

THE IYO BANK, LTD.

Creating a Bright and Prosperous Future



Annual Report 2016

Year ended March 31, 2016



The Region's Best Partner for Creating a Prosperous, Dynamic and Bright Future

Founded in 1878, The Iyo Bank, Ltd. is a regional financial services institution boasting a solid operating base centered on the four prefectures of Shikoku and the seven prefectures surrounding the Seto Inland Sea. With branches in Tokyo and Nagoya as well, we are Japan's No.1 regional bank in terms of broad regional coverage. In recent years, we have also enhanced our network of overseas bases primarily in the ASEAN region to support the international business expansion of our clients. We at Iyo Bank are working to be the region's best partner for creating a prosperous, dynamic and bright future by offering friendly and trustworthy financial services to customers.

Corporate Credo

1. Creating a bright and prosperous future for the region
2. Offering the best service and being worthy of people's trust
3. Rendering our best service with gratitude in our hearts



Contents

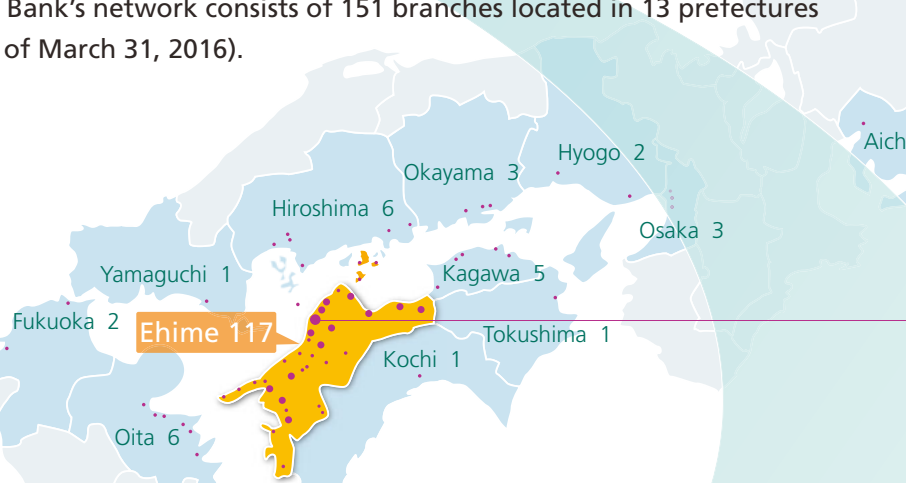
Message from the President	2
Corporate Governance / Compliance / Risk Management	6
Financial Section	8
Organization Chart	47
Consolidated Subsidiaries	48
Corporate Data / Directory	49

Forward-Looking Statements:

Statements contained in this report concerning plans, predictions, and strategies to improve future performance ("Forward-Looking Statements") are based information currently available to the Bank's management, and inevitably involve a certain element of risk and uncertainty.

Domestic Branch Network

The No. 1 regional bank in terms of broad regional coverage, Iyo Bank's network consists of 151 branches located in 13 prefectures (as of March 31, 2016).



* The numbers next to the prefecture names denote number of branches
* These 151 domestic branches include our Internet branch



Head Office

No. 1 Market Share in Ehime

About Ehime Prefecture

• Area	5,676.11 km ² (As of October 1, 2015)
• Population	1,377,779 (As of June 1, 2016)
• Number of households	594,306 (As of June 1, 2016)

Global Network

Our global network comprehensively supports our clients' overseas business endeavors.

We support our customers' efforts to globalize their businesses through trade operations, the establishment of local corporations and fund procurement by leveraging our network of four overseas sites consisting of the Hong Kong branch and three representative offices in New York, Shanghai and Singapore.

Our overseas network also involves business alliances and cooperations with banks, etc., in China, India, Indonesia, Mexico, Singapore, Philippines, Taiwan, Thailand and Vietnam.

Bangkok, Thailand

Dalian, China

Hanoi, Vietnam

Hong Kong

Jakarta, Indonesia

Jalisco/Aguascalientes, Mexico

Makati City, Philippines

Mumbai, India

New York, U.S.A.

Shanghai, China

Singapore

Taipei, Taiwan

Business alliance with Kasikorn Bank

Business alliance with the Bank of Dalian

Business cooperation with BIDV

Branch

Business alliance with BNI

Business cooperation with state of Jalisco and state government of Aguascalientes

Business alliance with the Metropolitan Bank

Business cooperation with the State Bank of India

Representative Office

Representative Office

Business alliance with the Bank of Communications

Representative Office

Business alliance with UOB

Business alliance with the CTBC Financial Holding

Our Overseas Business Support

- Provision of various types of information about entering overseas markets
- Advice about entering overseas markets
- Advice about trade operations and fund settlements
- Support for funds procurement in the local area overseas
- Implementation of overseas business matching
- Holding of seminars about entering overseas markets



Iwao Otsuka, President

Introduction

March 15, 2016, marked our 138th anniversary of establishment. I would like to take this opportunity to thank our customers, stockholders and members of the local community for your support during this period.

Since the time of our establishment, we have operated according to the basic management policy of working to “create a bright and prosperous future for the region.” “Regional vitalization” efforts are now entering the execution phase, and along with this development we will renew our efforts to contribute to regional invigoration by harnessing the combined capabilities of the Iyo Bank Group.

Furthermore, we aim to be a bank that serves its customers on a host of fronts by anticipating their needs 10 or even 20 years in the future, and our executives and employees will put all their efforts into addressing this challenge. We thank you for your patronage going forward.

Financial and Economic Environment

In fiscal 2015, ended March 31, 2016, Japanese economic recovery came to a standstill, as a slowdown in emerging-

market economies sapped the vigor of exports and production, and personal consumption and real income failed to rise, resulting in stagnation. Our outlook is positive, as we expect personal income to rebound on the back of improvements in the employment and income environments, putting the economy back on a recovery track. However, we believe the pace of recovery will be modest, owing to firmly rooted concerns of deceleration in overseas economies. In Ehime Prefecture, the Bank’s principal operating base, the economic activity was characterized by seesawing manufacturing activity and weakness in some areas, including personal consumption. Looking forward, however, we expect activity within the prefecture to experience gradual recovery thanks to improvements in the employment and income environments, in line with our outlook for the Japanese economy as a whole.

Business Performance

Under these circumstances, the Bank’s consolidated performance during the fiscal year under review was as follows. The term-end balance of deposits, including NCDs, increased ¥59.5 billion over the previous fiscal year-end, to ¥5,324.4 billion (US\$47,252 million). The loan balance at the end of the fiscal year rose ¥38.8 billion from the previous fiscal year-end, to ¥3,890.0 billion (US\$34,523 million). The balance of securities at the end of the fiscal year down ¥91.8 billion from the previous fiscal year-end, to ¥1,739.7 billion (US\$15,439 million).

Ordinary income decreased ¥4,582 million on a consolidated basis year on year, to ¥119,348 million (US\$1,059 million), due to lower investment income, stemming from declines in interest on loans and discounts, as well as interest and dividends on securities.

Meanwhile, ordinary expenses on a consolidated basis rose ¥1,676 million, to ¥78,277 million (US\$ 695 million), with other ordinary expenses rising due to higher credit costs. As a result, net ordinary income decreased ¥6,257 million, to ¥41,071 million (US\$364 million), while profit attributable to owners of parent declined ¥2,548 million, to ¥24,451 million (US\$217 million).

On a non-consolidated basis, core gross business profit recorded a decrease of ¥6,027 million, to ¥80,573 million (US\$ 715 million). This result reflected the decline in investment income, stemming from declines in interest on loans and discounts, as well as interest and dividends on securities, although fees and commissions grew thanks to higher commissions related to solution sales. Core net business profit fell ¥4,891 million, to ¥32,392 million (US\$287 million). The decrease in core net business profit and the rise in credit costs prompted a ¥6,386 million decline in net ordinary income, to ¥38,176 million (US\$339 million). As a result, net income fell ¥2,405 million, to ¥24,092 million (US\$214 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 15.42%.

Bank Branches and Head Office Organization

Iyo Bank has a broad-ranging branch network that covers 13 prefectures in Japan, the largest number of prefectures covered by a regional bank. We have been upgrading and expanding our branches and strengthening customer service systems so that customers can use our services more effectively.

In August 2015, we opened the Oda branch following its relocation within the Oda branch office of Uchiko town hall. This move enables members of the local community to take advantage of both government and banking services in a single location. In February 2016, we reopened our refurbished Ohmachi branch. The branch now features integrated ATM and teller window operations as well as specialized booths for consultations, which are private rooms. We look forward to providing heightened customer convenience at this branch, which is our first conceptualized as a branch specializing in individual customers.

In August 2015, we substantially altered our headquarters organization as we made progress on implementing our Fiscal 2015 Medium-Term Management Plan: First Stage for 150.

Specifically, to optimize management resources we established the new Business Strategy Department within the General Planning Division as the section to oversee the information and communications technology and branch strategies, centered on our business process re-engineering strategy.

Another new development was the Corporate & Retail Banking Planning Division. Consolidating various sections involved in sales strategy and planning and proposals related to sales conditions, the new office positions us to take on challenges in our new growth strategy. Furthermore, we reorganized to reinforce our efforts related to business succession and M&A, as these needs are growing in response to tax reforms and changes in the economic environment. We set up the Business Succession & M&A Promotion Department and the Private Banking Department within the Business Promotion & Solution Division. We also established the Retail Banking Promotion Division to strengthen our retail strategy for individuals.

Also, we established the Customer Satisfaction Enhancement Division to more firmly entrench customer service within management.

Heeding recent calls for stricter responses, in February 2016, within the General Planning Division we set up the Business Continuity Management Department to manage information security and cyber security on an integrated basis.

Products and Services

Regarding deposit products, we began offering “Iyo no Megumi,” a lump-sum gift deposit to be used for weddings and child-rearing. This product response to the growing demand for lump-sum gifts toward the weddings and child-rearing of children and grandchildren.

In loan products, we began handling all processes from personal loan applications through to agreement finalization at our Internet branch, eliminating the need for customers to visit brick-and-mortar branches for this purpose.

In addition, in November 2015 we started providing a bank account opening app that lets customers handle all bank account opening procedures using a smartphone.

Regional Vitalization Initiatives

In line with its aim of growing sustainably along with its region, Iyo Bank is involved in a variety of regional vitalization measures.

Across all of our lending and solutions operations, we work to fully understand the businesses and growth potential of our customers and support the development of business and the regional economy by proactively undertaking “sales activities based on assessments of business viability.”

In January 2016, we established the Iyo Growth Support Fund in collaboration with the Development Bank of Japan Inc. Using diverse funding methods, through this fund we provide wide-ranging support for customer growth and business succession.

The Iyo Evergreen Business Succession Support Fund, which was established to provide support for customers’ capital policies, invested in four projects.

To encourage people to establish businesses, in August 2015 we held seminars on starting up businesses, based on a municipal body’s start-up support business plan to provide such support. Named the Iyogin Mirai Kigyo Juku, these seminars were held in conjunction with various cities (Matsuyama, Imabari, Saijo and Niihama).

To support the commercialization of ventures originating from Ehime University, in February 2016 we established the Iyogin-Ehime University Originated Venture Support Fund.

In an effort to promote tourism by demonstrating the attractiveness of cycling in Ehime Prefecture, we published videos on YouTube showing cycling along including the Shimanami Kaido and the Sadamisaki Peninsula.

We have signed a letter of intent to join six regional banks in the Setouchi region, along with the Development Bank of Japan Inc., in establishing a new company and structuring a tourism fund in December 2015 with the aim of energizing the tourism industry.

Start of the Fiscal 2015 Medium-Term Management Plan

Period: Three years, from April 2015 through March 2018

First Stage for 150

We are positioning our new medium-term management plan as the first stage of our efforts toward our 150th anniversary of foundation. We aim to achieve sustainable growth, based on a long-term vision.

Core policy 1: Take on new growth strategies

Individual strategy

Support individuals' overall life plans, building business relationships across the generations

Corporate strategy

Provide support to companies to match their stage of business and contribute to their business development

Regional strategy

Grow with the region and generate regional dynamism

Market investment strategy

Ensure earnings sources in new fields and create a long-term, stable earnings foundation

Group ties

Enhance relations

Promote solutions

Core policy 2: Optimize management resources

Information and communications technology (ICT) strategy

Create a new business model that leverages ICT

Business process re-engineering (BPR) strategy

Reform business processes and boost productivity

Branch and sales structure strategy

Configure our branch network and sales structure in response to new environmental changes

Personnel strategy

Cultivate human resources motivated to grow and reinforce diversity initiatives

The Fiscal 2015 Medium-Term Management Plan Numerical Targets

	Fiscal 2014 Results
Net income	¥26.4 billion
Loans (average)	¥3,783.9 billion
Deposits (average)	¥5,247.7 billion
Consolidated assets on deposit	¥463.9 billion
Core OHR	56.94%
Equity ratio (BIS standard)	15.81%
Ratio of non-performing loans	1.77%
ROE (net asset basis)	7.48%

Fiscal 2017 Targets
¥22.0 billion
¥4,060.0 billion
¥5,450.0 billion
¥573.0 billion
65.0% or less
15.0% or more
2.0% or less
5.0% or more

In January 2016, we held the Iyogin Select Foods Trade Fair 2016 as part of our business matching activities. This show was aimed at supporting the expansion of sales routes for specialty products from our prefecture.

CSR Activities

In addition to its financial activities, to realize its mission to create a “bright and prosperous future for the region,” Iyo Bank is undertaking a range of activities under the CSR Committee as part of its corporate social responsibilities (CSR). As a cross-organizational body at our head office, the CSR Committee is proactively involved in social welfare activities, cultural activities, environmental conservation and other issues.

As part of our social welfare activities, we continued to provide scholarships and donate welfare devices through the “Iyo Bank Social Welfare Fund.”

As cultural activities, we continued to provide aid under the “Regional Cultural Activity Assistance Program” and undertook initiatives targeting the financial education of the children who will take responsibility for future generations.

In the area of environmental conservation, we continued to provide grants through “Evergreen,” the Iyo Bank Environment Foundation. We also carried out tree planting as part of the activities of the Society to Promote the Creation of Forests in Towns, for which the Bank serves as the secretariat, together with other member companies and organizations.

IR Activities

Iyo Bank is proactively working to improve disclosure. To increase management transparency, we held annual results briefings for analysts and institutional investors in Tokyo in June and December 2014, and organized results briefings accompanied by a special lecture presentation in six locations around Ehime Prefecture in July 2014. The Bank is rated highly, with an “AA-” rating by Rating and Investment (R&I), an influential Japanese credit rating agency, an “A-” rating by Standard & Poor’s (S&P) and an “AA” rating by the Japan Credit Rating Agency (JCR).

Risk Management and Compliance

As part of our risk management initiatives, we are developing and continuously refining our business continuity management (BCM) so that we can continue or quickly resume operations in the event of a major earthquake or other large-scale disaster, or an outbreak of a new strain of influenza or other infectious disease. Concerns exist that an earthquake may occur in the Nankai Trough in the near future. Based on this hypothetical earthquake, the Business Continuity Management Department, which we established in February 2016, took the

lead in efforts to enhance business continuity by considering initial responses in the event of a tsunami.

To prepare for the possibility of a large-scale disaster and ensure our ability to sustain or quickly recover our financial functions, we entered into accords for mutual support, collaboration and cooperation in the event of disaster; with nine banks of participation in regional revitalization and invigoration network in September 2015; and with Ehime Prefecture in October, respectively.

With respect to compliance, we have taken appropriate steps to comply with all relevant rules and regulations.

Issues

We expect the Japanese economy to remain in a modest recovery trend, with personal consumption recovering on the back of favorable employment and improvements in income conditions. At the same time, we recognize that the regional economy on which we depend is beset by the fundamental problems of a falling birthrate and a shrinking and increasingly elderly population, and globalization and regional disparities are likely to become more pronounced. Furthermore, the introduction of quantitative and qualitative monetary easing with negative interest rates has caused major changes in our operating environment, rendering the future outlook extremely opaque.

In April 2015, Iyo Bank launched its Fiscal 2015 Medium-Term Management Plan: First Stage for 150. Given the current fluctuations in our operating environment, we will accelerate our efforts to meet the plan’s targets ahead of time. The final year of this plan, ending in March 2018, will mark the Bank’s 140th anniversary of founding. Looking ahead toward our 150th anniversary, we are transitioning to a business model designed for sustainable growth as we strive to become the leading financial services group in the Setouchi region in terms of customer satisfaction.

From here onward, while working to ensure sound management and further strengthening the Bank’s business operations, we will continue to put our full efforts into realizing our mission as a regional bank—to create a “bright and prosperous future for the region.” In these endeavors, we ask for the ongoing support of our shareholders.



Iwao Otsuka, *President*

Corporate Governance

Basic Philosophy

Based on our corporate philosophy, to ensure the unshakeable trust of our stockholders, customers, employees and other stakeholders we believe it is vital to raise enterprise value and ensure a more sound and transparent management system, while remaining mindful of our social responsibilities as a regional bank. To meet these responsibilities, we will reinforce and enhance our efforts at corporate governance, which we consider one of our most important management priorities.

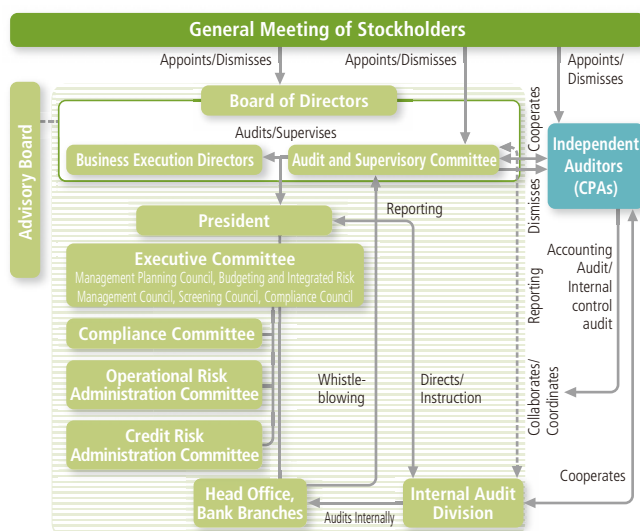
Through corporate governance appropriate to the Bank, we seek to achieve sustainable growth and enhance enterprise value over the medium to long term. To this end, we have formulated and publicized our Corporate Governance Guide Line, which outlines our fundamental perspectives and frameworks on corporate governance.

