankruptcy are stated at book value which are deemed to approximate their fair values on the consolidated balance sheets as of the consolidated closing date, minus the current amount of estimated loan losses, which are estimated based upon the current values of estimated future cash flows, collateral, guarantees, or estimated collectible amounts.

Loans undated due to their specific attributes such as loan amount being limited within the value of collateral assets, are stated at book value which are deemed to approximate their fair value in consideration of factors including estimated payment periods and interest rates conditions.

Liabilities

1) Deposits and 2) Negotiable certificate of deposits

For demand deposit, fair value is deemed to be the amount payable on demand at year end date (book value). For time deposits and negotiable certificates of deposit, fair value is calculated by discounting future cash flows, using interest rates applicable to new deposits and market interest rate, respectively. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

3) Payable under securities lending transactions

As collateral related to securities lending has short-term contractual maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

4) Borrowed Money

The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that

would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivative Transaction

Derivative transactions are described in "Derivative Financial Instruments Transactions."

(Note 2)

Financial instruments whose fair value is not readily determinable are as follows: These are not included in "Assets 2) Securities" of the information on the fair values of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Non-listed stocks	¥2,563	¥2,637	\$23,510
Equity of subsidiaries and affiliates	¥2,990	¥3,286	\$29,298
Total	¥5,554	¥5,924	\$52,808

(Note 3)

Redemption schedules for monetary claims and securities with maturity after the fiscal year-end

	Millions of yen					
	2016					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 276,715	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	277,939	437,124	334,631	212,126	138,616	2,000
Held-to-maturity securities	5,106	2,657	2,952	361	1,206	—
National government bonds	4,100	1,500	1,700	—	—	—
Local government bonds	32	—	—	—	—	—
Corporate bonds	612	675	287	—	—	—
Others	361	482	964	361	1,206	—
Available-for-sale securities with maturity	272,832	434,467	331,678	211,764	137,410	2,000
National government bonds	163,500	130,000	149,500	103,500	2,000	2,000
Local government bonds	59,379	141,729	136,142	98,039	119,731	—
Corporate bonds	48,070	149,204	43,778	8,608	15,352	—
Others	1,882	13,532	2,257	1,615	326	—
Loans and bills discounted	¥1,338,961	¥ 914,303	¥584,334	¥359,714	¥395,065	¥1,321,231
Total	¥1,893,615	¥1,351,428	¥918,965	¥571,840	¥533,682	¥1,323,231

	Millions of yen					
	2017					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 483,736	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	336,045	534,907	369,053	155,343	240,769	130,584
Held-to-maturity securities	894	5,167	716	2,257	1,514	—
National government bonds	—	3,200	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	778	1,268	716	43	—	—
Others	116	698	—	2,213	1,514	—
Available-for-sale securities with maturity	335,151	529,740	368,337	153,086	239,255	130,584
National government bonds	77,000	138,100	142,900	27,000	—	25,000
Local government bonds	62,928	133,676	146,999	109,809	110,252	—
Corporate bonds	112,425	84,859	24,147	13,641	34,266	—
Others	82,797	173,104	54,290	2,635	94,736	105,584
Loans and bills discounted	¥1,324,367	¥ 921,113	¥586,518	¥373,327	¥434,883	¥1,443,608
Total	¥2,144,149	¥1,456,020	¥955,572	¥528,670	¥675,652	¥1,574,193

Thousands of U.S. dollars						
2017						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	\$ 4,311,765	—	—	—	—	—
Securities	\$ 2,995,327	\$ 4,767,873	\$ 3,289,541	\$ 1,384,642	\$ 2,146,090	\$ 1,163,958
Held-to-maturity securities	7,973	46,056	6,386	20,118	13,498	—
National government bonds	—	28,523	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	6,935	11,303	6,386	390	—	—
Others	1,038	6,230	—	19,728	13,498	—
Available-for-sale securities with maturity	2,987,354	4,721,817	3,283,154	1,364,525	2,132,591	1,163,958
National government bonds	686,336	1,230,947	1,273,732	240,663	—	222,836
Local government bonds	560,910	1,191,521	1,310,271	978,779	982,727	—
Corporate bonds	1,002,098	756,389	215,234	121,594	305,434	—
Others	738,011	1,542,960	483,917	23,488	844,431	941,122
Loans and bills discounted	\$11,804,681	\$ 8,210,296	\$5,227,904	\$3,327,635	\$3,876,308	\$12,867,534
Total	\$19,111,774	\$12,978,169	\$8,517,445	\$4,712,278	\$6,022,398	\$14,031,492

(Note 4)

Repayment schedules for deposits and other interest-bearing debt after the fiscal year-end

Millions of yen						
2016						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥5,756,005	¥475,972	¥38,630	¥5,915	¥8,312	¥—
Negotiable certificate of deposit	136,209	—	—	—	—	—
Payable under securities lending transaction	270,574	—	—	—	—	—
Borrowed money	253,543	3,359	847	14	—	—
Total	¥6,416,332	¥479,332	¥39,477	¥5,929	¥8,312	¥—

Millions of yen						
2017						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥5,986,377	¥455,913	¥34,985	¥5,223	¥6,790	¥—
Negotiable certificate of deposit	163,417	200	—	—	—	—
Payable under securities lending transaction	329,844	—	—	—	—	—
Borrowed money	323,722	2,378	731	—	—	—
Total	¥6,803,362	¥458,492	¥35,716	¥5,223	¥6,790	¥—

Thousands of U.S. dollars						
2017						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	\$53,359,281	\$4,063,764	\$311,840	\$46,556	\$60,529	—
Negotiable certificate of deposit	1,456,610	1,783	—	—	—	—
Payable under securities lending transaction	2,940,052	—	—	—	—	—
Borrowed money	2,885,488	21,202	6,520	0	—	—
Total	\$60,641,431	\$4,086,749	\$318,360	\$46,556	\$60,529	—

7. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2016 and 2017 and other related information were as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposits classified as Cash and due from banks. The same definition was applied in the following tables (a) to (g).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Valuation gain included in income for the year	¥7	¥(12)	\$(115)

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2016 and 2017 were summarized as follows.

