

THE IYO BANK, LTD.

***Creating a Bright and
Prosperous Future***

Annual Report 2017

Year ended March 31, 2017



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

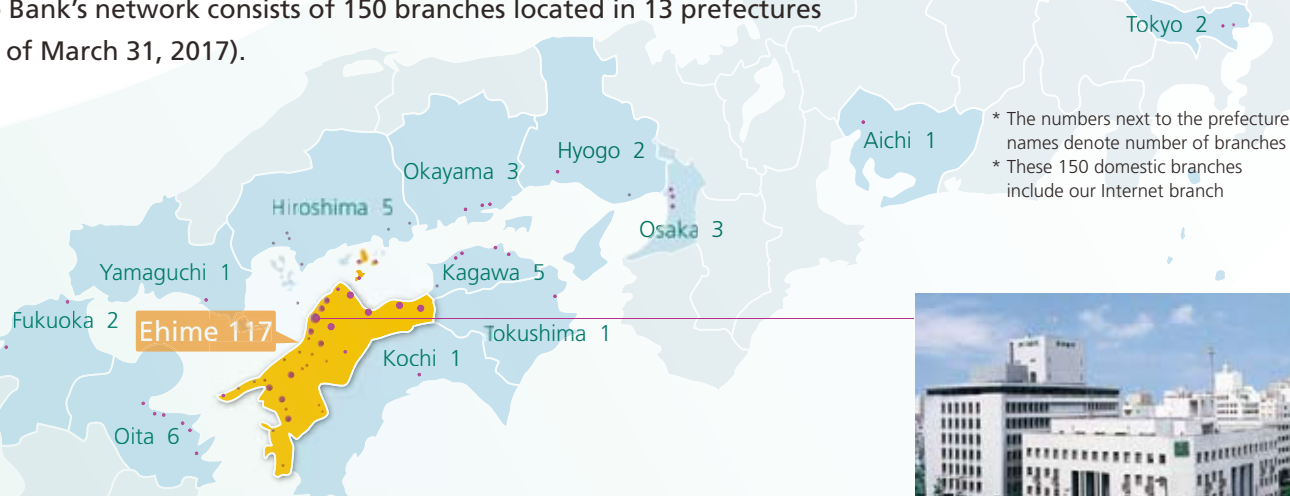
Message from the President	2
Corporate Governance / Compliance / Risk Management	6
Financial Section	8
Organization Chart	47
Subsidiaries and Affiliates	48
Corporate Data / Directory	49

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

Cover photos (from the top):
The Kurushima-Kaikyo Bridges in early summer, Matsuyama Castle and the Seto Inland Sea in crimson at sunset, and a train crossing an iron bridge near Kushi Station in Iyo

Domestic Branch Network

The No. 1 regional bank in terms of broad regional coverage, Iyo Bank's network consists of 150 branches located in 13 prefectures (as of March 31, 2017).



Head Office

No. 1 Market Share in Ehime

About Ehime Prefecture

• Area	5,676.19 km ² (As of October 1, 2016)
• Population	1,366,772 (As of May 1, 2017)
• Number of households	595,558 (As of May 1, 2017)

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, Singapore branch and two representative offices in New York and Shanghai.

Our overseas network also involves business alliances and cooperations with banks, etc., in China, India, Indonesia, Mexico, Singapore, Philippines, Taiwan, Thailand and Vietnam (as of March 31, 2017).

Bangkok, Thailand

Dalian, China

Hanoi, Vietnam

Hong Kong

Jakarta, Indonesia

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 Jalisco, Aguascalientes, Guanajuato, Nuevo León and Banamex (Mexico City)

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

Branch

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, 2017, marked our 139th 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.

This year marked the full-fledged start of the Shikoku Alliance, entered into by four regional banks in the previous year. In accordance with this agreement, we have conducted "Shikoku vitalization" initiatives to invigorate the Shikoku region. We also have operated in accordance with the corporate mission of "creating a bright and prosperous future for the region." Based on this mission, we focused all our efforts on initiatives aimed at achieving bounty for our customers and assisting business development. We intend to grow along with the region.