Internal Control Systems

- The Board of Directors' granting of voting rights to directors on auditing and the Audit and Supervisory Committee members that include multiple outside directors is expected to enhance the auditing and supervisory functions, as well as corporate governance. At the same time, we believe this delegation of authority will contribute to swifter decision-making and heightened management efficiency. To achieve these aims, we have adopted the system of a "company with an Audit and Supervisory Committee."
- The Bank has also separated the management decision-making and supervisory functions from business execution, thereby strengthening the Board of Directors' decision-making function. To further enhance corporate governance, we have introduced an executive officer system.

- In principle, the Board of Directors meets once a month to decide on important matters stipulated in law and the Articles of Incorporation, as well as to make important decisions related to management policy and management strategy.
- In principle, the Audit and Supervisory Committee meets at least once each month. In accordance with the law, Articles of Incorporation and Audit and Supervisory Committee Regulations, this committee and the Board of Directors provide a supervisory function, as well as auditing the execution of business by directors.
- In principle, the Executive Committee, consisting of managing directors and higher-ranked directors, meets once a week to discuss important issues affecting all areas of operations, based on the fundamental policies decided upon by the Board of Directors. The Executive Committee comprises four councils, according to the content of matters to be discussed: the Management Planning Council, the Budgeting and Integrated Risk Management Council, the Screening Council and the Compliance Council. The Audit and Supervisory Committee members are standing members of the Executive Committee, where they provide appropriate statements and advice.
- To coordinate and strengthen legal observance and risk management, the Bank holds a quarterly meeting of the Compliance Committee (secretariat: the Compliance Division) and a monthly meeting of the ALM Committee (secretariat: the General Planning Division), both with the director in charge of the Compliance Division as chairman. We have also established the Operational Risk Administration Committee, under the Risk Management Division, which meets quarterly, and the Credit Risk Management Committee. This committee, under the Risk Management Division, meets every second month. It is chaired by the director in charge of the Risk Management Division.
- The Bank holds a semi-annual meeting of the Advisory Board (secretariat: the General Planning Division) chaired by the president. To ensure the management transparency and objectivity of the Group, further strengthen the management base and contribute to the local community, we are introducing external perspectives regarding the Group's management strategies and governance.

Business Executive Functions, Oversight and Internal Controls



Compliance

As an institution with a public profile and social responsibilities, the Bank regards a good compliance record as indispensable for deepening the trust and support of our customers, shareholders and the communities we serve. We ensure not only that all our employees observe all laws, ordinances and regulations in their duties, but also meet the highest ethical standards.

Compliance Organizations

We established a Compliance Council chaired by the President. This committee deliberates matters relating to compliance, and seeks to foster a corporate culture in which compliance-related information is shared by all employees from the branch level to top management.

At all head office and branch business departments, we have appointed compliance officers, who assess progress in compliance-related matters and organize training and awareness-raising activities such as study groups.

The Compliance Division, working closely with the Compliance Committee and compliance officers, integrates collection and management of compliance-related information.

Risk Management

Basic Philosophy

In its daily business operations, a bank is exposed to credit risks, market risks and other risks. These risks are growing in diversity and complexity as deregulation progresses and the business of banking grows ever more complex. Therefore, finding ways of appropriately managing risk has become a vital challenge for a bank.

On the other hand, for a bank, risk-taking is essential for generation of revenue. Only by assuming a reasonable level of risk, it is possible to ensure acceptable earnings growth. Accordingly, the bank sets reasonable profit targets after factoring in all conceivable risks, and takes every precaution to manage risk. Iyo Bank's management treats risk management as a priority issue.

Each fiscal year, the Board of Directors compiles risk management policies, and, based on these policies, takes steps to strengthen risk management and improve the quality of risk management.

Risk Management Framework

The Bank's risk management framework has four main pillars:

1. Legal observance under the Compliance Committee
2. Managing revenue-generating risk assets under the ALM Committee
3. The Credit Risk Administration Committee undertakes risk management that focuses on curbing credit risk
4. Management of operational risk to minimize administrative and system risk, under the Operational Risk Administration Committee

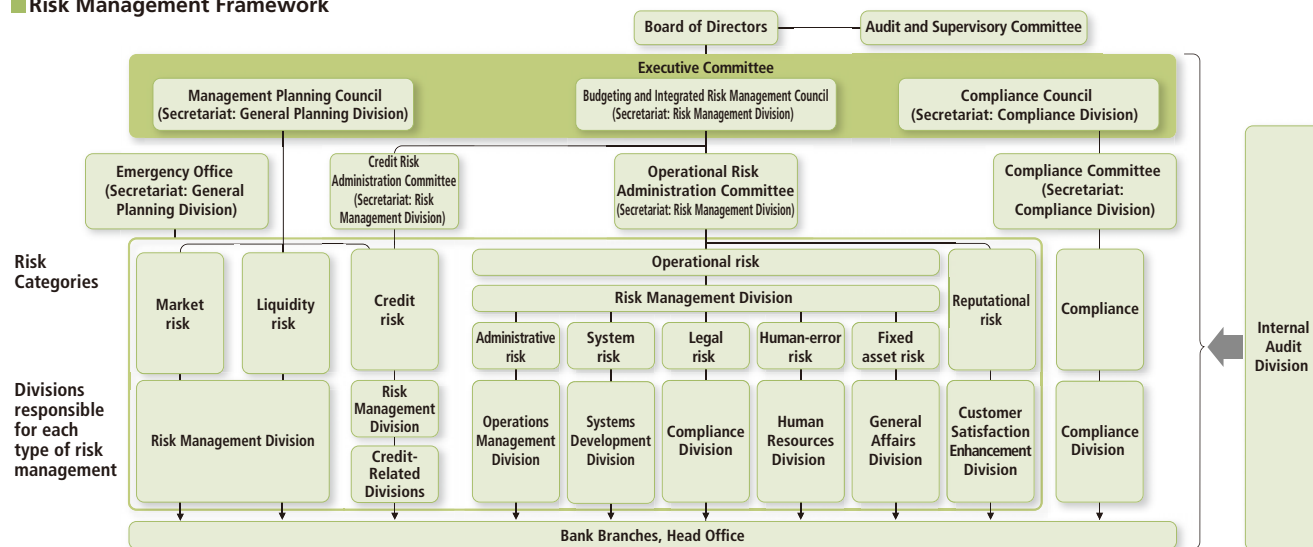
The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

The Credit Risk Administration Committee aims to achieve an optimal management and procurement structure as well as secure stable medium- to long-term income by quantifying the Bank's credit risk.

At the same time, the Operational Risk Administration Committee is taking measures to refine operational risk management through organization-wide discussion and monitoring regarding important topics arising from reviews of actual operational risk. With regard to administrative risk, system risk, legal risk, human-error risk, and fixed asset risk, which together constitute operational risk, organization-wide responses include establishment of offices for each category of risk, and rigorous risk management. At the same time, the Risk Management Division is responsible for coordination of risk management carried out by the departments in charge of each category of risk.

Moreover the Risk Management Division, which coordinates overall risk management, manages verification of risk management at each department.

■ Risk Management Framework



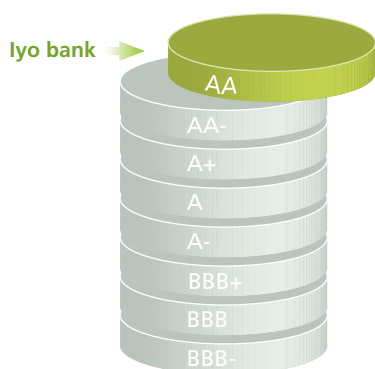
Financial Highlights

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

Years ended March 31:	Millions of yen				
	2016	2015	2014	2013	2012
At Year-End:					
Assets					
Securities	¥1,739,757	¥1,831,611	¥1,749,815	¥1,827,529	¥1,699,444
Loans and bills discounted	3,890,085	3,851,235	3,708,249	3,636,072	3,549,031
Total assets	6,510,076	6,575,422	6,124,787	6,004,711	5,672,541
Liabilities					
Deposits	5,324,433	5,264,862	5,199,147	5,116,636	4,886,498
Total liabilities	5,920,369	5,977,820	5,617,266	5,528,386	5,258,112
For the Year:					
Total income	¥ 119,819	¥ 124,003	¥ 126,352	¥ 118,673	¥ 124,562
Total expenses	79,531	77,881	82,098	87,050	89,273
Income before income taxes and minority interests	40,287	46,122	44,253	31,623	35,288
Profit attributable to owners of parent	24,451	26,999	26,133	18,377	18,413
Net cash provided by operating activities	(64,206)	348,931	(23,339)	134,275	110,580
Net cash provided by investing activities	38,624	18,680	95,693	(48,035)	(95,368)
Net cash provided by financing activities	(19,106)	(25,065)	(3,340)	(4,635)	(2,905)
Cash and cash equivalents	557,587	602,299	259,700	190,656	109,012
Per Share Data:					
Net income	¥ 77.34	¥ 85.41	¥ 82.69	¥ 57.90	¥ 57.71
Stockholders' equity	1,790.53	1,825.62	1,548.10	1,448.56	1,246.79
Equity ratio (BIS standards) (%)	15.42	15.81	14.41	13.00	13.06
Return on equity (ROE) (%)	4.27	5.06	5.51	4.29	4.84
Price earnings ratio (PER) (Times)	9.52	16.70	11.92	15.35	12.70
Number of employee	3,024	2,977	2,937	2,872	2,857

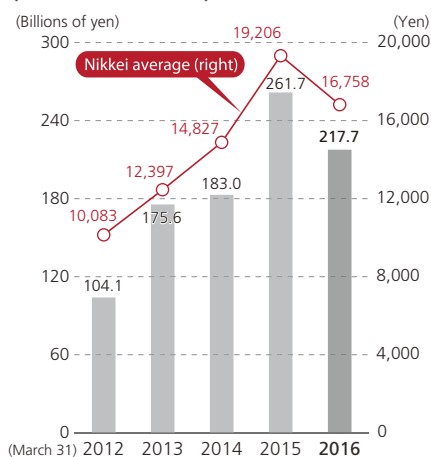
Note: Japanese yen amounts, except net income per share, are presented in millions of yen and are rounded down to the nearest million.

Ratings [JCR]

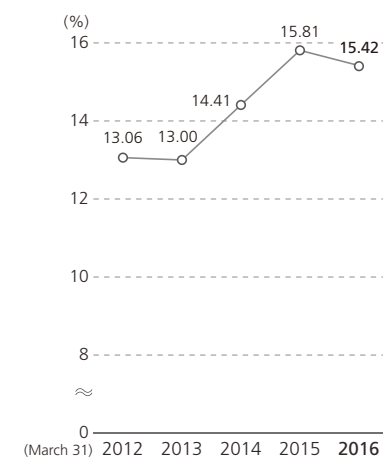


Iyo bank has obtained one of the best ratings among Japanese banks including mega-banks by Japan Credit Rating Agency, Ltd. (JCR).

Evaluation gain on securities (Non-consolidated)



Equity ratio (BIS standards)



Management Discussion and Analysis of Operations

■ Business Environment

In fiscal 2015, ended March 31, 2016, Japanese economic recovery came to a standstill, as a slowdown in emerging-market economies sapped the vigor of exports and production, and personal consumption and real income failed to rise, resulting in stagnation. Our outlook is positive, as we expect personal income to rebound on the back of improvements in the employment and income environments, putting the economy back on a recovery track. However, we believe the pace of recovery will be modest, owing to firmly rooted concerns of deceleration in overseas economies. In Ehime Prefecture, the Bank's principal operating base, the economic activity was characterized by seesawing manufacturing activity and weakness in some areas, including personal consumption. Looking forward, however, we expect activity within the prefecture to experience gradual recovery thanks to improvements in the employment and income environments, in line with our outlook for the Japanese economy as a whole.

■ Income Analysis

Ordinary income decreased ¥4,582 million on a consolidated basis year on year, to ¥119,348 million (US\$1,059 million), due to lower investment income, stemming from declines in interest on loans and discounts, as well as interest and dividends on securities.

Meanwhile, ordinary expenses on a consolidated basis rose ¥1,676 million, to ¥78,277 million (US\$695 million), with other ordinary expenses rising due to higher credit costs. As a result, net ordinary income decreased ¥6,257 million, to ¥41,071 million (US\$364 million), while profit attributable to owners of parent declined ¥2,548 million, to ¥24,451 million (US\$217 million).

On a non-consolidated basis, core gross business profit recorded a decrease of ¥6,027 million, to ¥80,573 million (US\$715 million). This result reflected the decline in investment income, stemming from declines in interest on loans and discounts, as well as interest and dividends on securities,

although fees and commissions grew thanks to higher commissions related to solution sales. Core net business profit fell ¥4,891 million, to ¥32,392 million (US\$287 million). The decrease in core net business profit and the rise in credit costs prompted a ¥6,386 million decline in net ordinary income, to ¥38,176 million (US\$339 million). As a result, net income fell ¥2,405 million, to ¥24,092 million (US\$214 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 15.42%.

■ Segment Information

The Iyo Bank Group consists of the Iyo Bank and 13 consolidated subsidiaries. The Group's operations center on commercial banking services, and also cover leasing and other financial services.

Banking Operations

Ordinary income came to ¥103,035 million (US\$914 million). This was due to ordinary income from customers of ¥102,650 million and ordinary income from intersegment transactions of ¥384 million. Segment profit decreased ¥6,138 million, to ¥40,025 million (US\$355 million).

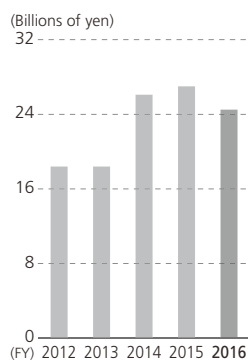
Leasing Operations

Ordinary income came to ¥15,268 million (US\$135 million). This was attributable to ordinary income from customers of ¥14,829 million and ordinary income from intersegment transactions of ¥438 million. Segment profit increased ¥146 million, to ¥759 million (US\$7 million).

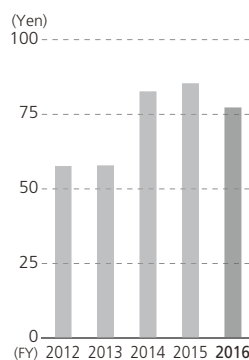
Other Businesses

Ordinary income came to ¥3,586 million (US\$32 million). This was a result of ordinary income from customers of ¥1,868 million, and ordinary income from intersegment transactions of ¥1,718 million. Segment profit decreased ¥193 million, to ¥390 million (US\$3 million).

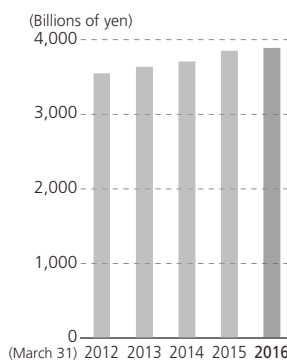
Profit Attributable to Owners of Parent



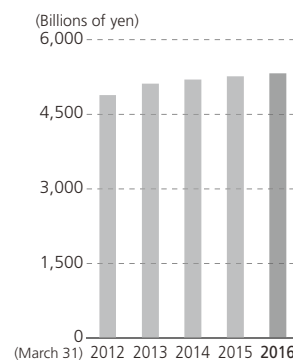
Net Income per Share



Loans and Bills Discounted



Deposits



■ Balance Sheets Analysis

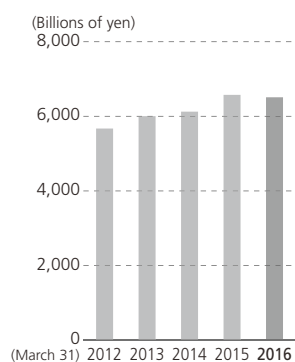
Loans and Bills Discounted

Loans and bills discounted at the end of fiscal 2015 grew ¥38,850 million (up 1.0%) to ¥3,890,085 million (US\$34,523 million).

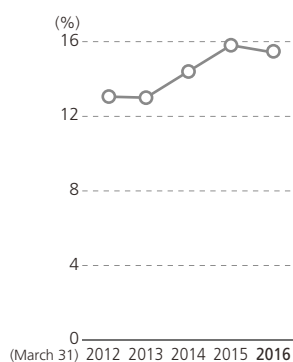
Loans by Industry

Years ended March 31:	Millions of yen			
	2016		2015	
	Loans and bills discounted outstanding	Share (%)	Loans and bills discounted outstanding	Share (%)
Manufacturing	¥ 593,892	15.27	¥ 600,832	15.60
Agricultural and forestry	3,059	0.08	2,764	0.07
Fishing	12,614	0.32	13,427	0.35
Mining, quarrying and gravel extraction	9,003	0.23	3,289	0.09
Construction	116,066	2.98	122,883	3.19
Electricity, gas and water utilities, sewage	92,982	2.39	89,644	2.33
Communications	28,130	0.72	28,470	0.74
Transportation and postal service	615,238	15.82	655,624	17.02
Wholesale and retail	466,742	12.00	485,611	12.61
Finance and insurance	146,785	3.77	139,229	3.61
Real estate and rental	378,717	9.74	353,357	9.17
Service	382,566	9.83	353,745	9.19
Local authorities	232,998	5.99	224,755	5.84
Others	811,287	20.86	777,599	20.19
Total	¥3,890,085	100.00	¥3,851,235	100.00

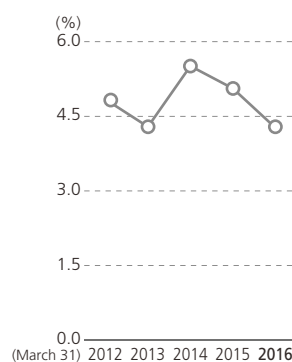
Total Assets



Equity Ratio (BIS standards)



Return on Equity



Asset Quality

The balance of classified assets subject to mandatory disclosure under the Financial Revitalization Law decreased ¥4,517 million, to ¥66,786 million (US\$593 million) at the end of fiscal 2015. The ratio of non-performing loans to total loans under the law dropped 0.13 percentage point, to 1.64%. Loans to bankrupt or effectively bankrupt borrowers increased ¥373 million from the previous year-end, to ¥4,209 million (US\$37 million). Doubtful assets were down ¥4,669 million,

to ¥45,588 million (US\$405 million). Credit subject to specific risk management fell ¥222 million, to ¥16,987 million (US\$151 million).