		Millions of yen		
		2016		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ 6,504	¥ 6,538	¥ 33
	Local government bonds	20	21	0
	Corporate bonds	1,456	1,476	19
	Other securities	2,671	2,779	107
	sub total	¥10,653	¥10,815	¥161
Securities of which market value does not exceed carrying value	National government bonds	¥ 800	¥ 800	¥ (0)
	Local government bonds	11	11	—
	Corporate bonds	80	79	(0)
	Other securities	5,858	5,845	(12)
	sub total	¥ 6,750	¥ 6,737	¥ (12)
total		¥17,403	¥17,552	¥148

		Millions of yen		
		2017		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ 3,202	¥ 3,225	¥ 23
	Local government bonds	—	—	—
	Corporate bonds	2,769	2,804	35
	Other securities	3,086	3,193	106
	sub total	¥ 9,058	¥ 9,224	¥165
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	0	0	—
	Other securities	6,018	5,947	(71)
	sub total	¥ 6,018	¥ 5,947	¥ (71)
total		¥15,076	¥15,171	¥ 94

		Thousands of U.S. dollars		
		2017		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	\$ 28,544	\$ 28,753	\$ 209
	Local government bonds	—	—	—
	Corporate bonds	24,684	25,001	317
	Other securities	27,514	28,466	952
	sub total	\$ 80,742	\$ 82,220	\$1,478
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	0	0	—
	Other securities	53,646	53,011	(635)
	sub total	\$ 53,646	\$ 53,011	\$ (635)
total		\$134,388	\$135,231	\$ 843

(c) Available for sale securities

		Millions of yen		
		2016		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 168,880	¥ 72,442	¥ 96,438
	Bonds	1,398,709	1,360,773	37,936
	National government bonds	567,265	550,285	16,979
	Local government bonds	572,177	554,220	17,956
	Corporate bonds	259,267	256,267	3,000
	Other securities	497,901	468,686	29,215
	Foreign bonds	383,189	376,561	6,627
	Other securities	114,712	92,124	22,587
	sub total	¥2,065,492	¥1,901,901	¥163,590
	total	¥2,116,141	¥1,954,527	¥161,613
Securities of which market value does not exceed cost	Stocks	¥ 10,504	¥ 12,056	¥ (1,551)
	Bonds	9,422	9,488	(65)
	National government bonds	—	—	—
	Local government bonds	799	800	(1)
	Corporate bonds	8,623	8,688	(64)
	Other securities	30,721	31,080	(359)
	Foreign bonds	26,556	26,728	(172)
	Other securities	4,165	4,351	(186)
	sub total	¥ 50,648	¥ 52,625	¥ (1,976)
	total	¥2,116,141	¥1,954,527	¥161,613

		Millions of yen		
		2017		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 200,562	¥ 87,129	¥113,433
	Bonds	1,177,609	1,150,424	27,184
	National government bonds	410,998	399,531	11,467
	Local government bonds	535,888	522,225	13,662
	Corporate bonds	230,722	228,667	2,054
	Other securities	443,469	427,361	16,107
	Foreign bonds	303,376	300,084	3,291
	Other securities	140,093	127,276	12,816
	sub total	¥1,821,641	¥1,664,915	¥156,725
	total	¥2,073,826	¥1,920,159	¥153,667
Securities of which market value does not exceed cost	Stocks	¥7,170	¥7,609	¥ (438)
	Bonds	91,410	91,889	(478)
	National government bonds	9,793	9,807	(14)
	Local government bonds	41,291	41,430	(139)
	Corporate bonds	40,325	40,650	(325)
	Other securities	153,604	155,745	(2,140)
	Foreign bonds	133,146	134,001	(854)
	Other securities	20,457	21,744	(1,286)
	sub total	¥ 252,185	¥ 255,243	¥ (3,058)
	total	¥2,073,826	¥1,920,159	¥153,667

		Thousands of U.S. dollars		
		2017		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	\$ 1,787,707	\$ 776,623	\$1,011,084
	Bonds	10,496,560	10,254,256	242,304
	National government bonds	3,663,413	3,561,201	102,212
	Local government bonds	4,776,616	4,654,834	121,782
	Corporate bonds	2,056,530	2,038,221	18,310
	Other securities	3,952,843	3,809,267	143,576
	Foreign bonds	2,704,129	2,674,792	29,338
	Other securities	1,248,714	1,134,475	114,239
	sub total	\$16,237,109	\$14,840,145	\$1,396,964
Securities of which market value does not exceed cost	Stocks	\$ 63,915	\$ 67,824	\$ (3,909)
	Bonds	814,782	819,049	(4,267)
	National government bonds	87,289	87,420	(130)
	Local government bonds	368,051	369,291	(1,240)
	Corporate bonds	359,442	362,339	(2,897)
	Other securities	1,369,148	1,388,231	(19,083)
	Foreign bonds	1,186,796	1,194,415	(7,619)
	Other securities	182,351	193,816	(11,465)
	sub total	\$ 2,247,844	\$ 2,275,104	\$ (27,260)
total		\$18,484,954	\$17,115,250	\$1,369,704

(d) Held-to-maturity bonds sold

		Millions of yen		
		2016		
		Cost of sales	Proceeds from sales	Gains (Losses)
Bonds				
Corporate bonds		—	—	—
total		—	—	—

		Millions of yen		
		2017		
		Cost of sales	Proceeds from sales	Gains (Losses)
Bonds				
Corporate bonds		¥30	¥30	¥0
total		¥30	¥30	¥0

		Thousands of U.S. dollars		
		2017		
		Cost of sales	Proceeds from sales	Gains (Losses)
Bonds				
Corporate bonds		\$267	\$267	\$0
total		\$267	\$267	\$0

These bonds were canceled by purchase.