Under the slogan of "Doing our utmost to support the future of the region," I aim to make the Iyo Bank one 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 2016, ended March 31, 2017, the Japanese economy continued its modest recovery, thanks to a rebound in exports

and supported by internal demand, which benefited from loose monetary policy and the Japanese government's large-scale economic measures. Business sentiment improved on the back of rising stock prices and yen depreciation following the US presidential election, and capital investment showed signs of recovery. Looking forward, however, we believe the economy will experience only slight recovery, due to residual concerns including overseas economic uncertainties and financial market fluctuations.

In Ehime Prefecture, the economy experienced certain delays in improvement, including personal consumption. Looking forward, however, we expect activity within the prefecture to recover gradually in line with the overall economy, due to improved business sentiment and a rebound in capital investment.

Business Performance

Under these circumstances, in keeping with our spirit of gratitude toward customers we worked to ensure our ability to provide products and services tailored to increasingly diverse and sophisticated customer needs. We endeavored to expand our fields of operation and strengthen profitability in the aim of being a bank that is still needed 10 years in the future.

Corporate Governance

In June 2016, Iyo Bank appointed its first female outside director, bringing the total number of directors to 14, of whom five are outside directors. We are augmenting director diversity and increasing the ratio of outside directors above one-third in order to enhance the auditing and supervisory functions and energize the Board of Directors.

In March 2017, we established the Management Deliberation Committee, comprising the Bank's representative directors and all members of the Audit and Supervisory Committee, to deliberate director nominations and compensation. The Bank will continue endeavoring to strengthen its corporate governance system and enhance its functions.

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 our lending and solutions operations, we continued to work to address management issues and growth support through "sales activities based on assessments of business viability." Also, in July 2016 we began handling Manabiya private-placement bonds aimed at providing hometown support. For these bonds, a portion of the commissions collected on corporate bond issuance are donated toward the donation of books, equipment and sporting goods for local schools. In

this way, we intend to support the growth of the next generation of children who hail from Ehime Prefecture, cheering them on alongside bond-issuing companies.

In a bid to help customers expand their sales routes, in March 2017 we took part in the Bangkok Business Meeting, sponsored by the seven regional banks participating in the TSUBASA Project.

To encourage business startups, we held the Iyogin Business Plan Contest 2016 between June and November 2016. In January 2017, we held Iyogin Mirai Kigyo Juku, a seminar offering support for female entrepreneurs. In cooperation with the Iyogin Regional Economy Research Center, in February 2017 we began holding the Cloud-based Network Business Meeting for Ehime Entrepreneurs/Innovators in Matsuyama. We plan to step up our support for these events in an effort to spur business creation.

To help energize the regional economy, between April and November 2016 we supported the *Iyashi no Nanyo Haku* movement—part of the larger *Ehime Iyashi no Nanyo Haku 2016*, which takes place in the Nanyo region of Ehime Prefecture.

In addition, in November 2016 we joined the Awa Bank, the Hyakujushi Bank and the Shikoku Bank, to form the Shikoku Alliance, a comprehensive alliance aimed at invigorating the Shikoku region.

Head Office Organization

To build a headquarters organizational structure that contributes more proactively to regional invigoration, we set up the Regional Vitalization Division in August 2016. We also established the Financial Market Loan Screening Department within the Credit Division to step up market lending in such areas as cross-border lending and project finance.

Within the General Planning Division, we inaugurated the Shikoku Alliance Promotion Department in February 2017. This department is tasked with setting up the planning, management and promotional systems related measures as well as to foster collaboration among the four Shikoku regional banks participating in the Shikoku Alliance and within the Iyo Bank Group.

Bank Branches and ATMs

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 our branches and strengthening customer service systems so that customers can use our services more effectively.

In August 2016, we opened the Misaki branch and Kawanishi branch following their relocations within a government office building. This move enables members of the local com-

munity to take advantage of both government and banking services in a single location.