The coverage ratio (the ratio of the total sum of the reserve for possible loan losses and the amount deemed recoverable from collateral and guarantees to total credit exposure under the Financial Revitalization Law) stood at 74.53%, rose 0.35 percentage point from the previous year-end.

Credit quality assessments are as follows (on a non-consolidated basis):

	Millions of yen					
	2016			2015		
March 31,	Millions of yen	Percentage of loans	Millions of U.S. dollars	Millions of yen	Percentage of loans	
Loans to bankrupt or effectively bankrupt borrowers	¥ 4,209	0.10	\$ 37	¥ 3,836	0.09	
Doubtful assets	45,588	1.12	405	50,257	1.25	
Credit subject to specific risk management	16,987	0.41	151	17,209	0.42	
Total	66,786	1.64	593	71,303	1.77	
Unclassified credit	3,989,980	98.35	35,410	3,937,657	98.22	

Notes: "Credit" refers collectively to the following: loans and bills discounted, securities loaned, foreign exchange (that due from foreign banks, foreign bills bought or receivable), customers' liabilities for acceptances and guarantees, accrued interest, and suspense payments.

"Loss" refers to credit exposures which have been judged to be non-collectible or of no value.

"Doubtful" refers to credit exposures where the borrower has not reached the point of financial collapse, but where his financial position and results are worsening, and where full payment including the payment of interest is judged to be unlikely.

"Credit subject to specific risk management" refers to credit exposures where payment has been delayed for three months or more, or those where payment conditions have been relaxed. "Unclassified credit" refers to credit exposures that have not been classified as "Loss," "Doubtful," or "Credit subject to specific risk management" due to the absence of any particular problem with the operating results or financial position of the creditor.

Securities

The balance of securities at the end of the fiscal year was down ¥91,854 million, or 5.0% year on year, to ¥1,739,757 million (US\$15,440 million).

Deposits

The balance of deposits, including NCDs, increased ¥59,570 million, or 1.1%, to ¥5,324,432 million (US\$47,253 million) due to a steady increases in both individual and corporate deposits.

■ Cash Flow Analysis

Consolidated Cash Flows

Cash flow used in operating activities decreased by ¥64,206 million over the previous term, to ¥413,137 million (US\$ 3,666 million), due to such factors as a decrease in call money.

Net cash used in investing activities increased by ¥19,944 million to ¥38,624 million (US\$343 million). This was mainly attributable to sales and maturities of securities.

Net cash used in financing activities increased ¥5,959 million, to ¥19,106 million (US\$170 million) due to the redemption of subordinated borrowings.

As a result, cash and cash equivalents at the end of the term fell by ¥44,712 million, to ¥557,587 million (US\$4,948 million).

Consolidated Balance Sheets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
ASSETS			
Cash and due from banks (Note 19)	¥ 583,919	¥ 623,917	\$ 5,182,099
Call loans and bills purchased (Note 19)	105,072	74,849	932,481
Monetary claims purchased (Notes 19, 20 and 22)	9,516	9,642	84,451
Trading account securities (Notes 19 and 20)	468	523	4,153
Money held in trust (Notes 19, 21 and 22)	8,476	9,321	75,221
Securities (Notes 3, 4, 7, 12, 19, 20 and 22)	1,739,757	1,831,611	15,439,802
Loans and bills discounted (Notes 5, 6 and 19)	3,890,085	3,851,235	34,523,296
Reserve for loan losses (Note 19)	(25,552)	(28,830)	(226,766)
Foreign exchange (Note 6)	5,153	6,205	45,731
Lease receivables and investment assets (Note 7)	29,178	28,909	258,945
Other assets (Note 7)	39,279	36,684	348,588
Tangible fixed assets (Notes 9 and 10)	77,753	79,842	690,033
Intangible fixed assets	4,302	4,118	38,178
Net defined benefit asset (Note 24)	12,842	18,035	113,968
Deferred tax assets (Note 26)	384	700	3,407
Customers' liabilities for acceptances and guarantees	29,438	28,654	261,253
Total assets	¥6,510,076	¥6,575,422	\$57,774,902
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits (Notes 7 and 19)	¥5,324,433	¥5,264,862	\$47,252,689
Call money and bills sold (Note 19)	70,988	111,105	629,996
Payables under securities lending transactions (Notes 7 and 19)	324,796	332,077	2,882,463
Borrowed money (Notes 7, 11 and 19)	50,164	98,581	445,189
Foreign exchange	112	38	993
Borrowed money from trust account	29	—	257
Other liabilities (Note 7)	40,629	45,963	360,569
Accrued employees' bonuses	1,727	2,074	15,326
Net defined benefit liability (Note 24)	13,840	13,194	122,825
Reserve for losses on repayment of dormant bank accounts	3,065	3,045	27,200
Reserve for contingent losses	441	420	3,913
Reserve under the special laws	0	0	0
Deferred tax liabilities (Note 26)	50,337	66,509	446,725
Deferred taxes on revaluation excess (Note 9)	10,362	11,291	91,959
Acceptances and guarantees	29,438	28,654	261,253
Total liabilities	5,920,369	5,977,820	52,541,435
Net assets (Note 29)			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	185,906
Capital surplus	10,488	10,483	93,077
Retained earnings	365,732	344,637	3,245,757
Treasury stock	(5,398)	(5,435)	(47,905)
Total stockholders' equity	391,771	370,634	3,476,845
Net unrealized holding gains (losses) on securities (Note 22)	153,166	178,840	1,359,300
Net deferred gains (losses) on derivatives under hedge accounting	(326)	(57)	(2,893)
Land revaluation excess (Note 9)	20,552	20,761	182,392
Remeasurements of defined benefit plans (Note 24)	912	6,892	8,093
Total accumulated other comprehensive income	174,305	206,437	1,546,902
Stock acquisition rights (Note 25)	401	329	3,558
Noncontrolling interests	23,228	20,200	206,141
Total net assets	589,707	597,602	5,233,466
Total liabilities and net assets	¥6,510,076	¥6,575,422	\$57,774,902

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥ 51,797	¥ 53,565	\$ 459,682
Interest and dividends on securities	27,633	32,224	245,234
Other interest income	861	867	7,641
Fees and commissions	12,815	12,301	113,729
Other operating income	18,174	18,765	161,288
Other income	8,536	6,278	75,754
Total income	119,819	124,003	1,063,356
EXPENSES			
Interest expense:			
Interest on deposits	4,532	4,741	40,220
Interest on borrowings and rediscounts	594	973	5,271
Interest on payables under securities lending transactions	407	165	3,611
Other interest expense	682	307	6,052
Fees and commissions	4,370	4,020	38,782
Other operating expenses	13,582	13,326	120,536
General and administrative expenses (Note 14)	49,616	50,678	440,326
Other expenses (Note 15)	5,743	3,667	50,967
Total expenses	79,531	77,881	705,812
Income before income taxes	40,287	46,122	357,534
Income taxes (Note 26):			
Current	11,210	12,156	99,485
Deferred	3,130	5,725	27,777
Total taxes	14,340	17,881	127,263
Profit	25,947	28,240	230,271
Profit attributable to noncontrolling interests	1,495	1,241	13,267
Profit attributable to owners of parent	¥ 24,451	¥ 26,999	\$ 216,995

Per share of common stock (yen and U.S. dollars):

	Yen		U.S. dollars (Note 1)
	2016	2015	2016
Basic net income	¥77.34	¥85.41	\$0.68
Diluted net income	77.23	85.29	0.68
Dividends	12.00	12.00	0.10

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Profit	¥ 25,947	¥28,240	\$ 230,271
Other comprehensive income (Note 16)	(29,851)	65,481	(264,918)
Net unrealized holding gains (losses) on securities (Note 22)	(24,146)	61,116	(214,288)
Net deferred gains (losses) on derivatives under hedge accounting	(268)	(55)	(2,378)
Land revaluation excess	543	1,160	4,818
Remeasurements of defined benefit plans	(5,980)	3,260	(53,070)
Comprehensive income	¥ (3,904)	¥93,721	\$ (34,646)
Comprehensive income attributable to:			
Owners of the parent	¥ (6,926)	¥91,623	\$ (61,466)
Noncontrolling interests	3,022	2,098	26,819

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

For the years ended March 31, 2016 and 2015

	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2016					
Balance at the beginning of the accounting period	¥20,948	¥10,483	¥344,637	¥(5,435)	¥370,634
Changes during the accounting period					
Dividends			(4,109)		(4,109)
Profit attributable to owners of parent			24,451		24,451
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		4		40	44
Reversal of land revaluation excess			752		752
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	4	21,095	36	21,136
Balance at the end of the accounting period	¥20,948	¥10,488	¥365,732	¥(5,398)	¥391,771

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2016					
Balance at the beginning of the accounting period	\$185,906	\$93,033	\$3,058,546	\$(48,233)	\$3,289,261
Changes during the accounting period					
Dividends			(36,466)		(36,466)
Profit attributable to owners of parent			216,995		216,995
Purchase of treasury stock				(26)	(26)
Disposal of treasury stock		35		354	390
Reversal of land revaluation excess			6,673		6,673
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	35	187,211	319	187,575
Balance at the end of the accounting period	\$185,906	\$93,077	\$3,245,757	\$(47,905)	\$3,476,845

	Millions of yen							
	Total other comprehensive income							
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Noncontrolling interests	Total net assets
For the year ended March 31, 2016								
Balance at the beginning of the accounting period	¥178,840	¥ (57)	¥20,761	¥ 6,892	¥206,437	¥329	¥20,200	¥597,602
Changes during the accounting period								
Dividends								(4,109)
Profit attributable to owners of parent								24,451
Purchase of treasury stock								(3)
Disposal of treasury stock								44
Reversal of land revaluation excess								752
Changes in items other than stockholders' equity, net	(25,674)	(268)	(209)	(5,980)	(32,131)	71	3,028	(29,031)
Total changes during the accounting period	(25,674)	(268)	(209)	(5,980)	(32,131)	71	3,028	(7,894)
Balance at the end of the accounting period	¥153,166	¥(326)	¥20,552	¥ 912	¥174,305	¥401	¥23,228	¥589,707

Thousands of U.S. dollars (Note 1)

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the year ended March 31, 2016								
Balance at the beginning of the accounting period	\$1,587,149	\$ (505)	\$184,247	\$ 61,164	\$1,832,064	\$2,919	\$179,268	\$5,303,532
Changes during the accounting period								
Dividends								(36,466)
Profit attributable to owners of parent								216,995
Purchase of treasury stock								(26)
Disposal of treasury stock								390
Reversal of land revaluation excess								6,673
Changes in items other than stockholders' equity, net	(227,848)	(2,378)	(1,854)	(53,070)	(285,152)	630	26,872	(257,641)
Total changes during the accounting period	(227,848)	(2,378)	(1,854)	(53,070)	(285,152)	630	26,872	(70,056)
Balance at the end of the accounting period	\$1,359,300	\$(2,893)	\$182,392	\$ 8,093	\$1,546,902	\$3,558	\$206,141	\$5,233,466

Millions of yen

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2015					
Balance at the beginning of the accounting period	¥20,948	¥10,483	¥320,766	¥(5,488)	¥346,710
Cumulative effects of changes in accounting policies			(672)		(672)
Restated balance	20,948	10,483	320,094	(5,488)	346,038
Changes during the accounting period					
Dividends			(3,160)		(3,160)
Profit attributable to owners of parent			26,999		26,999
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		(0)		57	56
Transfer of loss on disposal of treasury stock		0	(0)		—
Reversal of land revaluation excess			704		704
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	—	24,542	53	24,596
Balance at the end of the accounting period	¥20,948	¥10,483	¥344,637	¥(5,435)	¥370,634

Millions of yen

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the year ended March 31, 2015								
Balance at the beginning of the accounting period	¥118,582	¥ (2)	¥20,305	¥3,632	¥142,517	¥288	¥18,003	¥507,520
Cumulative effects of changes in accounting policies								(672)
Restated balance	118,582	(2)	20,305	3,632	142,517	288	18,003	506,848
Changes during the accounting period								
Dividends								(3,160)
Profit attributable to owners of parent								26,999
Purchase of treasury stock								(3)
Disposal of treasury stock								56
Transfer of loss on disposal of treasury stock								—
Reversal of land revaluation excess								704
Changes in items other than stockholders' equity, net	60,258	(55)	456	3,260	63,919	41	2,196	66,157
Total changes during the accounting period	60,258	(55)	456	3,260	63,919	41	2,196	90,753
Balance at the end of the accounting period	¥178,840	¥(57)	¥20,761	¥6,892	¥206,437	¥329	¥20,200	¥597,602

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 40,287	¥ 46,122	\$ 357,534
Depreciation	4,536	4,482	40,255
Impairment losses	884	1,104	7,845
Increase (decrease) in reserve for loan losses	(3,278)	(3,739)	(29,091)
Increase (decrease) in reserve for employees' bonuses	(347)	70	(3,079)
Decrease (increase) in net defined benefit asset	5,193	(5,308)	46,086
Increase (decrease) in net defined benefit liability	646	(1,073)	5,733
Increase (decrease) in reserve for directors' retirement benefits	—	(2)	—
Increase (decrease) in reserve for losses on repayment of dormant bank accounts	19	187	168
Increase (decrease) in reserve for contingent losses	21	(23)	186
Increase (decrease) in reserve under the special laws	0	0	0
Interest and dividend income	(80,292)	(86,657)	(712,566)
Interest expense	6,217	6,189	55,173
Securities losses (gains), net	(5,091)	(3,208)	(45,181)
Money in trust losses (gains), net	(43)	(18)	(381)
Foreign exchange losses (gains), net	14,325	(23,334)	127,129
Losses (gains) on disposal of tangible fixed assets, net	(101)	131	(896)
Net changes in loans and bills discounted	(38,849)	(142,985)	(344,772)
Net changes in deposits	59,570	65,714	528,665
Net changes in borrowed money (excluding subordinated borrowings)	(33,416)	(9,772)	(296,556)
Net changes in deposits with banks	(4,714)	118,511	(41,835)
Net changes in call loans	(30,072)	11,283	(266,879)
Net changes in call money	(40,117)	48,651	(356,025)
Net changes in payables under securities lending transactions	(7,281)	248,986	(64,616)
Net changes in foreign exchange assets	1,051	5,823	9,327
Net changes in foreign exchange liabilities	74	(0)	656
Net changes in lease receivables and investment assets	(268)	(2,376)	(2,378)
Interest income received	80,038	86,707	710,312
Interest expense paid	(6,456)	(7,090)	(57,294)
Net increase (decrease) in borrowed money from trust account	29	—	257
Other	(16,167)	7,886	(143,477)
Subtotal	(53,602)	366,263	(475,701)
Income taxes paid	(10,604)	(17,331)	(94,107)
Net cash provided by (used in) operating activities	(64,206)	348,931	(569,808)
Cash flows from investing activities			
Purchases of securities	(203,003)	(182,701)	(1,801,588)
Proceeds from sales of securities	96,544	84,848	856,798
Proceeds from maturities of securities	147,360	122,378	1,307,774
Increase in money held in trust	—	(1,042)	—
Decrease in money held in trust	1,288	—	11,430
Purchases of tangible fixed assets	(3,212)	(4,359)	(28,505)
Proceeds from sales of tangible fixed assets	1,217	623	10,800
Purchases of intangible fixed assets	(1,570)	(1,067)	(13,933)
Net cash provided by (used in) investing activities	38,624	18,680	342,776
Cash flows from financing activities			
Decrease in subordinated borrowings	(15,000)	(22,000)	(133,120)
Proceeds from share issuance to noncontrolling stockholders	13	105	115
Cash dividends paid	(4,109)	(3,160)	(36,466)
Cash dividends paid to noncontrolling stockholders	(7)	(7)	(62)
Purchases of treasury stock	(3)	(3)	(26)
Proceeds from sales of treasury stock	0	0	0
Net cash provided by (used in) financing activities	(19,106)	(25,065)	(169,559)
Foreign currency translation adjustments	(23)	53	(204)
Net increase (decrease) in cash and cash equivalents	(44,712)	342,599	(396,805)
Cash and cash equivalents at the beginning of year	602,299	259,700	5,345,216
Cash and cash equivalents at the end of year (Note 17)	¥ 557,587	¥ 602,299	\$ 4,948,411

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

1. Basis of Presenting Consolidated Financial Statements

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

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of The Iyo Bank, Ltd. (the "Bank") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and the following 13 consolidated subsidiaries.

- The Iyogin Credit Guaranty Company Limited
- The Iyogin Business Service Company Limited
- Iyogin Capital Company Limited
- Iyogin Venture Fund Corporation Limited III
- Iyogin Venture Fund Corporation Limited IV
- Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership
- Iyogin Regional Economy Research Center, Inc.
- Iyogin DC Card Co., Ltd.
- Iyogin Leasing Company Limited
- Iyogin Computer Service Company Limited
- Iyogin Securities Co., Ltd.

In the consolidated fiscal year ended March 31, 2016, Iyogin Venture Fund Corporation Limited IV, newly established company, was included in the scope of consolidation.