(e) Available for sale securities sold

Millions of yen			
2016			
	Proceeds from sales	Gains	Losses
Stocks	¥ 8,457	¥3,397	¥109
Bonds	51,968	296	0
National government bonds	46,263	290	—
Local government bonds	400	0	—
Corporate bonds	5,304	6	0
Other securities	57,603	739	136
Foreign bonds	56,432	311	136
Other securities	1,171	427	0
total	¥118,029	¥4,434	¥246

Millions of yen			
2017			
	Proceeds from sales	Gains	Losses
Stocks	¥ 18,397	¥ 3,985	¥ 38
Bonds	19,880	253	329
National government bonds	17,852	251	314
Local government bonds	—	—	—
Corporate bonds	2,028	1	14
Other securities	227,871	9,451	4,386
Foreign bonds	187,183	210	4,371
Other securities	40,688	9,240	14
total	¥266,149	¥13,690	¥4,754

Thousands of U.S. dollars			
2017			
	Proceeds from sales	Gains	Losses
Stocks	\$ 163,990	\$ 35,521	\$ 345
Bonds	177,206	2,257	2,934
National government bonds	159,123	2,243	2,804
Local government bonds	—	—	—
Corporate bonds	18,083	14	129
Other securities	2,031,118	84,250	39,097
Foreign bonds	1,668,448	1,881	38,965
Other securities	362,671	82,369	132
total	\$2,372,314	\$122,027	\$42,376

(f) Securities whose holding purpose was reclassified Nil

(g) Securities written down for the purpose of impairment adjustment

When fair values of other securities for which fair values are determinable have reduced significantly from, and are unlikely to restore to the level of their acquisition costs, their carrying values are reduced to fair values, with valuation differences treated as losses for the period (hereinafter referred to as "Impairment Adjustment").

The amount of write-down during the year ended March 31, 2016 for the purpose of Impairment Adjustment was ¥1,440 million, including ¥1,440 million in stocks.

There was no Impairment Adjustment during the year ended March 31, 2017.

The criteria to determine whether there was "a significant reduction" in fair values are included in self-assessment criteria. Impairment Adjustment is applied to all stocks with fair values having reduced 50% or more from their acquisition costs, while for stocks with fair values having reduced 30% or more but less than 50% from their acquisition costs, Impairment Adjustment is subject to case-by-case judgment of the likelihood of recovery in fair values, based on the share price trend for certain period before the benchmark date as well as financial conditions of the issuing entity.

Guarantee obligations for bonds in private placement

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in Corporate Bonds were ¥32,136 million and ¥49,051 million (U.S.\$437,216 thousand) as of March 31, 2016 and 2017, respectively.

8. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Consolidated Balance Sheet Amount	4,967	4,429	39,486
Unrealized Gains Included in the Consolidated Statements of Income	(86)	3	30

Money Held in Trust for Holding Purposes..... Nil (as of March, 2016 and 2017)

Money Held in Trust for Other Purposes..... Nil (as of March, 2016 and 2017)

9. Valuation Difference on Available-for-sale Securities

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Valuation Difference	161,613	153,667	1,369,704
Securities Available-for-Sale	161,613	153,667	1,369,704
Deferred Tax Liabilities	49,106	46,654	415,854
Valuation Difference, Net of Taxes	112,507	107,012	953,850
Amount Attributable to Non-controlling interests	7	75	677
Net Unrealized Gains on Securities Available-for-Sale Owned by Affiliates, which is Attributable to the Parent	245	314	2,805
Valuation Difference on Available-for-sale Securities	112,745	107,251	955,978

10. Derivative Financial Instruments Transactions

(1) Derivatives to which hedge accounting is not applied

With respects to the derivatives to which hedge accounting is not applied, contract amount or notional amount set out in the contract, fair value, valuation gain or loss and calculation method of such fair value, by class of underlying asset at the end of the year are as described below. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

As of March 31,	Millions of yen							
	2016				2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate futures:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
As of March 31,	Thousands of U.S. dollars							
	2017							
	Contract amounts	Due after 1 year	Fair Value	Valuation profit				
Interest rate futures:								
Written	\$ —	\$ —	\$ —	\$ —				
Purchased	—	—	—	—				
	\$ —	\$ —	\$ —	\$ —				

Millions of yen								
As of March 31,	2016				2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:								
Receipt fixed								
payments floating ..	¥ 50,337	¥47,560	¥618	¥636	¥45,250	¥35,638	¥ 461	¥ 469
Receipt floating								
payments fixed	50,337	47,560	(402)	(402)	45,250	35,638	(298)	(298)
	<u>¥100,674</u>	<u>¥95,120</u>	<u>¥216</u>	<u>¥233</u>	<u>¥90,501</u>	<u>¥71,277</u>	<u>¥ 163</u>	<u>¥ 171</u>

Thousands of U.S. dollars				
As of March 31,	2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:				
Receipt fixed				
payments floating	\$403,342	\$317,666	\$ 4,118	\$ 4,183
Receipt floating				
payments fixed	403,342	317,666	(2,657)	(2,657)
	<u>\$806,684</u>	<u>\$635,332</u>	<u>\$ 1,461</u>	<u>\$ 1,526</u>

Millions of yen								
For the years ended March 31,	2016				2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:								
Written	—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	<u>—</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars				
For the year ended March 31,	2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

Millions of yen								
As of March 31,	2016				2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	¥81,235	¥61,439	¥97	¥153	¥107,072	¥92,686	¥155	¥262

Thousands of U.S. dollars				
As of March 31,	2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	\$954,384	\$826,155	\$1,384	\$2,337

Millions of yen								
For the years ended March 31,	2016				2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥ 6,583	¥ —	¥ 225	¥ 225	¥ 6,816	¥ —	¥ (3)	¥ (3)
Purchased	5,613	—	(205)	(205)	4,547	—	30	30
	<u>¥12,196</u>	<u>¥ —</u>	<u>¥ 20</u>	<u>¥ 20</u>	<u>¥11,364</u>	<u>¥ —</u>	<u>¥ 27</u>	<u>¥ 27</u>
Currency options:								
Written	¥ 50,621	¥41,374	¥(2,946)	¥ 865	¥ 67,553	¥ 56,411	¥(3,437)	¥1,592
Purchased	50,621	41,374	2,946	(392)	67,553	56,411	3,437	(907)
	<u>¥101,242</u>	<u>¥82,749</u>	<u>¥ —</u>	<u>¥ 472</u>	<u>¥135,107</u>	<u>¥112,823</u>	<u>¥ —</u>	<u>¥ 684</u>

Thousands of U.S. dollars				
For the year ended March 31,	2017			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$ 60,761	\$ —	\$ (29)	\$ (29)
Purchased	40,535	—	272	272
	<u>\$101,295</u>	<u>\$ —</u>	<u>\$ 243</u>	<u>\$ 243</u>
Currency options:				
Written	\$ 602,135	\$ 502,825	\$ (30,643)	\$ 14,192
Purchased	602,135	502,825	30,643	(8,090)
	<u>\$1,204,270</u>	<u>\$1,005,650</u>	<u>\$ —</u>	<u>\$ 6,103</u>

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

2. Calculations of fair value

The fair values are based on factors such as the discounted present value.