In January 2017, we changed the teller window operating hours at the Oda branch. We were the first bank in Japan to change operating hours following the revision to the Ordinance for Enforcement of the Banking Act, and we will continue endeavoring to promote contact with the region in such ways.

Furthermore, in December 2016 we upgraded the Singapore representative office to branch status. Now staffed by 12 employees, including seven dispatched from Iyo Bank and five members hired locally, the branch provides various financial services. In addition to gathering data on the ASEAN region, the Singapore branch conducts local lending operations centered on ship finance. The branch serves as an outpost connecting the ASEAN and Ehime regions, meeting the needs of business partners expanding their businesses overseas.

Products and Services

In loan products, in January 2017 we revised our New Speed Card Loan product to enhance customer convenience, raising the agreement age and the credit limit and making it unnecessary for applicants to visit branches.

We augmented the number of Iyogin Insurance Plaza locations—desks specializing in insurance consultations—opening Insurance Plaza Uwajima and Insurance Plaza Ozu in January 2017. Specialized staff at these eight Ehime Prefecture locations (as of March 31, 2017) meet diverse customer needs.

In March 2017 we formulated and disclosed our Fiduciary Duty Declaration as our policy for supporting customer asset formation and investment. Based on this declaration, we intend to further build customer trust by offering high-quality financial services and highly specialized consulting that are truly in the customer's interest.

In new products and services, we enhanced our response to new settlement services. We began offering deposit-based payments for Yahoo! Wallet in October 2016, and in October 2016 and March 2017, we started providing an e-money charging function for Yahoo! Money and Rakuten Edy, respectively.

In collaboration with five other regional banks and one vendor, we established the jointly capitalized T&I Innovation Center. in July 2016. We intend to continue increasing customer convenience through the planning and development of financial services employing fintech.

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 Com-

mittee 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 have provided scholarships and donate welfare devices through the "Iyo Bank Social Welfare Fund." We plan to continue such efforts to support the youth who will lead the next generation.

As cultural activities, we continued to provide aid under the "Regional Cultural Activity Assistance Program," held the Economics Koshien Ehime Tournament as the 11th All Japan High School Economics Quiz Tournament, held Kids' Seminars in spring and summer, and undertook initiatives targeting the financial and economic education of the children who will take responsibility for future generations.

To address environmental issues, 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 2016, and held results briefings accompanied by a special lecture presentation in six locations around Ehime Prefecture in July 2016.

To foster a deeper understanding of its management activities by stockholders, suppliers and investors, 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 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), centered on the specialized Business Continuity Management Department, 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. Meanwhile, in September 2016 we formulated a security policy outlining our basic policy on the protection of information assets. By maintaining the security of all information assets, we strive to ensure continuity of our business activities and retain the trust of customers in the region.

With respect to compliance, we have introduced a system to search for organized criminal elements and other fraudulent account users, as well as people whose assets have been frozen. We have also taken appropriate steps to comply with all relevant rules and regulations in other ways, such as by preventing organized criminals from entering facilities and by stepping up screening.

Business Performance

In fiscal 2016, ended March 31, 2017, performance was as follows: The term-end balance of deposits, including NCDs, increased ¥112.8 billion over the previous fiscal year-end, to ¥5,437.2 billion (US\$48,464 million). The loan balance at the end of the fiscal year rose ¥131.3 billion from the previous fiscal year-end, to ¥4,021.4 billion (US\$35,844 million). The balance of securities at the end of the fiscal year down ¥3.7 billion from the previous fiscal year-end, to ¥1,735.9 billion (US\$15,472 million). The balance of total assets at the end of the fiscal year rose ¥339.2 billion from the previous fiscal year-end, to ¥6,849.2 billion (US\$61,050 million).

Ordinary income decreased ¥2,072 million on a consolidated basis year on year, to ¥117,276 million (US\$1,045 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 ¥3,570 million, to ¥81,828 million (US\$729 million), with other ordinary expenses rising due to higher operating expenses related to retirement benefits. As a result, net ordinary income decreased ¥5,643 million, to ¥35,428 million (US\$315 million), while profit attributable to owners of parent declined ¥2,654 million, to ¥21,797 million (US\$194 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.58%.