Iyogin Venture Fund Corporation Limited II has been excluded from the scope of consolidation due to the completion of its liquidation.

The consolidated financial statements exclude the following subsidiary.

- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership has been excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income are considered to be immaterial to the consolidated financial statements.

No unconsolidated subsidiary is accounted for by the equity method.

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership has been excluded from the scope of the equity method because its net income and retained earnings are consid-

ered to be immaterial to the consolidated financial statements.

The consolidated financial statements include the accounts of five consolidated subsidiaries with fiscal years ended December 31. Appropriate adjustments are made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated.

(2) Net assets

Under Japanese laws and regulations, including the Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act and the Banking Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 20% of the dividend or the excess, if any, of 100% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the stockholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act and the Banking Law, however, by resolution of the stockholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

At the meeting of the Board of Directors held on May 13, 2016, cash dividends amounting to ¥1,896 million (\$16,826 thousand) have been approved by the Board of Directors.

The appropriation was not accrued in the consolidated financial statements as of March 31, 2016. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

(3) Cash flow statements

In preparing the consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(4) Foreign currency translations

Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are translated into yen at the rates prevailing at the consolidated balance sheet date.

Consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the rate prevailing at their respective balance sheet dates.

(5) Trading account securities

Trading account securities of the Bank and its consolidated subsidiaries are stated at fair market value. Gains and losses realized on the disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such trading account securities are computed using moving average cost.

(6) Securities

Held-to-maturity debt securities are stated at amortized cost by the straight-line method. Available-for-sale securities with available fair market values are stated at fair market value. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with fair values that are extremely difficult to determine are carried at cost using moving average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Securities included in the money held in the trust account are carried in the same manner as the securities mentioned above.

(7) Reserve for possible loan losses

The Bank and its consolidated subsidiaries write off loans and make provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding amounts written off and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not in the above circumstances but for who there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications are made by each business and credit supervision department and are audited by the Credit Administration Department, an independent department. The reserve for possible loan losses is provided based on such procedures.

The estimated unrecoverable portions of loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition are written off. The estimated unrecoverable amounts are determined after excluding amounts considered recoverable due to the existence of security interests or guarantees. As of March 31, 2016 and 2015, the estimated unrecoverable amounts were ¥25,113 million (\$222,870 thousand) and ¥24,455 million, respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on the actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are separately estimated and a reserve for possible loan losses is provided based on those estimations.

(8) Tangible and intangible fixed assets and lease assets

Tangible and intangible fixed assets are generally stated at cost, less the accumulated depreciation and deferred gains on the sale of real estate.

Depreciation of tangible fixed assets (except for lease assets) of the Bank and its consolidated subsidiaries is recorded using the declining balance method. However, buildings acquired after April 1, 1998 are depreciated using the straight-line method. The estimated useful lives of these assets are 15 – 40 years for buildings and 5 – 10 years for equipment.

Depreciation for intangible fixed assets (except for lease assets) of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of mainly five years.

Lease assets under finance leases that are not deemed to transfer the ownership of the lease property and that represent tangible or intangible assets are depreciated using the straight-line method over the lease term with zero residual value.

In cases in which there is a residual value guarantee in the contract, the residual value is the guaranteed value. In other cases, it is deemed to be zero.

(9) Accrued employees' bonuses

Accrued employees' bonuses are provided for the future payment of employees' bonuses based on the estimated amounts of the future payments that are attributed to the current fiscal year.

(10) Reserve for losses on repayment of dormant bank accounts

Reserve for losses on repayment of dormant bank accounts which have been derecognized as liabilities is provided for the possible losses on the future claims of withdrawal based on historical reimbursement experience.

(11) Reserve for contingent losses

Reserve for contingent losses is maintained to provide against possible losses from contingencies which are not covered by other specific reserves. The balance is an estimate of the possible future losses considered to require a reserve.

(12) Reserve under the special laws

Reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other transactions.

(13) Accounting method for retirement benefits

In calculating benefit obligation, the portion of projected benefit obligation attributed to the current fiscal year is determined using the benefit formula method.

Prior service cost is amortized using the straight-line method over 10 years. Actuarial differences are recognized as expenses using the straight-line method within the average of the estimated remaining service years of employees commencing in the following period.

Some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit cost. This simplified method assumes the Company's retirement benefit obligations to be equivalent to the benefits payable upon the voluntary retirement of all employees at the fiscal year-end to calculate net defined benefit liability and retirement benefit cost.

(14) Derivatives and hedge accounting

Derivative transactions are valued at fair value with changes in fair value included in current income.

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in JICPA Industry Audit Committee Report No. 24, February 13, 2002, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry." The effectiveness of hedging is assessed for (i) each identified group of hedged deposits, loans and similar instruments and (ii) the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

For certain assets and liabilities, the Bank and its consolidated subsidiaries apply the exceptional treatment permitted for interest rate swaps.

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of the currency

swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

The Bank also applies the fair value hedge method to portfolio hedges of the foreign exchange risks associated with foreign currency denominated available-for-sale securities (other than bonds) identified as hedged items in advance, as long as the amount of spot and forward foreign exchange contracts payable exceeds the acquisition costs of the hedged securities in foreign currency.

(15) Finance leases

Sales and cost of sales as lessor are recognized at the time of receiving lease payment.

(16) Operating leases

Lease related income is recognized on a straight-line basis over the full term of the lease based on the contractual amount of lease fees per month.

(17) Consumption taxes

National and local consumption taxes are accounted for mainly on a tax excluded basis.

(18) Application of consolidated tax reporting

The Bank and its wholly owned consolidated subsidiaries have adopted a consolidated tax return system.

(19) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes the full exercise of outstanding warrants at the time of issuance.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

(20) Changes in accounting policies

(a) Effective from the fiscal year ended March 31, 2015, the Bank and its consolidated subsidiaries apply the main clause of Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter "the Standard") and the main clause of Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, hereinafter "the Guidance"). Accordingly, the methods used to calculate retirement benefit obligation and service cost were changed. Specifically, the method used to determine the portion of projected benefit obligation attributed to periods of service was changed from the straight-line method to the benefit formula method. In addition, the method used to determine the discount rates applied in the calculation of projected benefit obligation was changed from the method in which bond duration as the basis for determining the discount rate is determined based on a number of years similar to the average remaining service period of employees to the method using the single weighted-average discount rate that reflects the estimated period and amount of benefit payment in each period.

The Standard and the Guidance were applied in accordance with the transitional treatment set forth in Article 37 of the Standard, and the effects of the change in methods used to calculate retirement

benefit obligation and service cost were added to or deducted from retained earnings as of April 1, 2014.

As a result, net defined benefit asset decreased by ¥1,668 million, net defined benefit liability decreased by ¥628 million, deferred tax liabilities decreased by ¥368 million and retained earnings decreased by ¥672 million as of April 1, 2014. In addition, ordinary profits and income before income taxes and others for the fiscal year ended March 31, 2015 increased by ¥237 million.

(b) Effective from the fiscal year ended March 31, 2016, the Bank and its consolidated subsidiaries apply "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereinafter "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidated Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Accounting Standard for Business Divestitures"). Accordingly, in cases in which the parent company continues to have control, differences arising from changes in the parent's holdings in equity-method subsidiaries are now recorded in capital surplus, and expenses related to business mergers are now treated as expenses in the consolidated financial statements for the year in which they arise. In addition, some changes were made to the presentation of net income and "minority interests" has been changed to "noncontrolling interests." Also, consolidated financial statements for the previous fiscal year have been restated.

In the consolidated statement of cash flows for the fiscal year under review, cash flows stemming from the acquisition or sale of shares of subsidiaries that do not result in changes in the scope of consolidation are included in "cash flows from financing activities," while cash flows stemming from expenditures related to the acquisition of shares of a subsidiary that result in changes in the scope of consolidation and cash flows stemming from expenditures related to acquisition or sale of shares of subsidiaries that do not result in changes in the scope of consolidation are included in "cash flows from operating activities."

Application of the newly adopted accounting standards noted at the outset of this section has been implemented from the start of the fiscal year under review in accordance with the transitional provisions in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Article 57-4 (4) of the Accounting Standard for Business Divestitures. However, the application of these new standards have had no effect on the consolidated financial statements for the fiscal year ended March 31, 2016.

(21) Accounting standards not yet adopted

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

(i) Overview

This implementation guidance has, in principle, succeeded the framework of "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66, the audit committee of the JICPA) partially amended as necessary.

(ii) Expected Date of Application

The revised methods of calculation provided by the guidance are expected to be adopted from the beginning of the consolidated fiscal year starting on April 1, 2016.

(iii) Impact from application of accounting guidance

The impact from the application of this accounting guidance has yet to be determined.

3. Stocks and Investments in Unconsolidated Subsidiaries and Affiliates

Securities included investments of unconsolidated subsidiaries and affiliates amounting to ¥100 million (\$887 thousand) at March 31, 2016.

4. Securities Lending Transactions

At March 31, 2016 and 2015, Japanese government bonds included ¥10,030 million (\$89,013 thousand) and ¥10,040 million, respectively of secured loan securities for which borrowers have the right to sell or pledge.

5. Loans and Bills Discounted

At March 31, 2016 and 2015 loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Loans to bankrupt customers	¥ 2,159	¥ 1,172	\$ 19,160
Non-accrual loans	50,013	55,185	443,849
Loans overdue three months or more	2,376	2,384	21,086
Restructured loans	14,669	14,878	130,182
Total	¥69,219	¥73,620	\$614,297

Loans to bankrupt customers are loans to customers who are undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest will be uncollectible.

Non-accrual loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt customers and loans on which interest payments are deferred, in order to support the borrower's recovery from financial difficulties.

Loans overdue three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or deferral or waiver of interest and/or principal payments to support customers experiencing financial difficulties.

Amounts described above are before the deduction of reserve for possible loan losses.

6. Commercial Bills

Bills discounted are accounted for as financing transactions in accordance with JICPA's Industry Audit Committee Report No. 24, February 13, 2002, although the Bank has the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥29,799 million (\$264,456 thousand) and ¥31,792 million at March 31, 2016 and 2015, respectively.

7. Assets Pledged

At March 31, 2016 and 2015 assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Securities	¥579,581	¥587,348	\$5,143,601
Lease receivables and investment assets	0	9	0

The above pledged assets secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deposits	¥ 33,065	¥ 32,391	\$ 293,441
Payables under securities lending transactions	324,796	332,077	2,882,463
Borrowed money	37,004	70,286	328,399
Other liabilities	0	8	0

At March 31, 2016 and 2015, certain investment securities aggregating ¥68,878 million (\$611,270 thousand) and ¥68,570 million, respectively, were pledged as collateral for settlement of exchange at the Bank of Japan.

At March 31, 2016, other assets included guarantees of ¥70 million (\$621 thousand) and security deposits of ¥344 million (\$3,052 thousand). At March 31, 2015, other assets included guarantees of ¥66 million and security deposits of ¥328 million.

8. Commitment Lines

Commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries will lend the funds upon the request of an obligor to draw down the funds under the loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances related to these loan agreements at March 31, 2016 and 2015 amounted to ¥1,039,157 million (\$9,222,195 thousand) and ¥998,334 million, respectively. Of these amounts, ¥969,104 million (\$8,600,496 thousand) and ¥923,408 million as of March 31, 2016 and 2015, respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the loan agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitments do not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank's or its consolidated subsidiaries' credit. The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank and its consolidated subsidiaries' established internal procedures for confirming the obligor's financial condition, etc., at regular intervals.

9. Land Revaluation Excess

In accordance with the Revaluation Act of Land Properties, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The revaluation excess, net of deferred taxes, is shown as a separate component of net assets. At March 31, 2016 and 2015, the current market value of the revalued land was lower than the revalued amount by ¥21,987 million (\$195,127 thousand) and ¥23,026 million, respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2016 and 2015 amounted to ¥51,715 million (\$458,954 thousand) and ¥51,351 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2016 and 2015 were ¥8,479 million (\$75,248 thousand) and ¥8,467 million, respectively. For the years ended March 31, 2016 and 2015, the capital gain offset from acquisition costs was ¥18 million (\$159 thousand) and ¥31 million, respectively.

11. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Borrowings from banks	¥50,164	¥98,581	\$445,189
Lease liabilities (due within one year)	425	422	3,771
Lease liabilities (due after one year)	1,168	1,569	10,365

The weighted average interest rates on the outstanding balances at March 31, 2016 and 2015 were as follows:

	2016	2015
Borrowings from banks	0.25%	0.38%
Lease liabilities (due within one year)	—	—
Lease liabilities (due after one year)	—	—

(Note) The "average interest rate" is not shown for lease obligations because the Bank uses a method that includes amounts equal to the interest in the total capital lease obligations and that spreads the total amount equal to interest equally over each fiscal year of the lease period.

The following is a summary of the maturities of borrowed money at March 31, 2016.

Year ended March 31:	Borrowings from banks		Lease liabilities	
	Millions of yen	Thousands of U.S. dollars (Note 1)	Millions of yen	Thousands of U.S. dollars (Note 1)
2017	¥40,661	\$360,853	¥ 425	\$ 3,771
2018	3,283	29,135	425	3,771
2019	2,591	22,994	347	3,079
2020	1,851	16,427	215	1,908
2021	722	6,407	161	1,428
Thereafter	1,053	9,345	17	150
Total	¥50,164	\$445,189	¥1,594	\$14,146

Borrowed money included subordinated loans totaling ¥15,000 million at March 31, 2015.

12. Guarantee Obligations

Guarantee obligations for private placement bonds in securities in accordance with the Article 2-3 of the Financial Instruments and Exchange Law amounted to ¥22,331 million (\$198,180 thousand) and ¥13,577 million at March 31, 2016 and 2015, respectively.

13. Acceptances and Guarantees

The principal amount of money trusts to be indemnified by the bank and its subsidiaries was ¥29 million (\$257 thousand) at March 31, 2016.

14. General and Administrative Expenses

General and administrative expenses included salaries and allowances in the amount of ¥21,391 million (\$189,838 thousand) and ¥21,668 million at March 31, 2016 and 2015, respectively.

15. Other Expenses

- For the year ended March 31, 2016, other expenses included loans written off in the amount of ¥260 million (\$2,307 thousand) and securities written off in the amount of ¥5 million (\$44 thousand). For the year ended March 31, 2015, other expenses included loans written off in the amount of ¥79 million and securities written off in the amount of ¥14 million.
- For the year ended March 31, 2016, the Bank reduced the book value of the following asset groups to the recoverable amounts and recognized impairment loss of ¥884 million (\$7,845 thousand) due to a continuing decrease in real estate values and operating cash flow.

Millions of yen					
2016					
Area	Purpose of use	Type	Total impairment loss	Land	Buildings
Ehime area	Branches 12 branches	Land and buildings	¥524	¥449	¥ 75
	Idle assets 5 items	Land and buildings	45	40	4
Others	Branches 2 branches	Land and buildings	312	279	33
	Idle assets 1 item	Buildings	2	—	2
Total			¥884	¥769	¥115

Thousands of U.S. dollars (Note 1)					
2016					
Area	Purpose of use	Type	Total impairment loss	Land	Buildings
Ehime area	Branches 12 branches	Land and buildings	\$4,650	\$3,984	\$ 665
	Idle assets 5 items	Land and buildings	399	354	35
Others	Branches 2 branches	Land and buildings	2,768	2,476	292
	Idle assets 1 item	Buildings	17	—	17
Total			\$7,845	\$6,824	\$1,020

The Bank allocates its assets to each branch or group of branches, which is the smallest unit of asset group in managerial accounting. Consolidated subsidiaries regard each entity as a unit in grouping their assets.

The recoverable amounts of asset groups are measured at the higher of their net realizable value or value in use. The recoverable amount is calculated as net realizable value determined by appraisal values based on real estate appraisal standards less the expected disposal cost.

For the year ended March 31, 2015, the Bank reduced the book value of the following asset groups to the recoverable amounts and recognized impairment loss of ¥1,104 million due to a continuous decrease in real estate values and operating cash flow.

Millions of yen					
2015					
Area	Purpose of use	Type	Total impairment loss	Land	Buildings
Ehime area	Branches 12 branches	Land and buildings	¥1,046	¥861	¥184
	Idle assets 3 items	Land and buildings	17	4	13
Others	Branches 1 branch	Land	12	12	—
	Idle assets 1 item	Land	28	28	—
Total			¥1,104	¥907	¥197

The Bank allocates its assets to each branch or a group of branches, which is the smallest unit of asset group in managerial accounting. Consolidated subsidiaries regard each entity as a unit in grouping their assets.

The recoverable amounts of asset groups are measured at the higher of their net realizable value or value in use. The recoverable amount is calculated as net realizable value determined by appraisal values based on real estate appraisal standards less the expected disposal cost.

16. Consolidated Statements of Comprehensive Income

Reclassification adjustments and the related tax effects concerning other comprehensive income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net unrealized holding gains (losses) on securities			
Incurred during the period	¥(35,378)	¥ 83,841	\$(313,968)
Reclassification adjustments	(5,063)	(3,223)	(44,932)
Before tax effect adjustments	(40,441)	80,618	(358,901)
Tax effect	16,295	(19,502)	144,613
Net unrealized holding gains (losses) on securities	(24,146)	61,116	(214,288)
Net deferred gains (losses) on derivatives under hedge accounting			
Incurred during the period	(1,006)	(253)	(8,927)
Reclassification adjustments	622	172	5,520
Before tax effect adjustments	(383)	(81)	(3,399)
Tax effect	115	26	1,020
Net deferred gains (losses) on derivatives under hedge accounting	(268)	(55)	(2,378)
Revaluation reserve for land			
Incurred during the period	—	—	—
Reclassification adjustments	—	—	—
Before tax effect adjustments	—	—	—
Tax effect	543	1,160	4,818
Revaluation reserve for land	543	1,160	4,818
Remeasurements of defined benefit plans			
Incurred during the period	(7,993)	5,317	(70,935)
Reclassification adjustments	(947)	(683)	(8,404)
Before tax effect adjustments	(8,940)	4,634	(79,339)
Tax effect	2,960	(1,373)	26,269
Remeasurements of defined benefit plans	(5,980)	3,260	(53,070)
The total amount of other comprehensive income	¥(29,851)	¥ 65,481	\$(264,918)

17. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows included due from banks, except for deposits with the Bank of Japan, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash and due from banks in the balance sheets	¥583,919	¥623,917	\$5,182,099
Due from banks, except for deposits with the Bank of Japan	(26,332)	(21,617)	(233,688)
Cash and cash equivalents in the statements of cash flows	¥557,587	¥602,299	\$4,948,411

18. Lease Transactions

(1) Finance Leases

(a) Finance leases that do not transfer ownership of the lease assets

(i) Details of lease assets

(A) Tangible fixed assets

(B) Intangible fixed assets

Not applicable

(ii) The method of depreciation for lease assets

See Note 2 (8), "Significant Accounting Policies - Tangible and intangible fixed assets and lease assets."