(c) Equity Related Transactions Nil

(d) Bond Related Transactions Nil

(e) Commodity Related Transactions . Nil

(f) Credit Derivatives Nil .

(2) Derivatives to which hedge accounting is applied

With respects to the derivatives to which hedge accounting is applied, contract amount or notional amount set out in the contract and the fair value at the end of the year along with the calculation method of such fair value, by class of underlying asset and by method of hedge accounting, are as follows. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

Millions of yen								
As of March 31,	Hedged items	2016			2017			Fair Value
		Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value	
Standard treatment:	Interest rate swaps:	—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Interest rate futures:	—	—	—	—	—	—	—
	Interest rate options:	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—
		<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars				
As of March 31,	Hedged items	2017		
		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	\$ —	\$ —	\$ —
	Interest rate futures:	—	—	—
	Interest rate options:	—	—	—
	Others	—	—	—
		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

		Millions of yen						
		Hedged items	2016			2017		
As of March 31,			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	¥22,868	¥20,410		¥21,673	¥20,473	
	Receipt fixed payments floating		—	—	*note	—	—	*note
	Receipt floating payments fixed		22,868	20,410		21,673	20,473	
	Total		—	—	—	—	—	—

(Note) As the swaps that qualify for exceptional treatment for interest rate swaps are treated as one combined with hedged loans, fair value of the former is included in that of the latter in the "Financial Instruments".

		Thousands of U.S. dollars		
		2017		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:			
	Receipt fixed payments floating	—	—	—
	Receipt floating payments fixed	193,186	182,486	—
	Total	\$193,186	\$182,486	—

1. The Bank adopted mainly the standard treatment of the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24 issued by the JICPA on February 13, 2002.). Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

			Millions of yen					
			2016			2017		
As of March 31,		Hedged items	Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	Call loans, Loans, Bonds and Foreign exchange	¥70,162	¥28,170	¥3,068	¥72,923	¥39,266	¥(481)
	Forward exchange contracts:		¥ 2,074	¥ —	¥ 28	¥ 1,400	¥ —	¥ (40)
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total		—	—	¥3,097	—	—	¥(521)

		Thousands of U.S. dollars		
		2017		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	\$650,000	\$350,000	\$(4,288)
	Forward exchange contracts:	\$ 12,488	—	\$ (361)
Deferred method:	Currency swap:	—	—	—
	Forward exchange contracts:	—	—	—
	Total	\$ —	\$ —	\$(4,649)

1. The Bank adopted mainly the standard treatment of the "Treatment of Accounting and Auditing Relating to the Accounting of Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25 issued by the JICPA on July 29, 2002.). Under the standard treatment of the Report No. 25, the Bank applies the deferred method of hedge accounting.

2. Calculation of fair value

The fair values are based on the discounted present value or others.

- (c) Equity Related Transactions Nil
(d) Bond Related Transactions Nil
(e) Equity Related Transactions Nil (as of March 31, 2017)
(f) Bond Related Transactions Nil (as of March 31, 2017)

11. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥(32,692)	¥ 4,826	\$ 43,018
Amounts of recycling	(6,539)	(12,772)	(113,850)
Before tax effect adjustment	(39,231)	(7,946)	(70,832)
Tax effects	15,135	2,451	21,852
Net unrealized gains (losses) on securities, net of tax	(24,096)	(5,495)	(48,980)
Deferred hedge gains (losses):			0
Items recognized during the year	(651)	(1,089)	(9,710)
Amounts of recycling	466	1,084	9,668
Before tax effect adjustment	(184)	(4)	(42)
Tax effects	59	(1)	(15)
Deferred hedge gains (losses)	(125)	(6)	(57)
Revaluation reserve for land			0
Items recognized during the year	—	—	0
Amounts of recycling	—	—	0
Before tax effect adjustment	—	—	0
Tax effects	423	—	0
Revaluation reserve for land	423	—	0
Foreign currency translation adjustments:			
Items recognized during the year	2	(160)	(1,434)
Amounts of recycling	—	—	—
Before tax effect adjustment	2	(160)	(1,434)
Tax effects	—	—	—
Foreign currency translation adjustments	2	(160)	(1,434)
Remeasurements of defined benefit plans			
Items recognized during the year	(15,872)	6,571	58,574
Amounts of recycling	429	3,789	33,777
Before tax effect adjustment	(15,443)	10,360	92,351
Tax effects	4,676	(3,160)	(28,167)
Remeasurements of defined benefit plans	(10,766)	7,200	64,184
Share of other comprehensive income of entities and affiliates accounted for using the equity method			
Items recognized during the year	49	69	616
Amounts of recycling	—	—	—
Before tax effect adjustment	49	69	616
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted for using the equity method	49	69	616
Total other comprehensive income	¥ (34,513)	¥ 1,607	\$ 14,329

12. Property, plant and equipment

Depreciation was computed using the declining-balance method. Property, plant and equipment as of March 31, 2016 and 2017 were expressed net of the following accumulated depreciation.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	¥65,194	¥67,428	\$601,025

Deferred gain on real estate deductible for tax purposes amounted to ¥3,937 million and ¥3,937 million on March 31, 2016 and 2017, respectively.