Issues

Although the Japanese economy as a whole is expected to remain in a recovery phase, the Bank's operating environment is undergoing significant changes that render the outlook extremely opaque. Such factors include a falling birthrate and a shrinking and increasingly elderly population, growing regional disparities, and the introduction of quantitative and qualitative monetary easing with negative interest rates.

Under these circumstances, the final fiscal year of this medium-term management plan, ending in March 2018, will mark the Bank's 140th anniversary of founding. Looking ahead toward our 150th anniversary, by applying ICT and other technologies we are taking on the challenge of creating

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

a new business model that goes beyond previous customs and frameworks as we seek to be of assistance to our customers and contribute to the future of the region.

In keeping with the social mission of a regional bank—to invigorate the regional economy—we are already moving toward the promotion phase of the Japanese government's regional comprehensive strategy. As the leading bank in our region, we are endeavoring to energize the regional economy by further enhancing our financial intermediation function. Also, through the Shikoku Alliance that we entered into last year, we will retain the management independence of and sound competitive relationships among the four banks, while at the same time working together to invigorate the entire Shikoku region, aiming to contribute to the sustain-

able growth and development of individual regions and our customers. Through such initiatives, we also aim to sustain the growth and development of the four banks.

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

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.

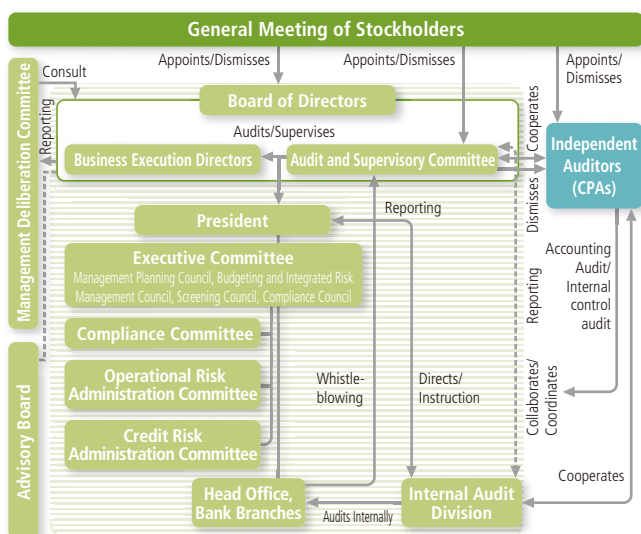
- In principle, the Audit and Supervisory Committee meets at least once each month. In accordance with the law, Articles of Incorporation and Audit and Supervisory Committee Regulations, this committee and the Board of Directors provide a supervisory function, as well as auditing the execution of business 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.

The Bank established the Management Deliberation Committee, comprising the Bank's representative directors and the Audit and Supervisory Committee members, to deliberate director nominations and compensation and other important matters.

The Management Deliberation Committee, which is positioned as an advisory body to the Board of Directors, is composed of a majority of members who are independent outside directors.