(b) Finance leases which do not transfer ownership of the lease assets to the lessee accounted for as operating lease transactions

Not applicable

(2) Operating Leases

Future lease payment receivables required under non-cancelable operating leases at March 31, 2016 and 2015 were as follows:

As lessor

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Due within one year	¥ 37	¥ 28	\$ 328
Due after one year	115	94	1,020
Total	¥152	¥123	\$1,348

19. Financial Instruments

(1) Financial instruments

(a) Policy on financial instruments

The Bank and its consolidated subsidiaries engage mainly in the financial services business that includes deposit services and lending services as well as leasing services.

Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and undertakes asset and liability management (ALM) in order to curb any unfavorable impact from interest rate fluctuations. The Bank also engages in derivative transactions as part of its ALM.

(b) Descriptions and risks of financial instruments

The financial assets of the Bank and its consolidated subsidiaries consist mainly of loans to customers, which are subject to default risk. Also, the Bank holds securities that are mainly stocks, bonds and mutual funds for

investment, management or trading purposes. They are subject to the issuer's credit risk, interest rate risk and market price risk.

The foreign currency denominated financial assets and liabilities are subject to foreign currency risk. The Bank uses currency swaps to manage the risk.

The Bank's derivative transactions include interest rate swaps. The Bank applies hedge accounting to the interest on loans to hedge interest rate risks regarding the interest rate swaps as hedge instruments. The effectiveness is ensured by maintaining a balance of hedge instruments that does not exceed the balance of the hedged items, which are grouped by incidence and remaining period.

Other transactions not qualifying for hedge accounting are exposed to foreign exchange and interest rate risks.

(c) Risk management system for financial products

(i) Credit risk management

The Bank prescribes its credit risk management policy in its "Risk Management Plan," which is issued by the Board of Directors biannually. In particular, the Bank diversifies credit risk by ensuring that credit granted is not over concentrated in certain customers, groups or industries. The Bank periodically analyzes and evaluates the credit conditions classified by internal ratings, business area and industry. The Bank strives to optimize its credit portfolio by promoting effective credit risk management. Feedback regarding credit risk management is reported to the Board of Directors on a regular basis.

The Bank manages each customer's credit in compliance with its "Internal Rating System," part of the Bank's credit risk management. The Risk Management Division (RMD), which is completely independent from other banking business divisions, is responsible for planning and administering the internal rating system and conducting, coordinating and monitoring the internal ratings. The Loan Group is responsible for supervising individual credit granted and examining customers' finances, the purpose for their loan and their ability to repay. The group is independent from the business promotion group and is divided into 3 divisions: the Credit Division - responsible for general loans, the Credit Management Division - responsible for planning of loan administration and troubled credit and the Corporate Consulting Division - responsible for supporting the rehabilitation of companies. The assets are initially assessed by each branch and then by the head office, followed by a validation by RMD, which is also responsible for the formulation of the assessment standard.

The credit granted by the consolidated subsidiaries is managed for each customer along with the credit granted by the Bank. RMD also manages credit risk of issuers and counterparty risks in derivative transactions by monitoring and periodically evaluating credit information and market prices.

(ii) Market risk management

In order to properly manage market risk and maintain the Bank's soundness and profitability, the Bank has established a comprehensive risk management structure set forth by the ALM Committee. The ALM Committee uses various measures such as the gap method, market value analysis, periodic income/loss simulation and the VaR method to control risk. The ALM Committee also coordinates risk management plans and hedging strategies by analyzing the profitability structure and forecasting the market and the economic environment. RMD, set up as an independent supervisor, evaluates the appropriateness of market transactions dealt with by other divisions.

The Bank sets limits on the quantity of risk that may be undertaken in its "Risk Management Plan," which is established by the Board of Directors biannually. RMD monitors compliance with the plan and reports to the Board of Directors monthly.

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance co-variance model (holding period: 240 business days; confidence interval: 99.9%; and historical observation period: 1,200 business days) is applied in the measurement of VaR.

The major market risks for the Bank are equity risk and interest rate risk. Financial instruments affected by interest rate risk are loans and bills discounted, available-for-sale securities, deposits, borrowed money, interest swap transactions and interest cap transactions among derivative transactions.

At March 31, 2016 and 2015, the quantity of market risk (expected loss), which includes equity risk and interest rate risk, amounted to ¥184.9 billion (\$1,640 million) and ¥188.9 billion, respectively.

The Bank confirms the validity of the measurement model by biannually performing back-testing, which compares VaR with actual fluctuations in profit and loss during the observation period. However, VaR, the quantity of market risk which is statistically measured with historical market fluctuations, may not reflect drastic changes in the market.

(iii) Liquidity risk management

The liquidity risk management of the Bank is conducted through asset-liability management (ALM) and the duration of funds procured with consideration for the market environment.

(d) Supplementary explanation of matters related to fair values of financial instruments and others

Fair values of financial instruments include values based on market prices and values reasonably estimated when the financial instruments do not have market prices. Since certain assumptions underlie the estimates of such values, the values may differ when other assumptions are applied.

(2) Fair values of financial instruments

The following tables summarize book values, fair values and any differences between them as of March 31, 2016 and 2015. Unlisted stocks and others for which the fair value is deemed to be extremely difficult to determine are excluded from the table below (see Note ii).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2016			2016		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 583,919	¥ 583,919	¥ —	\$ 5,182,099	\$ 5,182,099	\$ —
(2) Call loans and bills purchased	105,072	105,072	—	932,481	932,481	—
(3) Monetary claims purchased	9,516	9,516	—	84,451	84,451	—
(4) Trading account securities						
Trading securities	468	468	—	4,153	4,153	—
(5) Money held in trust	8,476	8,476	—	75,221	75,221	—
(6) Securities						
Available-for-sale securities	1,726,047	1,726,047	—	15,318,130	15,318,130	—
(7) Loans and bills discounted	3,890,085	3,870,585		34,523,296	34,350,239	
Reserve for loan losses (*1)	(24,539)			(217,776)		
	3,865,546	3,870,585	5,039	34,305,520	34,350,239	44,719
Total assets	¥6,299,046	¥6,304,085	¥5,039	\$55,902,076	\$55,946,796	\$44,719
(1) Deposits	¥5,003,801	¥5,004,362	¥ 560	\$44,407,179	\$44,412,158	\$ 4,969
(2) Negotiable certificates of deposit	320,631	320,631	—	2,845,500	2,845,500	—
(3) Call money and bills sold	70,988	70,988	—	629,996	629,996	—
(4) Payables under securities lending transactions	324,796	324,796	—	2,882,463	2,882,463	—
(5) Borrowed money	50,164	50,245	81	445,189	445,908	718
Total liabilities	¥5,770,382	¥5,771,024	¥ 642	\$51,210,347	\$51,216,045	\$ 5,697
Derivative Transactions (*2)						
Derivative transactions to which hedge accounting is not applied	¥ 2,697	¥ 2,697	¥ —	\$ 23,935	\$ 23,935	\$ —
Derivative transactions to which hedge accounting is applied	(289)	(289)	—	(2,564)	(2,564)	—
Total derivative transactions	¥ 2,407	¥ 2,407	¥ —	\$ 21,361	\$ 21,361	\$ —

(*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(*3) Immaterial items are omitted.

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 623,917	¥ 623,917	¥ —
(2) Call loans and bills purchased	74,849	74,849	—
(3) Monetary claims purchased	9,642	9,642	—
(4) Trading account securities			
Trading securities	523	523	—
(5) Money held in trust	9,321	9,321	—
(6) Securities			
Available-for-sale securities	1,818,126	1,818,126	—
(7) Loans and bills discounted	3,851,235	3,831,332	
Reserve for loan losses (*1)	(27,694)		
	3,823,541	3,831,332	7,790
Total assets	¥6,359,922	¥6,367,713	¥ 7,790
(1) Deposits	¥4,904,340	¥4,903,168	¥(1,172)
(2) Negotiable certificates of deposit	360,522	360,519	(2)
(3) Call money and bills sold	111,105	111,105	—
(4) Payables under securities lending transactions	332,077	332,077	—
(5) Borrowed money	98,581	98,598	16
Total liabilities	¥5,806,627	¥5,805,469	¥(1,157)
Derivative Transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ (891)	¥ (891)	¥ —
Derivative transactions to which hedge accounting is applied	(8,238)	(8,238)	—
Total derivative transactions	¥ (9,129)	¥ (9,129)	¥ —

(*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(*3) Immaterial items are omitted.

Note i. Methods used to calculate fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity is considered to be equal to the book value since the fair value of these items approximates the book value. The fair value of due from banks with maturity is calculated as the present value discounted at rates that reflect proper market risk and credit risk per contractual terms. The fair value of due from banks with short contractual terms (within one year) is considered to be equal to the book value since the fair value of these items approximates the book value.

(2) Call loans and bills purchased

The fair value of call loans and bills purchased is considered to be equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

(3) Monetary claims purchased

The fair value of trustee beneficial rights in monetary claims purchased is based on the price quoted by corresponding financial instruments. For monetary claims purchased with short contractual terms (within one year), the fair value is considered to be equal to the book value since the fair value of these items approximates the book value.

(4) Trading account securities

The fair value of securities such as bonds that are held for trading is based on the market price or the price quoted by corresponding financial institutions.

(5) Money held in trust

The fair value of money held in trust is based on the price quoted by corresponding financial institutions. Information on money held in trust classified by the purpose for which it is held is disclosed in Note 21, "Money held in trust."

(6) Securities

The fair value of stocks is based on market price. The fair value of bonds is based on market price or the price quoted by corresponding financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated as the present value discounted at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating.

The fair value of floating-rate Japanese government bonds is based on the reasonably calculated price at the end of the fiscal year, following a determination that current market price does not reflect the fair value. As a result, for Japanese government bonds included in securities at March 31, 2016 and 2015, the fair value of floating-rate Japanese government bonds was reported using market prices.

The reasonably calculated price of floating-rate Japanese government bonds is determined by discounting the expected future cash flow from yields of the government bonds at rates referring to such yields. The price decision variables include mainly the yield of Japanese government bonds and the volatilities of swaptions. The Bank uses the price information quoted from independent third parties upon verification of its appropriateness.

Information on securities classified by the purpose for which they are held is disclosed in Note 20, "Securities."

(7) Loans and bills discounted

The fair value of loans and bills discounted with a floating rate are considered to be equal to the book value since the rate reflects the market rate in a short period and the fair value of these items approximates the book value, unless the creditworthiness of the borrower changes significantly after the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within one year) is considered to be equal to the book value since the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debt since the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees.

For loans and bills discounted, the fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits is calculated as the present value, discounting the future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. The fair value of deposits with short contractual terms (within one year) is considered to be equal to the book value since the fair value of these items approximates the book value.

(3) Call money and bills sold and (4) Payables under securities lending transactions

The fair value of call money, bills sold and payables under securities lending transactions is considered to be equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

(5) Borrowed money

The fair value of borrowed money with a floating rate is considered to be equal to the book value since the rate reflects the market rate in a short period, the creditworthiness of the Bank and the subsidiaries has not changed significantly since the inception date and the fair value of these items approximates the book values.

The fair value of borrowed money with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank.

Derivative Transactions

Information on derivative transactions is disclosed in Note 23, "Derivative Transactions."

Note ii. Financial instruments whose fair value is deemed to be extremely difficult to determine are not included in "Available-for-sale-securities" in the table above.

Category	Consolidated balance sheet amount (2016)	
	Millions of yen	Thousands of U.S. dollars (Note 1)
Unlisted stocks (*1) (*2)	¥12,494	\$110,880
Investments in partnerships (*3)	1,215	10,782
Total	¥13,710	\$121,671

(*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(*2) The amount of unlisted stock impairment during the year ended March 31, 2016 was ¥5 million (\$44 thousand).

(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Category	Consolidated balance sheet amount (2015)
	Millions of yen
Unlisted stocks (*1) (*2)	¥11,916
Investments in partnerships (*3)	1,568
Total	¥13,485

(*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(*2) The amount of unlisted stock impairment during the year ended March 31, 2015 was ¥14 million.

(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Note iii. Expected redemption of monetary claims and securities with maturities

	Millions of yen					
	2016					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 543,663	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	105,072	—	—	—	—	—
Monetary claims purchased	4,191	—	—	1,206	1,100	2,899
Securities	184,152	362,785	461,221	152,590	80,751	54,603
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	184,152	362,785	461,221	152,590	80,751	54,603
Japanese government bonds	52,500	171,300	289,700	91,100	—	16,000
Municipal bonds	30,217	63,932	37,763	33,032	20,798	30,631
Corporate bonds	26,179	33,837	23,184	10,565	14,554	4,049
Loans and bills discounted (*)	1,031,044	724,770	568,309	373,452	411,377	690,519
Total	¥1,868,124	¥1,087,555	¥1,029,531	¥527,249	¥493,229	¥748,021

	Millions of yen					
	2015					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 584,957	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	74,849	—	—	—	—	—
Monetary claims purchased	4,363	—	—	473	1,400	3,310
Securities	150,440	363,217	392,353	325,103	91,644	50,741
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	150,440	363,217	392,353	325,103	91,644	50,741
Japanese government bonds	7,509	158,800	188,700	257,100	—	16,000
Municipal bonds	38,637	58,768	61,065	40,105	27,139	31,065
Corporate bonds	12,513	42,562	20,421	11,134	16,996	1,794
Loans and bills discounted (*)	1,083,818	719,795	535,548	371,920	391,464	653,308
Total	¥1,898,430	¥1,083,013	¥927,901	¥697,497	¥484,509	¥707,360

	Thousands of U.S. dollars (Note 1)					
	2016					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	\$ 4,824,840	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	932,481	—	—	—	—	—
Monetary claims purchased	37,193	—	—	10,702	9,762	25,727
Securities	1,634,291	3,219,604	4,093,193	1,354,188	716,640	484,584
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	1,634,291	3,219,604	4,093,193	1,354,188	716,640	484,584
Japanese government bonds	465,921	1,520,234	2,570,997	808,484	—	141,995
Municipal bonds	268,166	567,376	335,134	293,148	184,575	271,840
Corporate bonds	232,330	300,292	205,750	93,761	129,162	35,933
Loans and bills discounted (*)	9,150,195	6,432,108	5,043,565	3,314,270	3,650,843	6,128,141
Total	\$16,579,020	\$9,651,712	\$9,136,767	\$4,679,171	\$4,377,254	\$6,638,454

(*) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors amounted to ¥52,173 million (\$463,019 thousand) and ¥56,357 million at March 31, 2016 and 2015, respectively.

Note iv. Amounts to be repaid for borrowed money and other interest bearing liabilities

	Millions of yen					
	2016					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,535,479	¥413,929	¥45,640	¥5,190	¥3,561	¥ —
Certificates of deposit	320,631	—	—	—	—	—
Call money and bills sold	70,988	—	—	—	—	—
Payables under securities lending transactions	324,796	—	—	—	—	—
Borrowed money	40,661	5,875	2,573	470	469	113
Total	¥5,292,557	¥419,804	¥48,214	¥5,661	¥4,031	¥113

	Millions of yen					
	2015					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,435,438	¥406,863	¥54,642	¥ 4,730	¥2,665	¥ —
Certificates of deposit	359,642	880	—	—	—	—
Call money and bills sold	111,105	—	—	—	—	—
Payables under securities lending transactions	332,077	—	—	—	—	—
Borrowed money	73,902	5,490	2,894	15,475	605	213
Total	¥5,312,166	¥413,233	¥57,537	¥20,206	¥3,270	¥213

	Thousands of U.S. dollars (Note 1)					
	2016					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	\$40,250,967	\$3,673,491	\$405,040	\$46,059	\$31,602	\$ —
Certificates of deposit	2,845,500	—	—	—	—	—
Call money and bills sold	629,996	—	—	—	—	—
Payables under securities lending transactions	2,882,463	—	—	—	—	—
Borrowed money	360,853	52,138	22,834	4,171	4,162	1,002
Total	\$46,969,799	\$3,725,630	\$427,884	\$50,239	\$35,773	\$1,002

(*) Demand deposits are included in "Within 1 year."

20. Securities

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2016.