13. Assets Pledged

Assets pledged as collateral as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Securities	¥699,978	¥793,588	\$7,073,609

Liabilities related to the above pledged assets as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deposits	¥ 36,994	¥ 42,705	\$ 380,650
Payables under securities lending transactions	270,574	329,844	2,940,052
Borrowed money	251,436	322,052	2,870,602
Other	119	116	1,043

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2016 and 2017.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Securities	¥36,785	¥26,842	\$239,262
Other	229	10,672	95,126

Guarantee deposits of ¥1,587 million were included in Other Assets as of March 31, 2017.

14. Revaluation Reserve for Land

Pursuant to the Law concerning Revaluation of Premises, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included in Net Assets, net of income taxes.

Date of the revaluation: March 31, 1998

Revaluation method stipulated in paragraph 3, Article 3 of the Law concerning Revaluation of Premises Calculated by applying reasonable adjustments to the roadside values such as adjustments for the shape of the land, based on Item 4, Article 2 of the Enforcement Ordinance of the Law Concerning Land Revaluation (Enforcement Ordinance No. 119, effective March 31 1998).

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥20,430 million and ¥20,012 million (U.S.\$178,382 thousand) as of March 31, 2016 and 2017, respectively

15. Retirements Benefits

Retirement benefit plans

Retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank and its domestic consolidated subsidiaries have established defined benefit plans comprising a retirement lump-sum payment plan and defined benefit welfare pension plan (funded type), as well as defined contribution plan namely defined contribution pension plan. In addition, premium retirement benefits may be payable in certain circumstance at an employees' retirement. The Bank has a retirement benefit trust in place.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥78,472	¥89,776	\$800,218
Service cost	1,863	2,326	20,736
Interest cost	892	411	3,672
Actuarial loss	11,348	(3,092)	(27,569)
Retirement benefits paid	(2,800)	(3,061)	(27,285)
Prior service cost	—	—	—
Other	—	—	—
Balance at the end of the year	¥89,776	¥86,360	\$769,773

(Note)

Consolidated subsidiaries use the simplified method in calculating retirement benefit obligations.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥77,178	¥71,886	\$640,754
Expected return on plan assets	1,067	1,028	9,170
Actuarial loss	(4,523)	3,478	31,005
Contributions by the Bank	—	995	8,876
Retirement benefits paid	(1,835)	(1,901)	(16,945)
Other	—	8,000	71,308
Balance at the end of the year	¥71,886	¥83,488	\$744,169

Reconciliation of ending balances of retirement benefit obligations and plan assets, and net defined liability and net defined asset recorded on the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥89,776	¥86,360	\$ 769,773
Plan assets at fair value	(71,886)	(83,488)	(744,169)
	17,890	2,872	25,604
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	¥17,890	2,872	25,604
Net defined liability	¥17,890	¥ 3,207	\$ 28,591
Net defined asset	—	(335)	(2,987)
Net liability (asset) for retirement benefits in the balance sheets	¥17,890	¥ 2,872	\$ 25,604

Components of retirement benefit expense for the year ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥1,863	¥2,326	\$20,736
Interest cost	892	411	3,672
Expected return on plan assets	(1,067)	(1,028)	(9,170)
Amortization of actuarial loss	429	3,789	33,777
Amortization of prior service costs	—	—	—
Other (extra payment of premium retirement benefits, etc.)	20	28	254
Retirement benefit expense associated with defined benefit plans	¥2,138	¥5,527	\$49,269

(Note)

Retirement benefit expense at consolidated subsidiaries using simplified method is collectively included in "Service cost."

Remeasurements of defined benefit plans on other comprehensive income (before tax effect adjustment) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain	15,443	10,360	92,351
Other	—	—	—
Total	¥15,443	¥10,360	\$92,351

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	17,549	7,188	64,072
Other	—	—	—
Total	¥17,549	¥7,188	\$64,072

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

	2016	2017
Bonds	30.5%	25.1%
Stock	44.4%	43.3%
Life insurance company general accounts	22.6%	19.7%
Cash and due from banks	0.1%	10.3%
Other	2.4%	1.6%
Total	100.0%	100.0%

(Note)

Total plan assets included retirement benefit trust of 35.0% and 26.8% as of March 31, 2017 and 2016, respectively, which were set for corporate pension plans and retirement lump-sum payment plan.

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

The assumptions used in accounting for the above plans were as follows:

	2016	2017
1) Discount rates		
Welfare pension plan	0.5%	0.7%
Retirement lump-sum payment plan	0.2%	0.4%
2) Expected long-term return on plan assets		
Welfare pension fund	1.2%	1.2%
Retirement benefit trust	1.7%	1.8%
3) Other assumptions		
Expected rate of salary raises	4.2%	4.2%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries as of March 31, 2016 and 2017 is ¥11 million and ¥11 million (U.S.\$98 thousand), respectively.

16. Cash and Cash Equivalents

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and Due from Banks	¥335,643	¥539,879	\$4,812,191
Interest-bearing Deposits included in Due from Banks (excluding Due from BOJ)	(11,492)	(6,450)	(57,493)
Cash and Cash Equivalents	¥324,151	¥533,429	\$4,754,699

17. Other Expenses

Other expenses for the years ended March 31, 2016 and 2017 include ¥408 million and ¥77 million (U.S.\$694 Thousand), respectively, of written-off of loans, ¥108 million and ¥53 million (U.S.\$478 Thousand), respectively, of losses on sales of stocks and other securities, and ¥409 million and ¥513 million (U.S.\$4,580 thousand), respectively, of losses on loans sold.