- 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

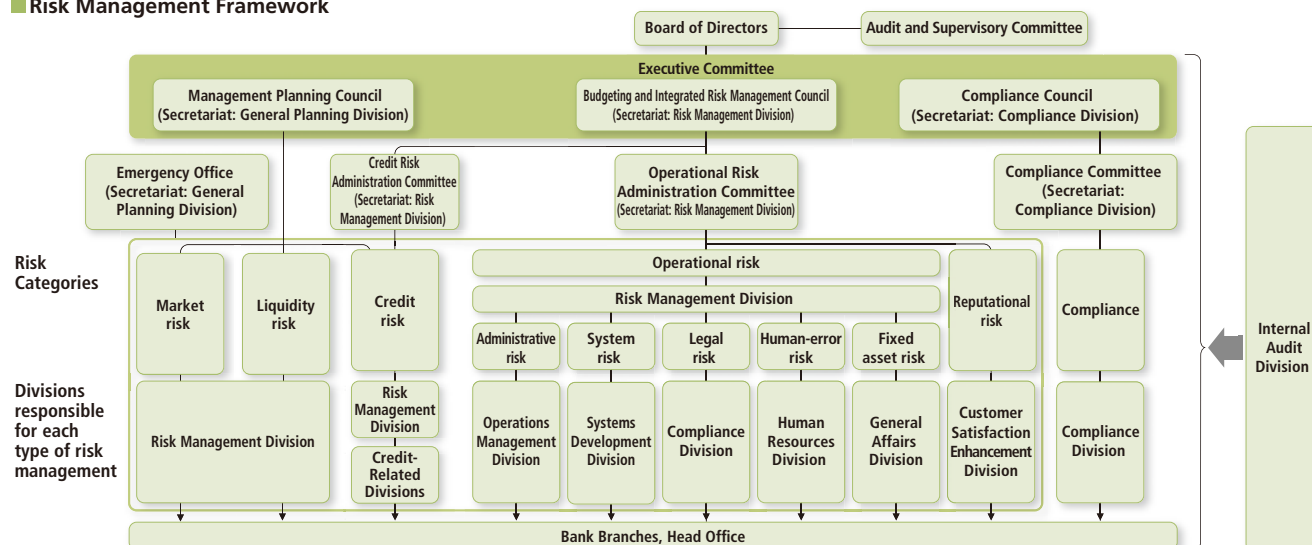
The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

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



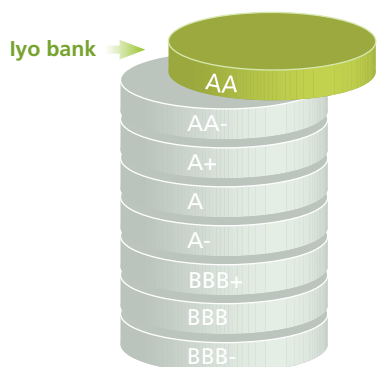
Financial Highlights

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

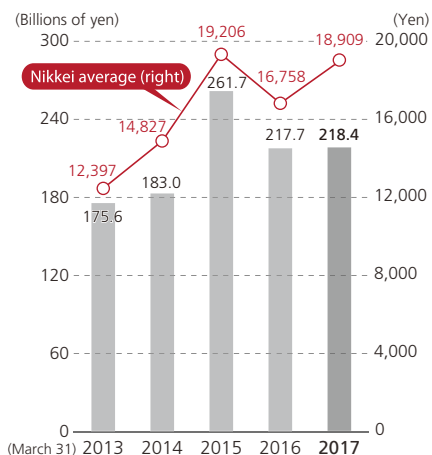
Years ended March 31:	Millions of yen				
	2017	2016	2015	2014	2013
At Year-End:					
Assets					
Securities	¥1,735,981	¥1,739,757	¥1,831,611	¥1,749,815	¥1,827,529
Loans and bills discounted	4,021,442	3,890,085	3,851,235	3,708,249	3,636,072
Total assets	6,849,283	6,510,076	6,575,422	6,124,787	6,004,711
Liabilities					
Deposits	5,437,276	5,324,433	5,264,862	5,199,147	5,116,636
Total liabilities	6,240,221	5,920,369	5,977,820	5,617,266	5,528,386
For the Year:					
Total income	¥ 117,356	¥ 119,819	¥ 124,003	¥ 126,352	¥ 118,673
Total expenses	84,228	79,531	77,881	82,098	87,050
Income before income taxes	33,127	40,287	46,122	44,253	31,623
Profit attributable to owners of parent	21,797	24,451	26,999	26,133	18,377
Net cash provided by operating activities	226,523	(64,206)	348,931	(23,339)	134,275
Net cash provided by investing activities	6,797	38,624	18,680	95,693	(48,035)
Net cash provided by financing activities	(7,401)	(19,106)	(25,065)	(3,340)	(4,635)
Cash and cash equivalents	783,504	557,587	602,299	259,700	190,656
Per Share Data:					
Basic net income	¥ 68.93	¥ 77.34	¥ 85.41	¥ 82.69	¥ 57.90
Stockholders' equity	1,864.28	1,790.53	1,825.62	1,548.10	1,448.56
Equity ratio (BIS standards) (%)	14.58	15.42	15.81	14.41	13.00
Return on equity (ROE) (%)	3.77	4.27	5.06	5.51	4.29
Price earnings ratio (PER) (Times)	10.86	9.52	16.70	11.92	15.35
Number of employee	3,082	3,024	2,977	2,937	2,872