(a) Trading securities:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2016	2016
Unrealized gains (losses) included in profit and loss for the fiscal year	¥6	\$53

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2016			2016		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with unrealized gains						
Equity securities	¥ 251,406	¥ 89,950	¥161,455	\$ 2,231,150	\$ 798,278	\$1,432,862
Bonds	982,394	938,214	44,180	8,718,441	8,326,357	392,083
Japanese government bonds	651,888	622,349	29,538	5,785,303	5,523,154	262,140
Municipal bonds	214,957	203,087	11,870	1,907,676	1,802,334	105,342
Corporate bonds	115,548	112,777	2,771	1,025,452	1,000,860	24,591
Other	375,480	351,276	24,203	3,332,268	3,117,465	214,794
Total	¥1,609,281	¥1,379,441	¥229,839	\$14,281,869	\$12,242,110	\$2,039,749
Securities with unrealized losses						
Equity securities	¥ 6,886	¥ 8,470	¥ (1,583)	\$ 61,111	\$ 75,168	\$ (14,048)
Bonds	22,888	23,130	(242)	203,123	205,271	(2,147)
Municipal bonds	13,466	13,589	(122)	119,506	120,598	(1,082)
Corporate bonds	9,421	9,541	(120)	83,608	84,673	(1,064)
Other	92,544	94,551	(2,007)	821,299	839,110	(17,811)
Total	122,318	126,152	(3,833)	1,085,534	1,119,559	(34,016)
Total	¥1,731,600	¥1,505,594	¥226,006	\$15,367,412	\$13,361,679	\$2,005,733

(d) Available-for-sale securities sold in the year ended March 31, 2016

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2016			2016		
	Amount sold	Gains	Losses	Amount sold	Gains	Losses
Equity securities	¥ 5,563	¥3,568	¥—	\$ 49,369	\$31,664	\$ —
Bonds	49,638	313	14	440,521	2,777	124
Municipal bonds	49,598	313	14	440,166	2,777	124
Corporate bonds	40	0	—	354	0	—
Other	24,557	1,108	0	217,935	9,833	0
Total	¥79,759	¥4,990	¥14	\$707,836	\$44,284	\$124

(e) Available-for-sale securities which have a readily determinable fair value are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated compared with the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the quoted market price transition during a certain period in the past, business performance and other factors.

(2) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2015:

(a) Trading securities

	Millions of yen
	2015
Unrealized gains (losses) included in profit and loss for the fiscal year	¥3

(b) Held-to-maturity debt securities

None

(c) Available-for-sale securities

	Millions of yen		
	2015		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Equity securities	¥ 288,198	¥ 95,386	¥192,812
Bonds	1,015,638	972,283	43,354
Japanese government bonds	658,787	629,712	29,074
Municipal bonds	259,185	247,480	11,704
Corporate bonds	97,665	95,090	2,575
Other	435,498	403,807	31,690
Total	¥1,739,335	¥1,471,477	¥267,857
Securities with unrealized losses			
Equity securities	¥ 2,550	¥ 3,036	¥ (486)
Bonds	19,796	19,900	(104)
Municipal bonds	9,627	9,634	(7)
Corporate bonds	10,169	10,265	(96)
Other	61,997	62,406	(409)
Total	84,343	85,343	(1,000)
Total	¥1,823,678	¥1,556,820	¥266,857

(d) Available-for-sale securities sold in the year ended March 31, 2015

	Millions of yen		
	2015		
	Amount sold	Gains	Losses
Equity securities	¥ 1,757	¥ 524	¥ —
Bonds	40,932	2,353	—
Japanese government bonds	25,438	2,272	—
Municipal bonds	15,378	80	—
Corporate bonds	115	0	—
Other	10,604	596	90
Total	¥53,295	¥3,475	¥90

(e) Available-for-sale securities which have readily determinable fair value are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated compared with the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value.

The amount of impairment (devaluation) for the year ended March 31, 2015 was ¥184 million, including ¥184 million of other. A security is deemed to have “significantly deteriorated” if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed “significantly deteriorated” considering the quoted market price transition during a certain period in the past, business performance and other factors.

21. Money Held in Trust

(1) The following tables summarize the book values (fair values) and amounts of unrealized gains and losses for money held in trust included in profit and loss for the fiscal year ended March 31, 2016.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2016	
Money held in trust for investment			
Book value (fair value)	¥5,975	\$53,026	
Amount of net unrealized gain (loss) included in profit and loss for the fiscal year	¥ —	\$ —	
Other money held in trust			
Book value (fair value)	2,501	22,195	
Acquisition cost	1,767	15,681	
Difference	733	6,505	
Unrealized gains	733	6,505	
Unrealized losses	—	—	

(2) The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses included in the income statement for money held in trust as of March 31, 2015.

Millions of yen	
2015	
Money held in trust for investment	
Book value (fair value)	¥5,975
Amount of net unrealized gain (loss) included in the income statement	¥ (0)
Other money held in trust	
Book value (fair value)	3,346
Acquisition cost	3,022
Difference	324
Unrealized gains	324
Unrealized losses	—

22. Unrealized Holding Gains on Securities

At March 31, 2016 and 2015, unrealized holding gains on securities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Valuation gains			
Available-for-sale securities	¥226,006	¥266,857	\$2,005,733
Other money held in trust	733	324	6,505
Deferred tax liabilities	(69,236)	(85,531)	(614,447)
Net unrealized holding gains on securities (before adjustment for minority interests)	157,503	181,650	1,397,790
Noncontrolling interests	(4,336)	—	(38,480)
Minority interests	—	(2,809)	—
Net unrealized holding gains on securities	¥153,166	¥178,840	\$1,359,300

23. Derivative Transactions

(1) At March 31, 2016

(a) Derivative transactions to which hedge accounting was not applied

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2016				2016			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Swaps:								
Receive fixed rate and pay floating rate	¥40,767	¥40,365	¥ 1,963	¥ 1,963	\$361,794	\$358,226	\$ 17,421	\$ 17,421
Receive floating rate and pay fixed rate	40,682	40,280	(1,833)	(1,833)	361,040	357,472	(16,267)	(16,267)
Total	—	—	¥ 129	¥ 129	—	—	\$ 1,144	\$ 1,144

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(ii) Currency and foreign exchange contracts

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2016				2016			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Currency swaps	¥696,660	¥401,919	¥ 189	¥ 189	\$6,182,641	\$3,566,906	\$ 1,677	\$ 1,677
Forward exchange contracts:								
Sell	252,572	10,661	2,967	2,967	2,241,498	94,613	26,331	26,331
Buy	90,728	5,259	(589)	(589)	805,182	46,671	(5,227)	(5,227)
Currency options:								
Sell	35,507	24,764	1,746	127	315,113	219,772	15,495	1,127
Buy	35,507	24,764	1,746	184	315,113	219,772	15,495	1,632
Total	—	—	¥6,060	¥2,879	—	—	\$53,780	\$25,550

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on discounted present value.

(b) Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items below do not reflect the market risk of the derivative transactions themselves.

(i) Currency and foreign exchange contracts

	Hedged item	Millions of yen			Thousands of U.S. dollars (Note 1)		
		2016			2016		
		Contract amount	Portion maturing over one year	Fair value	Contract amount	Portion maturing over one year	Fair value
Fundamental method of hedge accounting							
Currency swaps	Foreign currency monetary assets	¥116,908	¥116,908	¥(2,697)	\$1,037,522	\$1,037,522	\$(23,935)
Fund related swaps		68,918	—	2,407	611,625	—	21,361
Total		—	—	¥ (289)	—	—	\$(2,564)

The above transactions are accounted for by the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.

(2) At March 31, 2015

(a) Derivative transactions to which hedge accounting was not applied

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risks of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen			
	2015			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Swaps:				
Receive fixed rate and pay floating rate	¥44,008	¥43,868	¥ 1,840	¥ 1,840
Receive floating rate and pay fixed rate	44,008	43,868	(1,688)	(1,688)
Total	—	—	¥ 152	¥ 152

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(ii) Currency and foreign exchange contracts

	Millions of yen			
	2015			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Currency swaps	¥798,332	¥610,386	¥ 248	¥ 248
Forward exchange contracts:				
Sell	205,260	15,955	(5,588)	(5,588)
Buy	48,148	15,711	4,295	4,295
Currency options:				
Sell	34,576	22,824	1,667	219
Buy	34,576	22,824	1,667	61
Total	—	—	¥ 2,291	¥ (762)

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value for over-the-counter transactions is calculated based on discounted present value.

(b) Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items below do not reflect the market risk of the derivative transactions themselves.

(i) Currency and foreign exchange contracts

17) Currency and foreign exchange contracts				
		Millions of yen		
		2015		
	Hedged item	Contract amount	Portion maturing over one year	Fair value
Fundamental method of hedge accounting				
Currency swaps	Foreign currency	¥ 88,989	¥60,192	¥(6,151)
Fund related swaps	monetary assets	105,544	—	(2,086)
Total		—	—	¥(8,238)

The above transactions are accounted for by the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.

24. Retirement Benefits

(1) For the year ended March 31, 2016

(a) Outline of retirement and severance benefits plans

The retirement benefits systems of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system.

Extra retirement benefits may be paid upon the retirement of employees.

In addition, the Bank set up a retirement benefit trust. On April 1, 2014, the Bank transformed its corporate pension fund plan to a cash balance plan and established a defined contribution pension plan. Consolidated subsidiaries use the simplified method in calculating net defined benefit liability and retirement benefit expenses for their retirement lump-sum grant systems.

(b) Defined benefit plan

(i) Reconciliation of retirement benefit obligations between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Retirement benefit obligations at the beginning of the period	¥65,345	¥62,035	\$579,916
Cumulative effects of changes in accounting policies	—	1,040	—
Balance as of the beginning of the period reflecting changes in accounting policies	—	63,075	—
Service cost	1,895	1,831	16,817
Interest cost	443	615	3,931
Actuarial differences incurred	5,024	3,034	44,586
Retirement benefits paid	(3,185)	(3,211)	(28,265)
Retirement benefit obligations at the end of the period	69,522	65,345	616,986

(ii) Reconciliation of pension assets between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Pension assets at the beginning of the period	¥70,186	¥60,494	\$622,878
Expected return on pension assets	944	864	8,377
Actuarial differences incurred	(2,969)	8,352	(26,348)
Employer's contributions	2,490	2,515	22,097
Retirement benefits paid	(2,128)	(2,039)	(18,885)
Pension assets at the end of the period	68,524	70,186	608,129

(Note) Pension assets include retirement benefit trust.

(iii) Reconciliation of retirement benefit obligations and pension assets at the end of the period to net defined benefit liability and net defined benefit asset in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Retirement benefit obligations of the savings plan	¥ 69,236	¥ 65,089	\$ 614,447
Pension assets	(68,524)	(70,186)	(608,129)
	712	(5,096)	6,318
Retirement benefit obligations of the non-savings plan	285	255	2,529
Net liabilities and assets recorded on the consolidated balance sheets	998	(4,840)	8,856
Net defined benefit liability	13,840	13,194	122,825
Net defined benefit asset	(12,842)	(18,035)	(113,968)
Net liabilities and assets in the consolidated balance sheets	998	(4,840)	8,856

(Note) Pension assets include retirement benefit trust.

(iv) Retirement benefit cost and its breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Service cost	¥1,724	¥1,663	\$15,299
Interest cost	443	615	3,931
Expected return on pension assets	(944)	(864)	(8,377)
Recognized actuarial differences	(463)	(114)	(4,108)
Amortization of prior service cost	(483)	(569)	(4,286)
	276	730	2,449

(Note 1) Retirement benefit costs of consolidated subsidiaries using the simplified method are included in "Service cost."

(Note 2) Employee' contribution to the corporate pension fund is deducted from "Service cost."

(v) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Prior service cost	¥ (483)	¥ (569)	\$ (4,286)
Actuarial differences	(8,457)	5,203	(75,053)
Total	(8,940)	4,634	(79,339)

(vi) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Unrecognized prior service cost	¥(3,826)	¥ (4,309)	\$(33,954)
Unrecognized actuarial differences	2,510	(5,947)	22,275
Total	(1,316)	(10,256)	(11,679)

(vii) Pension assets

(A) Pension asset portfolio

	2016	2015
Bonds	56.0%	50.8%
Equity securities	37.5%	43.5%
Other	6.5%	5.7%
Total	100.0%	100.0%

(Note) 27.0% of the total pension assets as of March 31, 2016 (29.2% as of March 31, 2015) represent retirement benefit trust for the corporate pension fund. 3.2% of it as of March 31, 2016 (3.5% as of March 31, 2015) corresponds to lump-sum grants system.

(B) Determination of the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined based on the average investment yield on the pension assets for the past three years. When the average rate is below 1.25% or above 2.0%, it is determined as 1.25% and 2.0%, respectively.

(viii) Actuarial assumptions

The weighted-average rate for assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
<i>(A) Discount rates</i>		
Retirement lump-sum grant system	0.00%	0.30%
Corporate pension fund plans	0.20%	0.80%
<i>(B) Long-term expected return on assets</i>		
Pension assets of corporate pension fund	2.00%	2.00%
Retirement benefit trust (Retirement lump-sum grant systems and corporate pension fund plans)	0.00%	0.00%

(Note) A point system is applied to substantive portion of the retirement lump-sum system and a cash balance plan to defined benefit corporate pension fund plan, respectively. "Estimated salary increase rate" is not disclosed due to its insignificant impact on the calculation of retirement benefit obligations.

(c) Defined contribution plan

The amount required to be contributed by the Bank was ¥312 million (\$2,768 thousand) and ¥302 million at March 31, 2016 and 2015, respectively.

25. Stock Options

(1) Stock options to be expensed

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
General and administrative expenses	¥116	¥119	\$1,029

(2) Amount of profit by non-exercise of stock options

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Gain on reversal of stock acquisition of rights	¥—	¥21	\$—

(3) Outline of stock options and changes

(a) Outline of stock options

	2015 Stock Options	2014 Stock Options	2013 Stock options	2012 Stock options	2011 Stock options
Title and number of grantees	Directors of the Bank: 7 Executive Officers of the Bank: 14	Directors of the Bank: 16 Executive Officers of the Bank: 4	Directors of the Bank: 18	Directors of the Bank: 17	Directors of the Bank: 17
Number of stock options (*)	Common shares: 79,500	Common shares: 123,100	Common shares: 140,900	Common shares: 199,500	Common shares: 156,800
Grant date	15-Jul-15	16-Jul-14	16-Jul-13	17-Jul-12	15-Jul-11
Conditions for vesting	N.A.	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.	N.A.
Exercise period	July 16, 2015 to July 15, 2045	July 17, 2014 to July 16, 2044	July 17, 2013 to July 16, 2043	July 18, 2012 to July 17, 2042	July 16, 2011 to July 15, 2041

(*) Reported in terms of shares of stock

(b) Stock options granted and changes

The table below represents stock options outstanding at the year-end and the number of stock options is converted into the number of stock.

(i) Number of stock options

	2015 Stock options shares	2014 Stock options shares	2013 Stock options shares	2012 Stock options shares	2011 Stock options shares
Before vested					
Previous fiscal year-end	—	115,400	109,700	145,800	90,200
Granted	79,500	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	13,200	15,600	15,200	12,600
Outstanding	79,500	102,200	94,100	130,600	77,600
After vested					
Previous fiscal year-end	—	—	—	—	—
Vested	—	13,200	15,600	15,200	12,600
Exercised	—	13,200	15,600	15,200	12,600
Forfeited	—	—	—	—	—
Exercisable	—	—	—	—	—

(ii) Price information

	2015 Stock options Yen (U.S. dollars)	2014 Stock options Yen (U.S. dollars)	2013 Stock options Yen (U.S. dollars)	2012 Stock options Yen (U.S. dollars)	2011 Stock options Yen (U.S. dollars)
Exercise price	¥ 1 (\$ 0) per share	¥ 1 (\$ 0) per share	¥ 1 (\$ 0) per share	¥ 1 (\$ 0) per share	¥ 1 (\$ 0) per share
Average exercise price	—	¥1,511 (\$13) per share	¥1,511 (\$13) per share	¥1,511 (\$13) per share	¥1,511 (\$13) per share
Fair value at the grant date	¥1,473 (\$13) per share	¥ 989 (\$ 8) per share	¥ 918 (\$ 8) per share	¥ 550 (\$ 4) per share	¥ 704 (\$ 6) per share

(4) Valuation technique used for valuating the fair value of stock options

Stock options granted in the fiscal year were valuated using the following valuation techniques.

(a) Valuation technique: Black-Scholes option pricing model

(b) Principal parameters used in the option pricing model

	2015 Stock options Yen (U.S. dollars)
Expected volatility (*1)	23.791%
Average expected life (*2)	5.64 years
Expected dividends (*3)	¥12 (\$ 0) per share
Risk free interest rate (*4)	0.135%
(*1) Calculated based on actual weekly stock prices from November 24, 2009 to July 15, 2015.	
(*2) Estimated based on an average an assumption of the periods of directors of the Bank.	
(*3) Expected dividends are based on the actual dividends on common stock for the year ended March 31, 2015.	
(*4) Japanese government bond yield corresponding to the average expected life.	

(5) Method of estimating number of stock options vested

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

26. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, including corporation tax, inhabitants tax and enterprise tax.

(1) A reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Statutory tax rate	32.8%	35.4%
Entertainment expenses and other expenses not deductible permanently for income tax purposes	0.3	0.3
Dividend income and other income excluded permanently for income tax purposes	(0.9)	(2.1)
Adjustment on deferred tax assets due to changes in income tax rates	2.3	4.6
Other	1.2	0.6
Effective income tax rate	35.6	38.8

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deferred tax assets:			
Excess reserve for loan losses	¥ 13,023	¥ 14,548	\$115,575
Reserve for losses on repayments of dormant bank accounts	961	983	8,528
Excess depreciation	625	743	5,546
Accrued employees' bonuses	532	679	4,721
Write-down of securities	504	736	4,472
Net defined benefit liability	2,568	672	22,790
Other	2,817	2,617	25,000
Valuation reserve	(922)	(541)	(8,182)
Total deferred tax assets	20,110	20,440	178,470
Deferred tax liabilities:			
Unrealized holding gains on securities	¥(69,151)	¥(85,313)	\$(613,693)
Deferred gains on real property	(912)	(935)	(8,093)
Total deferred tax liabilities	(70,063)	(86,249)	(621,787)
Net deferred tax assets (liabilities):	¥(49,953)	¥(65,809)	\$(443,317)

(2) Amendments to deferred tax assets and deferred tax liabilities as a result of revisions to the rates of income taxes

"Act on Partial Amendment to the Income Tax Act, etc." (Act No. 15, 2016) and "Act on Partial Amendment to the Local Tax Act, etc." (Act No. 13, 2016) were enacted on March 29, 2016, and accordingly, the corporate tax rate and other rates have been lowered from the fiscal year beginning on or after April 1, 2016.

Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been revised from the previous rate of 32.1%. The rate of 30.7% has been applied to the temporary differences expected to be either deductible, taxable or expired from the fiscal year beginning on April 1, 2016 through the fiscal year beginning on April 1, 2017, and the rate of 30.5% has been applied to the temporary differences expected to be either deductible, taxable or expired in or after the fiscal year beginning on April 1, 2018.

As a result of the changes in tax rates, deferred tax assets decreased by ¥923 million (\$8,191 thousand), deferred tax liabilities decreased by ¥3,616 million (\$32,090 thousand), net unrealized gains on other securities increased by ¥3,498 million (\$31,043 thousand), deferred gains and losses on hedges decreased by ¥7 million (\$62 thousand), remeasurements of defined benefit plans increased by ¥18 million (\$159 thousand), noncontrolling interests increased by ¥42 million (\$372 thousand), and deferred income taxes increased by ¥858 million (\$7,614 thousand). Deferred tax liabilities for revaluation reserve for land decreased by ¥543 million (\$4,818 thousand) and revaluation reserve for land increased by the same amount.

27. Segment Information

(1) Summary of reportable segments

Reportable segments are components for which separate financial information is available and is subject to periodic examination by the Board of Directors to determine the allocation of management resources and assess performances.

The Bank and 13 consolidated subsidiaries (13 consolidated subsidiaries as of March 31, 2015) are engaged mainly in the financial services business that includes commercial banking services and leasing services. Therefore, the Bank and its consolidated subsidiaries reportable segments comprise 'Commercial banking' and 'Leasing' and are distinguished by the financial services provided in financial services. 'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking service as well as the consolidated subsidiaries' business support services, credit guarantee services, credit

card services, securities trading services and fund management services. 'Leasing' includes leasing services by Iyogin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Methods used to calculate ordinary income, profit and loss, amounts of assets, debts and other items by reportable segment

The accounting policies in Note 2, "SIGNIFICANT ACCOUNTING POLICIES," have been adopted for the reportable segments. Reportable segment profit corresponds to ordinary profits. Ordinary income arising from intersegment transactions is based on arm's length prices.

As in Note 2 (20), "Changes in accounting policies," effective from the fiscal year ended March 31, 2015, the Bank and its consolidated subsidiaries changed the methods used to calculate retirement benefit obligation and service cost of the business segment, and, accordingly, segment profit in the 'Commercial banking' segment for the fiscal year ended March 31, 2015 increased by ¥237 million.

(3) Information about reported ordinary income, profits and losses, amounts of assets, debts and other items

Segment information as of and for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen						
	2016						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	¥ 102,650	¥14,829	¥ 117,480	¥1,868	¥ 119,348	¥ —	¥ 119,348
Intersegment	384	438	823	1,718	2,541	(2,541)	—
Total	¥ 103,035	¥15,268	¥ 118,304	¥3,586	¥ 121,890	¥ (2,541)	¥ 119,348
Segment profit	¥ 40,025	¥ 759	¥ 40,785	¥ 390	¥ 41,176	¥ (104)	¥ 41,071
Segment assets	¥6,489,084	¥53,076	¥6,542,161	¥7,680	¥6,549,841	¥(39,764)	¥6,510,076
Segment debt	¥5,915,567	¥36,342	¥5,951,909	¥2,028	¥5,953,938	¥(33,568)	¥5,920,369
Other items							
Depreciation	¥ 4,472	¥ 16	¥ 4,489	¥ 82	¥ 4,571	¥ (34)	¥ 4,536
Interest income received	80,344	77	80,421	3	80,425	(132)	80,292
Interest expense paid	6,174	165	6,340	0	6,340	(123)	6,217
Extraordinary income	470	—	470	—	470	—	470
Gain on disposal of noncurrent assets	(470)	—	(470)	—	(470)	—	(470)
Extraordinary losses	1,252	0	1,252	1	1,254	—	1,254
Losses on disposal of fixed assets	(367)	(0)	(367)	(1)	(369)	—	(369)
Impairment loss	(884)	—	(884)	—	(884)	—	(884)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expenses	13,946	270	14,216	127	14,344	(3)	14,340
Increase in tangible fixed assets and intangible fixed assets	4,668	126	4,794	212	5,007	(200)	4,806

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statements of income is in "Adjustments."
- "Other businesses" includes, software development and information processing which are not included in the reported segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥104 million (\$922 thousand).
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥39,764 million (\$352,893 thousand).
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥33,568 million (\$297,905 thousand).
 - Eliminations of intersegment transactions includes adjustment of depreciation of negative ¥34 million (\$301 thousand), adjustment of interest income received of negative ¥132 million (\$1,171 thousand), adjustment of interest expense paid of negative ¥123 million (\$1,091 thousand), adjustment of tax expense of negative ¥3 million (\$26 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥200 million (\$1,774 thousand).

	Millions of yen						
	2015						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	¥ 107,939	¥14,098	¥ 122,037	¥1,892	¥ 123,930	¥ —	¥ 123,930
Intersegment	396	485	882	1,725	2,608	(2,608)	—
Total	¥ 108,336	¥14,583	¥ 122,919	¥3,618	¥ 126,538	¥ (2,608)	¥ 123,930
Segment profit	¥ 46,163	¥ 613	¥ 46,776	¥ 583	¥ 47,359	¥ (31)	¥ 47,328
Segment assets	¥6,554,321	¥48,446	¥6,602,767	¥8,583	¥6,611,351	¥(35,928)	¥6,575,422
Segment debt	¥5,970,809	¥33,643	¥6,004,453	¥3,190	¥6,007,643	¥(29,823)	¥5,977,820
Other items							
Depreciation	¥ 4,460	¥ 38	¥ 4,499	¥ 65	¥ 4,564	¥ (81)	¥ 4,482
Interest income received	86,717	73	86,790	3	86,794	(136)	86,657
Interest expense paid	6,152	164	6,316	0	6,317	(128)	6,189
Extraordinary income	73	—	73	—	73	—	73
Gain on disposal of noncurrent assets	(43)	—	(43)	—	(43)	—	(43)
Gain on reversal of subscription rights to shares	(21)	—	(21)	—	(21)	—	(21)
Other extraordinary income	(8)	—	(8)	—	(8)	—	(8)
Extraordinary losses	1,278	0	1,279	0	1,279	—	1,279
Losses on disposal of fixed assets	(174)	(0)	(174)	(0)	(174)	—	(174)
Impairment loss	(1,104)	—	(1,104)	—	(1,104)	—	(1,104)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expenses	17,486	226	17,713	171	17,885	(3)	17,881
Increase in tangible fixed assets and intangible fixed assets	5,543	12	5,556	30	5,586	(118)	5,467

Notes:

1. Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statements of income is in "Adjustments."
2. "Other businesses" includes, software development and information processing which are not included in the reported segments.
3. Adjustments are as below.
 - (1) Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥31 million.
 - (2) Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥35,928 million.
 - (3) Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥29,823 million.
 - (4) Eliminations of intersegment transactions includes adjustment of depreciation of negative ¥81 million, adjustment of interest income received of negative ¥136 million, adjustment of interest expense paid of negative ¥128 million, adjustment of tax expense of negative ¥3 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥118 million.

	Thousands of U.S. dollars (Note 1)						
	2016						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	\$ 910,986	\$131,602	\$ 1,042,598	\$16,577	\$ 1,059,176	\$ —	\$ 1,059,176
Intersegment	3,407	3,887	7,303	15,246	22,550	(22,550)	—
Total	\$ 914,403	\$135,498	\$ 1,049,911	\$31,824	\$ 1,081,735	\$ (22,550)	\$ 1,059,176
Segment profit	\$ 355,209	\$ 6,735	\$ 361,954	\$ 3,461	\$ 365,424	\$ (922)	\$ 364,492
Segment assets	\$57,588,604	\$471,033	\$58,059,646	\$68,157	\$58,127,804	\$(352,893)	\$57,774,902
Segment debt	\$52,498,819	\$322,523	\$52,821,343	\$17,997	\$52,839,350	\$(297,905)	\$52,541,435
Other items							
Depreciation	\$ 39,687	\$ 141	\$ 39,838	\$ 727	\$ 40,566	\$ (301)	\$ 40,255
Interest income received	713,028	683	713,711	26	713,746	(1,171)	712,566
Interest expense paid	54,792	1,464	56,265	0	56,265	(1,091)	55,173
Extraordinary income	4,171	—	4,171	—	4,171	—	4,171
Gain on disposal of noncurrent assets	(4,171)	—	(4,171)	—	(4,171)	—	(4,171)
Extraordinary losses	11,111	0	11,111	8	11,128	—	11,128
Losses on disposal of fixed assets	(3,257)	(0)	(3,257)	(8)	(3,274)	—	(3,274)
Impairment loss	(7,845)	—	(7,845)	—	(7,845)	—	(7,845)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expenses	123,766	2,396	126,162	1,127	127,298	(26)	127,263
Increase in tangible fixed assets and intangible fixed assets	41,427	1,118	42,545	1,881	44,435	(1,774)	42,651

(4) Related information

For the year ended March 31, 2016

Information by service

	Millions of yen				
	2016				
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥54,070	¥33,098	¥14,829	¥17,349	¥119,348
	Millions of yen				
	2015				
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥56,944	¥35,851	¥14,098	¥17,036	¥123,930
	Thousands of U.S. dollars (Note 1)				
	2016				
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	\$479,854	\$293,734	\$131,602	\$153,966	\$1,059,176
	Millions of yen				
	2016				
	Reportable segments			Other businesses	Total
	Commercial banking	Leasing	Total		
Impairment loss	¥884	¥—	¥884	¥—	¥884
	Millions of yen				
	2015				
	Reportable segments			Other businesses	Total
	Commercial banking	Leasing	Total		
Impairment loss	¥1,104	¥—	¥1,104	¥—	¥1,104
	Thousands of U.S. dollars (Note 1)				
	2016				
	Reportable segments			Other businesses	Total
	Commercial banking	Leasing	Total		
Impairment loss	\$7,845	\$—	\$7,845	\$—	\$7,845

28. Transactions with Related Parties

(1) For the year ended March 31, 2016

(a) *Transactions with related parties*

There were no relevant transactions with related parties to report.

(b) *Holding company and subsidiaries*

There were no relevant matters to report.

(2) For the year ended March 31, 2015

(a) *Transactions with related parties*

There were no relevant transactions with related parties to report.

(b) *Holding company and subsidiaries*

There were no relevant matters to report.

29. Changes in Net Assets

(1) Type and number of shares issued and treasury stock

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

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,679	2	56	7,625
Total	7,679	2	56	7,625

The increase in number of shares of treasury stock was from the purchase of fractional shares (2 thousand shares).

The decrease in number of shares of treasury stock was due to the exercise of stock acquisition rights.

The type and number of shares issued and treasury stock in the year ended March 31, 2015 were as follows:

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,757	2	81	7,679
Total	7,757	2	81	7,679

The increase in number of shares of treasury stock was from the purchase of fractional shares (2 thousand shares).

The decrease in number of shares of treasury stock was due to the exercise of stock acquisition rights.

(2) Stock acquisition rights and own stock acquisition rights

Division	Details of stock acquisition rights	Type of shares to be issued	Number of shares subject to stock acquisition rights				Closing balance	
			Beginning balance	Increase	Decrease	Closing balance	Millions of yen	Thousands of U.S. dollars (Note 1)
The Bank	Stock acquisition rights as stock options			—			401	3,558
Total				—			401	3,558

(3) Dividends

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	Thousands of U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)		
Annual meeting of stockholders held on June 26, 2015	Common stock	¥2,212	\$19,630	¥7.00	\$0.06	March 31, 2015	June 29, 2015
Directors' meeting held on November 6, 2015	Common stock	¥1,896	\$16,826	¥6.00	\$0.05	September 30, 2015	December 10, 2015

The following dividends were paid in the year ended March 31, 2015.

Date of resolution	Type of shares	Amount of dividends		Record date	Effective date
		Millions of yen	Cash dividends per share Yen		
Annual meeting of stockholders held on June 27, 2014	Common stock	¥1,580	¥5.00	March 31, 2014	June 30, 2014
Directors' meeting held on November 7, 2014	Common stock	¥1,580	¥5.00	September 30, 2014	December 10, 2014

Dividends whose record date is attributable to the year ended March 31, 2016 but which became 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	Thousands of U.S. dollars (Note 1)		Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 13, 2016	Common stock	¥1,896	\$16,826	Retained earnings	¥6.00	\$0.05	March 31, 2016	June 8, 2016

Dividends whose record date is attributable to the year ended March 31, 2015 but which became effective after March 31, 2015.

Date of resolution	Type of shares	Amount of dividends Millions of yen	Source of dividends	Cash dividends per share	Record date	Effective date
				Yen		
Annual meeting of stockholders held on June 26, 2015	Common stock	¥2,212	Retained earnings	¥7.00	March 31, 2015	June 29, 2015



Independent Auditor's Report

To the Board of Directors of The Iyo Bank, Ltd.:

We have audited the accompanying consolidated financial statements of The Iyo Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 such internal control as management determines is necessary to enable the preparation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of The Iyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 29, 2016
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Quarterly Result (Unaudited)

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

March 31, 2016 and 2015

	Millions of yen			
	2016			
	First quarter (from April 1, 2015 to June 30, 2015)	Second quarter (from July 1, 2015 to September 30, 2015)	Third quarter (from October 1, 2015 to December 31, 2015)	Fourth quarter (from January 1, 2016 to March 31, 2016)
Ordinary income	¥35,168	¥62,310	¥91,247	¥119,348
Income before income taxes	17,228	23,070	33,473	40,287
Profit attributable to owners of parent	11,285	14,596	21,156	24,451

	Yen			
	2016			
	First quarter (from April 1, 2015 to June 30, 2015)	Second quarter (from July 1, 2015 to September 30, 2015)	Third quarter (from October 1, 2015 to December 31, 2015)	Fourth quarter (from January 1, 2016 to March 31, 2016)
Net income per share	¥35.70	¥10.47	¥20.75	¥10.42

	Thousands of U.S. dollars (Note 1)			
	2016			
	First quarter (from April 1, 2015 to June 30, 2015)	Second quarter (from July 1, 2015 to September 30, 2015)	Third quarter (from October 1, 2015 to December 31, 2015)	Fourth quarter (from January 1, 2016 to March 31, 2016)
Ordinary income	\$312,105	\$552,981	\$809,788	\$1,059,176
Income before income taxes	152,893	204,739	297,062	357,534
Profit attributable to owners of parent	100,150	129,534	187,752	216,995

	U.S. dollars (Note 1)			
	2016			
	First quarter (from April 1, 2015 to June 30, 2015)	Second quarter (from July 1, 2015 to September 30, 2015)	Third quarter (from October 1, 2015 to December 31, 2015)	Fourth quarter (from January 1, 2016 to March 31, 2016)
Net income per share	\$0.31	\$0.09	\$0.18	\$0.09

Nonconsolidated Balance Sheets (Unaudited)

The Iyo Bank, Ltd.

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
ASSETS			
Cash and due from banks	¥ 583,528	¥ 623,883	\$ 5,178,629
Call loans	105,072	74,849	932,481
Monetary claims purchased	9,516	9,642	84,451
Trading account securities	468	523	4,153
Money held in trust	7,690	7,816	68,246
Securities	1,736,137	1,830,967	15,407,676
Loans and bills discounted	3,911,187	3,869,920	34,710,569
Reserve for loan losses	(21,190)	(24,176)	(188,054)
Foreign exchange	5,153	6,205	45,731
Other assets	23,749	21,367	210,764
Tangible fixed assets	76,890	78,967	682,374
Intangible fixed assets	4,131	4,057	36,661
Prepaid pension cost	10,875	7,831	96,512
Customers' liabilities for acceptances and guarantees	29,438	28,654	261,253
Total assets	¥6,482,649	¥6,540,511	\$57,531,496
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits	¥5,343,182	¥5,281,758	\$47,419,080
Call money	70,988	111,105	629,996
Payables under securities lending transactions	324,796	332,077	2,882,463
Borrowed money	42,989	91,226	381,514
Foreign exchange	112	38	993
Borrowed money from trust account	29	—	257
Other liabilities	34,898	38,313	309,708
Accrued employees' bonuses	1,588	1,940	14,093
Employees' severance and retirement benefits	12,904	12,992	114,518
Reserve for losses on repayment of dormant bank accounts	3,065	3,045	27,200
Reserve for contingent losses	441	420	3,913
Deferred tax liabilities	48,579	62,509	431,123
Deferred taxes on revaluation excess	10,362	11,291	91,959
Acceptances and guarantees	29,438	28,654	261,253
Total liabilities	5,923,377	5,975,373	52,568,130
Net assets			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	185,906
Capital surplus	10,480	10,480	93,006
Legal reserve	20,948	20,948	185,906
Other retained earnings	341,221	320,493	3,028,230
Treasury stock	(7,026)	(7,075)	(62,353)
Net unrealized holding gains (losses) on securities	152,070	178,308	1,349,574
Net deferred gains (losses) on hedging instruments	(326)	(57)	(2,893)
Land revaluation excess	20,552	20,761	182,392
Stock acquisition rights	401	329	3,558
Total net assets	559,271	565,137	4,963,356
Total liabilities and net assets	¥6,482,649	¥6,540,511	\$57,531,496

Nonconsolidated Statements of Income (Unaudited)

The Iyo Bank, Ltd.