18. Lease Transactions

a. Lessee

Operating leases

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
With one year	¥ 77	¥ 55	\$ 495
Over one year	61	613	5,466
Total	¥ 139	¥ 668	\$ 5,961

b. Lessor

Leased investment asset at March 31, 2016 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Lease receivables	¥38,556	¥39,323	\$350,506
estimated residual value	4,785	5,322	47,442
Interest income	(4,692)	(4,557)	(40,619)
Total	¥38,649	¥40,088	\$357,328

The lease receivable amount at March 31, 2016 and 2017, and the amount of lease fees receivable on investment assets, which is scheduled to be collected after the fiscal year-end, were summarized as follows:

	Lease receivables Millions of yen	Lease investment assets Millions of yen
	2016	2016
within 1 year	¥1,327	¥11,580
over 1 year and within 2 years	1,241	9,439
over 2 years and within 3 years	1,067	7,173
over 3 years and within 4 years	787	4,954
over 4 years and within 5 years	387	2,740
over 5 years	479	2,668

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2017	2017	2017	2017
within 1 year	¥1,831	\$16,322	¥11,961	\$106,622
over 1 year and within 2 years	1,662	14,815	9,719	86,631
over 2 years and within 3 years	1,372	12,232	7,394	65,907
over 3 years and within 4 years	951	8,483	4,984	44,431
over 4 years and within 5 years	531	4,735	2,878	25,660
over 5 years	655	5,846	2,384	21,255

19. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax.

Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. Deferred tax assets and liabilities as of March 31, 2016 and 2017 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Allowance for loan losses	¥ 8,920	¥ 10,866	\$ 96,854
Provision for retirement benefits	4,720	4,756	42,400
Devaluation loss on securities	621	620	5,532
Depreciation	528	500	4,457
Provision for point card certificates	327	322	2,876
Other	9,422	7,184	64,042
Subtotal	24,540	24,251	216,163
Valuation allowance	(4,159)	(2,630)	(23,447)
Total: Deferred tax assets	20,381	21,620	192,716
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(49,106)	(46,654)	(415,854)
Retirement benefit trust	(1,956)	(1,884)	(16,799)
Other	(466)	(462)	(4,125)
Total: Deferred tax liabilities	(51,529)	(49,002)	(436,777)
Net: Deferred tax assets (liabilities)	¥ (31,148)	¥ (27,381)	\$ (244,061)

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2016 and 2017 is as follows:

	2016	2017
Japanese statutory tax rate	—%	30.7%
Expenses not deductible for income tax purposes such as entertainment expenses, etc.	—	0.3
Non-taxable income such as dividend income, etc.	—	(0.9)
Changes in valuation allowance	—	(4.2)
Other—net	—	1.3
Actual effective tax rate	—%	27.2%

(Note)

The reconciliation for the year ended March 31, 2016 is omitted since the difference between the Japanese statutory tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the Japanese statutory tax rate.

20. Impairment loss of fixed assets

Area	Principal purpose of use	Millions of yen		Thousands of U.S. dollars
		2016	2017	2017
Gunma Prefecture	Branch Premises	¥91	¥62	\$556
	Idle Assets	—	—	—
Others	Branch Premises	¥—	¥—	\$ —
	Idle Assets	—	—	—
		¥91	¥62	\$556

21. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2016 and 2017 is summarized as follows:

Year ended or as of March 31, 2016	Millions of yen				
	Banking	Lease	Sub total	Others	Total
Total income generated from businesses with					
External customers	¥ 112,418	¥ 21,899	¥ 134,317	¥ 1,902	¥ 136,220
Internal units	366	439	806	1,183	1,989
	¥ 112,785	¥ 22,338	¥ 135,124	¥ 3,085	¥ 138,209
Segment profit	¥ 39,896	¥ 1,646	¥ 41,543	¥ 2,094	¥ 43,637
Segment assets	¥ 7,616,644	¥ 65,968	¥ 7,682,613	¥ 27,845	¥ 7,710,459
Segment liabilities	¥ 7,115,108	¥ 54,515	¥ 7,169,624	¥ 14,466	¥ 7,184,091
Others					
Depreciation	¥ 5,074	¥ 635	¥ 5,709	¥ 51	¥ 5,760
Interest and dividend income	¥ 86,085	¥ 12	¥ 86,097	¥ 36	¥ 86,133
Interest expenses	¥ 4,489	¥ 322	¥ 4,811	¥ —	¥ 4,811
Equity in earnings of unconsolidated subsidiaries and associated companies	¥ 101	¥ —	¥ 101	¥ —	¥ 101
Extraordinary profit	¥ 3	¥ —	¥ 3	¥ —	¥ 3
(Gain on disposal of noncurrent assets)	¥ (3)	¥ (—)	¥ (3)	¥ (—)	¥ (3)
Extraordinary loss	¥ 350	¥ —	¥ 350	¥ 0	¥ 351
(Loss on disposal of noncurrent assets)	¥ (258)	¥ (—)	¥ (258)	¥ (0)	¥ (259)
(Impairment loss of fixed assets)	¥ (91)	¥ (—)	¥ (91)	¥ (—)	¥ (91)
Tax	¥ 12,809	¥ 564	¥ 13,374	¥ 760	¥ 14,135
Investment of unconsolidated subsidiaries and associated companies	¥ 1,542	¥ —	¥ 1,542	¥ —	¥ 1,542
Increase of property, plant and equipment and intangible assets	¥ 5,042	¥ 846	¥ 5,889	¥ 67	¥ 5,957

Year ended or as of March 31, 2017	Millions of yen				
	Banking	Lease	Sub total	Others	Total
Total income generated from businesses with					
External customers	¥ 118,891	¥ 22,837	¥ 141,728	¥ 2,402	¥ 144,130
Internal units	414	383	797	1,182	1,980
	¥ 119,305	¥ 23,221	¥ 142,526	¥ 3,584	¥ 146,111
Segment profit	¥ 34,594	¥ 287	¥ 34,882	¥ 1,644	¥ 36,526
Segment assets	¥ 7,970,683	¥ 68,869	¥ 8,039,553	¥ 31,449	¥ 8,071,002
Segment liabilities	¥ 7,464,094	¥ 57,208	¥ 7,521,302	¥ 17,077	¥ 7,538,380
Others					
Depreciation	¥ 5,113	¥ 650	¥ 5,764	¥ 85	¥ 5,849
Interest and dividend income	¥ 84,944	¥ 15	¥ 84,960	¥ 32	¥ 84,992
Interest expenses	¥ 5,766	¥ 287	¥ 6,053	¥ —	¥ 6,053
Equity in earnings of unconsolidated subsidiaries and associated companies	¥ 36	¥ —	¥ 36	¥ —	¥ 36
Extraordinary profit	¥ —	¥ —	¥ —	¥ —	¥ —
Extraordinary loss	¥ 273	¥ —	¥ 273	¥ 0	¥ 273
(Loss on disposal of noncurrent assets)	¥ (211)	¥ (—)	¥ (211)	¥ (0)	¥ (211)
(Impairment loss of fixed assets)	¥ (62)	¥ (—)	¥ (62)	¥ (—)	¥ (62)
Tax	¥ 9,014	¥ 199	¥ 9,213	¥ 651	¥ 9,865
Investment of unconsolidated subsidiaries and associated companies	¥ 2,771	¥ —	¥ 2,771	¥ —	¥ 2,771
Increase of property, plant and equipment and intangible assets	¥ 7,310	¥ 853	¥ 8,163	¥ 255	¥ 8,418