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

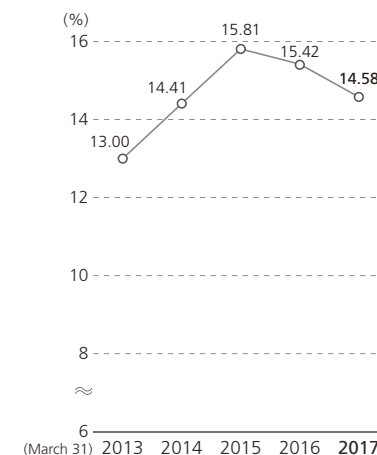
Ratings [JCR]



Evaluation gain on securities (Non-consolidated)



Equity ratio (BIS standards)



Management Discussion and Analysis of Operations

■ Business Environment

In fiscal 2016, ended March 31, 2017, the Japanese economy continued its modest recovery, thanks to a rebound in exports and supported by internal demand, which benefited from loose monetary policy and the Japanese government's large-scale economic measures. Business sentiment improved on the back of rising stock prices and yen depreciation following the US presidential election, and capital investment showed signs of recovery. Looking forward, however, we believe the economy will experience only slight recovery, due to residual concerns including overseas economic uncertainties and financial market fluctuations.

In Ehime Prefecture, the economy experienced certain delays in improvement, including personal consumption. Looking forward, however, we expect activity within the prefecture to recover gradually in line with the overall economy, due to improved business sentiment and a rebound in capital investment.

■ Income Analysis

Ordinary income decreased ¥2,072 million on a consolidated basis year on year, to ¥117,276 million (US\$1,045 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 ¥3,570 million, to ¥81,847 million (US\$729 million), with other ordinary expenses rising due to higher operating expenses related to retirement benefits. As a result, net ordinary income decreased ¥5,643 million, to ¥35,428 million (US\$315 million), while profit attributable to owners of parent declined ¥2,654 million, to ¥21,797 million (US\$194 million).

On a non-consolidated basis, core gross business profit recorded a decrease of ¥6,682 million, to ¥73,891 million (US\$658 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 com-

missions related to solution sales. Core net business profit fell ¥6,779 million, to ¥25,613 million (US\$228 million). Also, net ordinary income fell ¥5,116 million, to ¥33,060 million (US\$294 million), due to a rise in operating costs related to retirement benefits, despite higher net gains related to securities and lower credit costs. As a result, net income fell ¥2,678 million, to ¥21,414 million (US\$190 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.58%.

■ 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 ¥100,484 million (US\$895 million). This was due to ordinary income from customers of ¥100,003 million and ordinary income from intersegment transactions of ¥480 million. Segment profit decreased ¥5,346 million, to ¥34,679 million (US\$309 million).

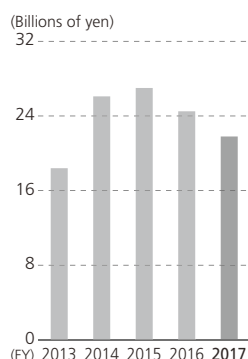
Leasing Operations

Ordinary income came to ¥15,611 million (US\$139 million). This was attributable to ordinary income from customers of ¥15,111 million and ordinary income from intersegment transactions of ¥499 million. Segment profit decreased ¥407 million, to ¥352 million (US\$3 million).