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥ 51,873	¥ 53,638	\$460,356
Interest and dividends on securities	27,502	32,095	244,071
Other interest income	855	861	7,587
Fees and commissions	11,367	10,747	100,878
Other operating income	2,161	3,501	19,178
Other income	8,597	6,305	76,295
Total income	102,357	107,150	908,386
EXPENSES			
Interest expense:			
Interest on deposits	4,537	4,745	40,264
Interest on borrowings and rediscounts	550	935	4,881
Interest on payables under securities lending transactions	407	165	3,611
Other interest expense	679	304	6,025
Fees and commissions	6,100	5,722	54,135
Other operating expenses	14	275	124
General and administrative expenses	47,349	48,742	420,207
Other expenses	5,323	2,903	47,239
Total expenses	64,963	63,795	576,526
Income before income taxes	37,393	43,354	331,851
Income taxes:			
Current	10,158	11,240	90,149
Deferred	3,142	5,615	27,884
Net income	¥ 24,092	¥ 26,497	\$213,809
	Yen		U.S. dollars
Basic net income per share	¥76.20	¥83.83	\$0.67
Diluted net income per share	76.09	83.71	0.67

Nonconsolidated Statements of Changes in Net Assets (Unaudited)

The Iyo Bank, Ltd.

For the years ended March 31, 2016 and 2015

	Millions of yen				
	Stockholders' equity				
	Common stock	Capital reserve	Capital surplus		Retained earnings
			Other capital surplus	Total capital surplus	Legal reserve
For the year ended March 31, 2016					
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥ —	¥10,480	¥20,948
Changes during the accounting period					
Dividends					
Reversal of deferred gains on real property					
Provision of reserve for reduction entry					
Provision for general reserve					
Net income					
Purchase of treasury stock					
Disposal of treasury stock			(7)	(7)	
Transfer of loss on disposal of treasury stock			7	7	
Reversal of land revaluation excess					
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥ —	¥10,480	¥20,948

	Thousands of U.S. dollars				
	Stockholders' equity				
	Common stock	Capital reserve	Capital surplus		Retained earnings
			Other capital surplus	Total capital surplus	Legal reserve
For the year ended March 31, 2016					
Balance at the beginning of the accounting period	\$185,906	\$93,006	\$ —	\$93,006	\$185,906
Changes during the accounting period					
Dividends					
Reversal of deferred gains on real property					
Provision of reserve for reduction entry					
Provision for general reserve					
Net income					
Purchase of treasury stock					
Disposal of treasury stock			(62)	(62)	
Transfer of loss on disposal of treasury stock			62	62	
Reversal of land revaluation excess					
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	—	—	—	—
Balance at the end of the accounting period	\$185,906	\$93,006	\$ —	\$93,006	\$185,906

	Millions of yen					
	Stockholders' equity					
	Retained earnings					
	Other retained earnings					
For the year ended March 31, 2016	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	¥1,979	¥291,594	¥ 26,920	¥341,442	¥(7,075)	¥365,795
Changes during the accounting period						
Dividends			(4,109)	(4,109)		(4,109)
Reversal of deferred gains on real property	(6)		6	—		
Provision of reserve for reduction entry	106		(106)	—		
Provision for general reserve		22,000	(22,000)	—		
Net income			24,092	24,092		24,092
Purchase of treasury stock					(3)	(3)
Disposal of treasury stock					52	44
Transfer of loss on disposal of treasury stock			(7)	(7)		—
Reversal of land revaluation excess			752	752		752
Changes in items other than stockholders' equity, net						
Total changes during the accounting period	99	22,000	(1,371)	20,728	49	20,777
Balance at the end of the accounting period	¥2,079	¥313,594	¥ 25,548	¥362,170	¥(7,026)	¥386,573

Thousands of U.S. dollars						
Stockholders' equity						
Retained earnings						
Other retained earnings						
For the year ended March 31, 2016	Deffered gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	\$17,563	\$2,587,806	\$ 238,906	\$3,030,191	\$(62,788)	\$3,246,317
Changes during the accounting period						
Dividends			(36,466)	(36,466)		(36,466)
Reversal of deferred gains on real property	(53)		53	—		
Provision of reserve for reduction entry	940		(940)	—		
Provision of general reserve		195,243	(195,243)	—		
Net income			213,809	213,809		213,809
Purchase of treasury stock					(26)	(26)
Disposal of treasury stock					461	390
Transfer of loss on disposal of treasury stock			(62)	(62)		—
Reversal of land revaluation excess			6,673	6,673		6,673
Changes in items other than stockholders' equity, net						
Total changes during the accounting period	878	195,243	(12,167)	183,954	434	184,389
Balance at the end of the accounting period	\$18,450	\$2,783,049	\$ 226,730	\$3,214,146	\$(62,353)	\$3,430,715

Millions of yen						
Valuation and translation adjustments						
For the year ended March 31, 2016	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at the beginning of the accounting period	¥178,308	¥ (57)	¥20,761	¥199,012	¥329	¥565,137
Changes during the accounting period						
Dividends						(4,109)
Reversal of deferred gains on real property						
Provision of reserve for reduction entry						
Provision of general reserve						
Net income						24,092
Purchase of treasury stock						(3)
Disposal of treasury stock						44
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						752
Changes in items other than stockholders' equity, net	(26,238)	(268)	(209)	(26,715)	71	(26,643)
Total changes during the accounting period	(26,238)	(268)	(209)	(26,715)	71	(5,866)
Balance at the end of the accounting period	¥152,070	¥(326)	¥20,552	¥172,296	¥401	¥559,271

Thousands of U.S. dollars						
Valuation and translation adjustments						
For the year ended March 31, 2016	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at the beginning of the accounting period	\$1,582,428	\$ (505)	\$184,247	\$1,766,169	\$2,919	\$5,015,415
Changes during the accounting period						
Dividends						(36,466)
Reversal of deferred gains on real property						
Provision of reserve for reduction entry						
Provision of general reserve						
Net income						213,809
Purchase of treasury stock						(26)
Disposal of treasury stock						390
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						6,673
Changes in items other than stockholders' equity, net	(232,854)	(2,378)	(1,854)	(237,087)	630	(236,448)
Total changes during the accounting period	(232,854)	(2,378)	(1,854)	(237,087)	630	(52,058)
Balance at the end of the accounting period	\$1,349,574	\$(2,893)	\$182,392	\$1,529,073	\$3,558	\$4,963,356

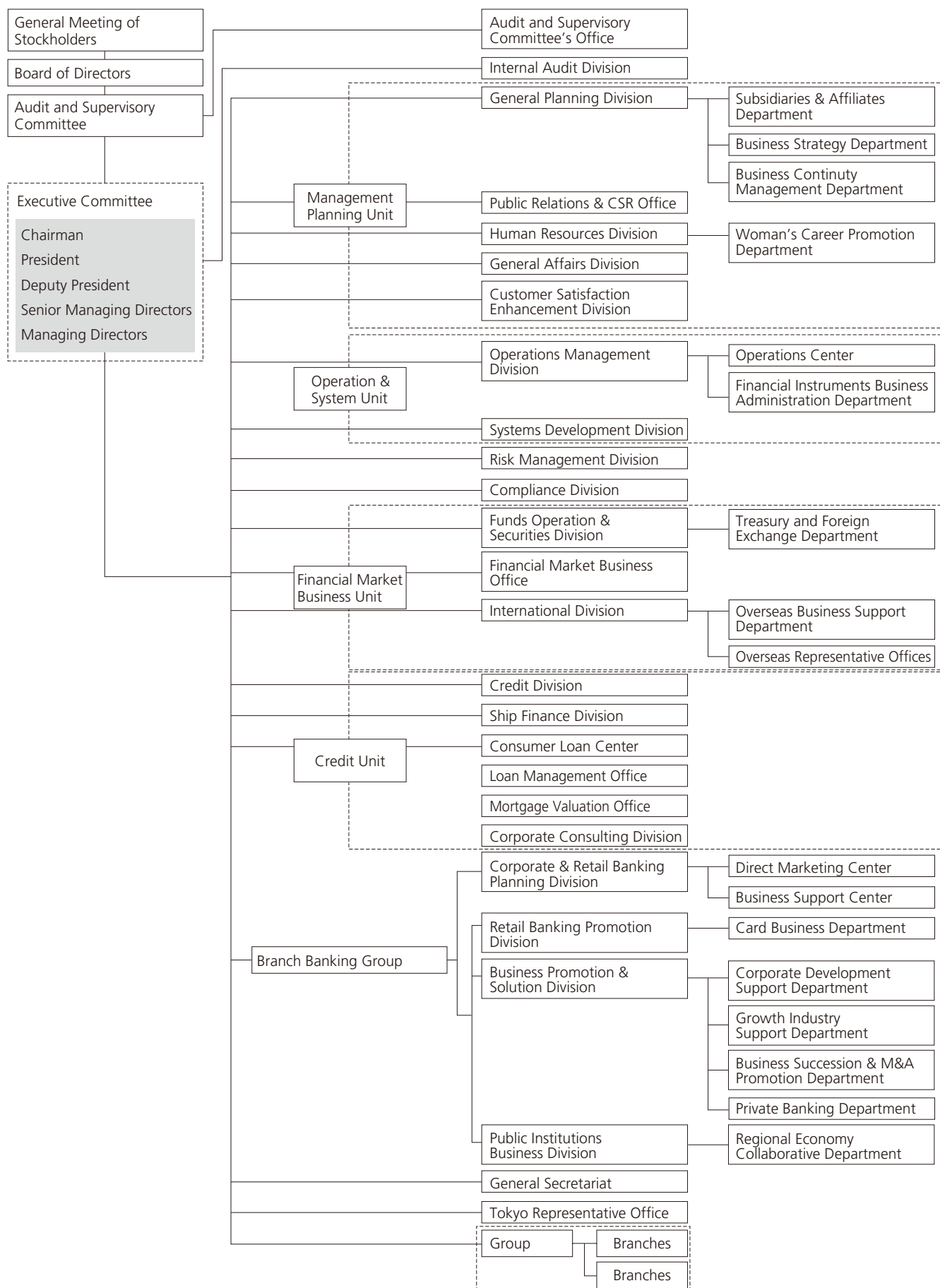
	Millions of yen				
	Stockholders' equity				
	Common stock	Capital reserve	Capital surplus	Total capital surplus	Retained earnings
			Other capital surplus		Legal reserve
For the year ended March 31, 2015					
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥ —	¥10,480	¥20,948
Cumulative effects of changes in accounting policies					
Restated balance	20,948	10,480	—	10,480	20,948
Changes during the accounting period					
Dividends					
Reversal of deferred gains on real property					
Provision of reserve for reduction entry					
Provision for general reserve					
Net income					
Purchase of treasury stock					
Disposal of treasury stock			(17)	(17)	
Transfer of loss on disposal of treasury stock			17	17	
Reversal of land revaluation excess					
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥ —	¥10,480	¥20,948

	Millions of yen					
	Stockholders' equity					
	Retained earnings					Total stockholders' equity
	Other retained earnings				Treasury stock	
For the year ended March 31, 2015	Deffered gains on real property	General reserve	Retained earnings brought forward	Total retained earnings		
Balance at the beginning of the accounting period	¥1,743	¥268,594	¥ 26,804	¥318,090	¥(7,146)	¥342,372
Cumulative effects of changes in accounting policies			(672)	(672)		(672)
Restated balance	1,743	268,594	26,132	317,418	(7,146)	341,700
Changes during the accounting period						
Dividends			(3,160)	(3,160)		(3,160)
Reversal of deferred gains on real property	(30)		30	—		
Provision of reserve for reduction entry	267		(267)	—		
Provision for general reserve		23,000	(23,000)	—		
Net income			26,497	26,497		26,497
Purchase of treasury stock					(3)	(3)
Disposal of treasury stock					74	56
Transfer of loss on disposal of treasury stock			(17)	(17)		—
Reversal of land revaluation excess			704	704		704
Changes in items other than stockholders' equity, net						
Total changes during the accounting period	236	23,000	787	24,023	71	24,095
Balance at the end of the accounting period	¥1,979	¥291,594	¥ 26,920	¥341,442	¥(7,075)	¥365,795

	Millions of yen					
	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
For the year ended March 31, 2015						
Balance at the beginning of the accounting period	¥118,368	¥ (2)	¥20,305	¥138,671	¥288	¥481,333
Cumulative effects of changes in accounting policies						(672)
Restated balance	118,368	(2)	20,305	138,671	288	480,661
Changes during the accounting period						
Dividends						(3,160)
Reversal of deferred gains on real property						
Provision of reserve for reduction entry						
Provision of general reserve						
Net income						26,497
Purchase of treasury stock						(3)
Disposal of treasury stock						56
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						704
Changes in items other than stockholders' equity, net	59,939	(55)	456	60,340	41	60,381
Total changes during the accounting period	59,939	(55)	456	60,340	41	84,476
Balance at the end of the accounting period	¥178,308	¥(57)	¥20,761	¥199,012	¥329	¥565,137

Organization Chart

(As of July 1, 2016)



Consolidated Subsidiaries

(As of March 31, 2016)

Company Name	Address	Activities	Equity (¥ in million)	Share (Percent)	Date Established
Iyogin Leasing Company Limited	12-1, Sanban-cho 4-chome, Matsuyama	Leasing	80	25.00	Sept. 1974
Iyogin Computer Service Company Limited	2-5, Takasago-cho 2-chome, Matsuyama	Computing services	10	5.00	Jan. 1975
The Iyogin Credit Guaranty Company Limited	12-1, Sanban-cho 4-chome, Matsuyama	Guaranteeing of loans	30	5.00	Sept. 1978
The Iyogin Business Service Company Limited	1, Minami-Horibata-cho, Matsuyama	Clerical work for parent company	10	100.00	Dec. 1979
Iyogin Capital Company Limited	1, Minami-Horibata-cho, Matsuyama	Investment	320	5.00	Aug. 1985
Iyogin Regional Economy Research Center, Inc.	10-1, Sanban-cho 5-chome, Matsuyama	Research and surveys	30	5.00	Apr. 1988
Iyogin DC Card Co., Ltd.	12-1, Sanban-cho 4-chome, Matsuyama	Credit card services	50	5.00	Aug. 1988
Iyogin Venture Fund Corporation Limited III	1, Minami-Horibata-cho, Matsuyama	Venture fund	500	—	Mar. 2008
Iyogin Venture Fund Corporation Limited IV	1, Minami-Horibata-cho, Matsuyama	Venture fund	500	—	Jul. 2015
Iyogin Securities Co., Ltd.	10-1, Sanban-cho 5-chome, Matsuyama	Securities business	3,000	100.00	Feb. 2012
Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership	1, Minami-Horibata-cho, Matsuyama	Sixtiary Industrialization Support Fund	176	—	Apr. 2013
Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership	1, Minami-Horibata-cho, Matsuyama	Agriculture Support Fund	73	—	Sept. 2014
Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership	1, Minami-Horibata-cho, Matsuyama	Business Succession Support Fund	46	—	Oct. 2014

Corporate Data

(As of March 31, 2016)

Year of Foundation

1878

Common Stock

Authorized 600,000,000 shares
Issued 323,775,366 shares
Capital ¥20,948 million

Number of Stockholders

17,216

Major Stockholders

Name	Shares (thousands)	%
Japan Trustee Services Bank, Ltd.	41,562	13.14
Nippon Life Insurance Company	8,878	2.80
Meiji Yasuda Life Insurance Company	8,867	2.80
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,647	2.10
Sompo Japan Nipponkoa Insurance Inc.	6,293	1.99
Sumitomo Forestry Co., Ltd.	5,911	1.86
The Master Trust Bank of Japan, Ltd.	5,472	1.73
Sumitomo Life Insurance Company	5,415	1.71
Employee stock ownership of Iyo Bank	4,029	1.27
STATE STREET BANK WEST CLIENT-TREATY 505234	3,907	1.23

Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)
3,024

Number of Branches

(As of March 31, 2016)
152 (Domestic 151, Foreign 1)

Directory

Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514
Tel: (089) 941-1141
<http://www.iyobank.co.jp/>

International Division

Tel: (089) 931-9899 Fax: (089) 946-9101
SWIFT Address: IYOBJPJT

Treasury and Foreign Exchange Department

Tel: (03) 3242-1801 Fax: (03) 3242-1842
SWIFT Address: IYOBJPJT

Hong Kong Branch

Suite 801, The Hong Kong Club Building, 3A Chater Road
Central, Hong Kong
Tel: 2869-0466 Fax: 2525-4186
SWIFT Address: IYOBHKHH

Board of Directors and Corporate Auditors

(As of June 29, 2016)

<i>Director and Senior Adviser</i>	Koji Morita
<i>President</i>	Iwao Otsuka
<i>Senior Managing Director</i>	Ippei Nagai
<i>Managing Directors</i>	Kenji Takata Muneaki Todo Takaya Iio Tetsuo Takeuchi
<i>Directors (Audit and Supervisory Committee Members)</i>	Koji Kubota Kazutaka Kozu Kaname Saeki Takeshi Ichikawa Yasunobu Yanagisawa Soichiro Takahama Junko Miyoshi
<i>Managing Executive Officers</i>	Shiro Hirano Haruhiro Kono Takaya Beppu Eiji Shigematsu Kenji Morioka Kenji Miyoshi Hideyo Nishimoto Yuichi Matsuura
<i>Executive Officers</i>	Satoru Kishikawa Kazutomi Hirai Tetsuya Yagi Shinya Fujita Kensei Yamamoto Junji Inagaki Yasuji Fujita

Shanghai Representative Office

Room 1603 Shanghai International Trade Center, 2201 Yan-an
Road (West), Shanghai 200336, People's Republic of China
Tel: (021) 6270-7488 Fax: (021) 6270-7268

New York Representative Office

780 Third Avenue, 18th Floor, New York, N.Y. 10017, U.S.A.
Tel: (212) 688-6031 Fax: (212) 688-6420

Singapore Representative Office

8 Marina View #15-02 Asia Square Tower 1, Singapore
018960, Singapore
Tel: (65) 6532-2618 Fax: (65) 6532-2621



THE IYO BANK, LTD.

HEAD OFFICE

1, Minami-Horibata-cho, Matsuyama 790-8514

Tel: (089) 941-1141

URL: <http://www.iyobank.co.jp/>



Printed in Japan