Year ended or as of March 31, 2017	Thousands of U.S. dollars				
	Banking	Lease	Sub total	Others	Total
Total income generated from businesses with					
External customers	\$ 1,059,731	\$ 203,563	\$ 1,263,294	\$ 21,410	\$ 1,284,704
Internal units	\$ 3,696	\$ 3,417	\$ 7,112	\$ 10,542	\$ 17,655
	\$ 1,063,427	\$ 206,980	\$ 1,270,406	\$ 31,952	\$ 1,302,359
Segment profit	\$ 308,360	\$ 2,561	\$ 310,922	\$ 14,657	\$ 325,579
Segment assets	\$ 71,046,296	\$ 613,861	\$ 71,660,157	\$ 280,321	\$ 71,940,478
Segment liabilities	\$ 66,530,832	\$ 509,927	\$ 67,040,759	\$ 152,222	\$ 67,192,981
Others					
Depreciation	\$ 45,580	\$ 5,799	\$ 51,379	\$ 762	\$ 52,141
Interest and dividend income	\$ 757,153	\$ 135	\$ 757,288	\$ 290	\$ 757,578
Interest expenses	\$ 51,396	\$ 2,561	\$ 53,957	\$ —	\$ 53,957
Equity in earnings of unconsolidated subsidiaries and associated companies	\$ 327	\$ —	\$ 327	\$ —	\$ 327
Extraordinary profit	\$ —	\$ —	\$ —	\$ —	\$ —
Extraordinary loss	\$ 2,437	\$ —	\$ 2,437	\$ 1	\$ 2,438
(Losses on disposal of noncurrent assets)	\$ (1,881)	\$ (—)	\$ (1,881)	\$ (1)	\$ (1,882)
(Impairment loss of fixed assets)	\$ (556)	\$ (—)	\$ (556)	\$ (—)	\$ (556)
Tax	\$ 80,350	\$ 1,776	\$ 82,125	\$ 5,810	\$ 87,935
Investment of unconsolidated subsidiaries and associated companies	\$ 24,708	\$ —	\$ 24,708	\$ —	\$ 24,708
Increase of property, plant and equipment and intangible assets	\$ 65,158	\$ 7,607	\$ 72,765	\$ 2,273	\$ 75,039

b. Segment information by geographical area

Segment information by geographical area has not been disclosed because the income and total assets of Japan area constituted more than 90% of the consolidated total.

c. Operating income from foreign operations

Operating income from foreign operations has not been disclosed because it constituted less than 10% of the consolidated income.

22. Earnings per Share

	Yen		U.S. Dollars
	2016	2017	2017
Net Assets per Share of Capital Stock	¥1,126.44	¥1,187.51	\$10.58
Earnings per Share of Capital Stock	63.78	59.46	0.53
Diluted Earnings per Share of Capital Stock	63.68	59.36	0.53

1. Basis on calculating Net Assets per share was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Consolidated Net Assets	¥507,727	¥526,181	\$4,690,094.00
Deduction from nets assets	¥ 5,941	¥ 6,111	\$ 54,471.00
Less: Subscription Rights to Shares	377	413	3,683
Less: Non-controlling Interests	5,564	5,697	50,788
Consolidated Net Assets Attributable to Capital Shareholders	501,785	520,070	4,635,623

	Thousands of Stocks	
	2016	2017
Number of Shares of Capital Shares. Used for Calculating Net Assets per Share	445,461	437,949

2. Basis on calculating Earnings per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31, 2017	Net income	Weighted average stocks	EPS	
Basic EPS				
Earnings available to Common shareholders	¥26,304	442,392	¥59.46	\$0.53
Effect of Dilutive warrants		781		
Diluted EPS	¥26,304		¥59.36	\$0.53

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31, 2016	Net income	Weighted average stocks	EPS	
Basic EPS				
Earnings available to Common shareholders	¥28,616	448,682	¥63.78	\$0.57
Effect of dilutive warrants		672		
Diluted EPS	¥28,616		¥63.68	\$0.57

23. Consumption tax

Consumption tax is excluded from transactions reported by Bank and its consolidated subsidiaries.

24. Changes in Net Assets

a. Information on type and number of shares issued and treasury shares

Type and number of shares issued and treasury shares in the year ended March 31, 2017 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	470,888	—	—	470,888
Total	470,888	—	—	470,888
Treasury shares				
Common stock	25,427	8,892	1,380	32,938
Total	25,427	8,892	1,380	32,938

Type and number of shares issued and treasury shares in the year ended March 31, 2016 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	470,888	—	—	470,888
Total	470,888	—	—	470,888
Treasury shares				
Common stock	19,127	7,222	922	25,427
Total	19,127	7,222	922	25,427

b. Information on dividends

The following dividends were paid in the year ended March 31, 2017:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of shareholders held on June 24, 2016	Common stock	¥2,916	\$25,992	¥6.5	\$0.06	March 31, 2016	June 27, 2016
Directors' meeting held on November 7, 2016	Common stock	¥2,670	\$23,803	¥6.0	\$0.05	September 30, 2016	December 6, 2016

The following dividends were paid in the year ended March 31, 2016:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen		Yen			
Annual meeting of shareholders held on June 24, 2015	Common stock	¥2,962		¥6.5		March 31, 2015	June 26, 2015
Directors' meeting held on November 6, 2015	Common stock	¥2,491		¥5.5		September 30, 2015	December 4, 2015

Dividends whose record date is attributable to the year ended March 31, 2016 but which are effective after March 31, 2017

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 27, 2017	Common stock	¥2,639	\$23,528	Retained earnings	¥6.0	\$0.05	March 31, 2017	June 28, 2017

Dividends whose record date is attributable to the year ended March 31, 2016 but which are effective after March 31, 2016

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen			Yen			
Annual meeting of shareholders held on June 24, 2016	Common stock	¥2,916		Retained earnings	¥6.5		March 31, 2016	June 27, 2016

25. Stock Options

1. Line item where Stock Options is presented and the amount

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
General and administrative expenses	¥117	¥117	\$1,045

2. Details of Stock Option

(1) Outline of the Stock Option

	1st equity warrant	
Title and numbers of grantees	Directors (Exclude outside directors)	11
Number of stock options	Common shares	290,900
Date of grant		July 26, 2012
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 27, 2012 to July 26, 2042

2nd equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common shares	217,000
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043
3rd equity warrant		
Title and numbers of grantees	Directors	11
Number of stock options	Common shares	59,900
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043
4th equity warrant		
Title and numbers of grantees	Directors	12
Number of stock options	Common shares	189,400
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044
5th equity warrant		
Title and numbers of grantees	Directors	9
Number of stock options	Common shares	38,700
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044
6th equity warrant		
Title and numbers of grantees	Directors	11
Number of stock options	Common shares	109,400
Date of grant		July 29, 2015
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2015 to July 29, 2045
7th equity warrant		
Title and numbers of grantees	Directors	10
Number of stock options	Common shares	27,000
Date of grant		July 29, 2015
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2015 to July 29, 2045
8th equity warrant		
Title and numbers of grantees	Directors	9
Number of stock options	Common shares	247,400
Date of grant		July 29, 2016
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2016 to July 29, 2046
9th equity warrant		
Title and numbers of grantees	Directors	11
Number of stock options	Common shares	69,300
Date of grant		July 29, 2016
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2016 to July 29, 2046

(2) Size and situation of the Stock Option
(a) The number of the Stock Option

	Number of Shares								
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant
Non-vested									
As of March 31, 2016	176,900	137,200	25,500	175,400	34,400	109,400	27,000	—	—
Granted	—	—	—	—	—	—	—	247,400	69,300
Forfeited	—	—	—	—	—	—	—	—	—
Vested	47,200	33,600	10,200	30,400	8,600	19,000	5,400	—	—
Outstanding	129,700	103,600	15,300	145,000	25,800	90,400	21,600	247,400	69,300
Vested									
As of March 31, 2016	—	—	—	—	—	—	—	—	—
Vested	47,200	33,600	10,200	30,400	8,600	19,000	5,400	—	—
Exercise	47,200	33,600	10,200	30,400	8,600	19,000	5,400	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—	—	—

(b) Price information

	Yen								
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	¥371	¥371	¥371	¥371	¥371	¥371	¥371	—	—
Fair value at grant date	¥311	¥542	¥585	¥545	¥591	¥851	¥893	¥363	¥396

	U.S. dollars								
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price at exercise	\$3.31	\$3.31	\$3.31	\$3.31	\$3.31	\$3.31	\$3.31	—	—
Fair value at grant date	\$2.77	\$4.83	\$5.21	\$4.86	\$5.27	\$7.59	\$7.96	\$3.24	\$3.53

3. The estimations used to measure fair value of Stock Option

(1) Valuation method

The Black-Scholes option pricing model

(2) Main figures and the way of estimation

	8th equity warrant	9th equity warrant
volatility of stock price (*1)	30.995%	38.141%
Estimated remaining outstanding period (*2)	4.9 years	1.8 years
Estimated dividend (*3)	¥12.00 per share	¥12.00 per share
Risk-free interest rate (*4)	(0.359%)	(0.340%)

*1. Volatility of stock price is calculated based on the actual stock prices of estimated remaining outstanding period.

*2. Estimated remaining outstanding period is calculated based on the average term in office of resigned directors (Exclude non executive director.)

*3. Estimated dividend is based on the actual results of the fiscal year ended March 31, 2016.

*4. Risk-free interest rate is based on bonds' yields of the estimated remaining outstanding period.

4. Estimated number of Stock Options to be vested

The actual number of forfeited stock options alone is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.

26. Corporate bonds

Corporate bonds include subordinated corporate bonds in an amount of ¥10,000 million (U.S.\$89,134 thousand) as of March 31, 2017.

27. Subsequent events

1. Issuance of Basel III-compliant Subordinated Bonds

At the Board of Directors meeting held on March 24, 2017, the Bank resolved to issue unsecured corporate bonds and the payment was completed on April 28, 2017. The outline is as follows:

- (1) Name of the corporate bonds
JPY 10,000,000,000 Subordinated Unsecured Bond due 28 April 2027
- (2) Issue price
¥100 (U.S.\$0.89) per face value ¥100 of each bond
- (3) Total amount of issue
¥10 billion (U.S.\$89,134 thousand)
- (4) Interest rate
 - (a) For the first five years (until April 28, 2022): 0.50% per annum
 - (b) Thereafter: mid-rate for 5-year Japanese yen swap plus 0.43%
- (5) Collateral
These bonds are not secured by collateral or guarantee and there are no assets pledged for these bonds.
- (6) Maturity date
28 April, 2027
- (7) Use of fund raised
General working capital

2. Acquisition of own shares

At the Board of Directors meeting held on May 10, 2017, the Bank resolved to acquire its own shares and carried out the acquisition as follows:

- (1) Type of shares acquired: Common stock
- (2) Total number of shares acquired: 4,000,000 shares
- (3) Total cost of acquisition: ¥2,576 million (U.S.\$22,961 thousand)
- (4) Date of acquisition: 12 May, 2017



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

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

Independent Auditor's Report

The Board of Directors
The Gunma Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Gunma Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Gunma Bank, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 26, 2017