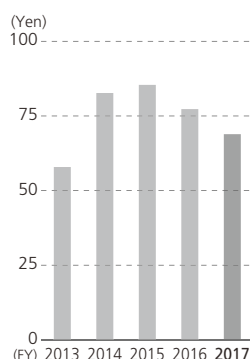
Other Businesses

Ordinary income came to ¥3,735 million (US\$33 million). This was a result of ordinary income from customers of ¥2,161 million, and ordinary income from intersegment transactions of ¥1,574 million. Segment profit increased ¥81 million, to ¥471 million (US\$4 million).

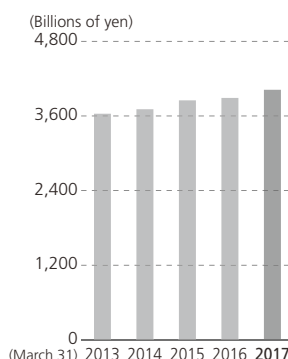
Profit Attributable to Owners of Parent



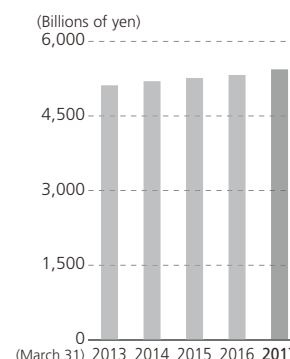
Net Income per Share



Loans and Bills Discounted



Deposits



■ Balance Sheets Analysis

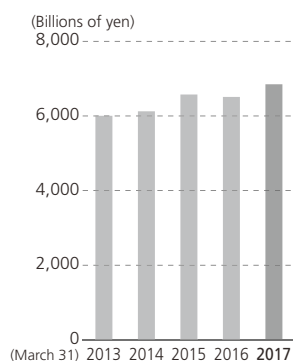
Loans and Bills Discounted

Loans and bills discounted at the end of fiscal 2016 grew ¥131,357 million, or 3.4% to ¥4,021,442 million (US\$35,844 million).

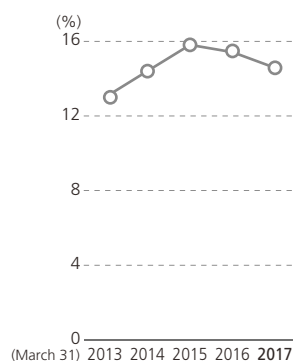
Loans by Industry

Years ended March 31:	Millions of yen			
	2017		2016	
	Loans and bills discounted outstanding	Share (%)	Loans and bills discounted outstanding	Share (%)
Domestic total (excluding loans booked offshore)	¥4,019,968	100.00	¥3,890,085	100.00
Manufacturing	583,006	14.50	593,892	15.27
Agricultural and forestry	3,053	0.08	3,059	0.08
Fishing	13,831	0.34	12,614	0.32
Mining, quarrying and gravel extraction	8,789	0.22	9,003	0.23
Construction	112,601	2.80	116,066	2.98
Electricity, gas and water utilities, sewage	92,865	2.31	92,982	2.39
Communications	28,814	0.72	28,130	0.72
Transportation and postal service	629,907	15.67	615,238	15.82
Wholesale and retail	471,197	11.72	466,742	12.00
Finance and insurance	168,309	4.19	146,785	3.77
Real estate and rental	412,231	10.25	378,717	9.74
Service	412,714	10.27	382,566	9.83
Local authorities	240,217	5.97	232,998	5.99
Others	842,428	20.96	811,287	20.86
Overseas total (including loans booked offshore)	1,473	100.00	—	—
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	1,473	100.00	—	—
Total	¥4,021,442	—	¥3,890,085	—

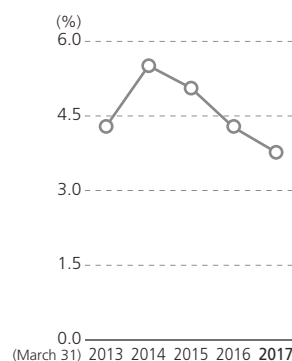
Total Assets



Equity Ratio (BIS standards)



Return on Equity



Asset Quality

The balance of classified assets subject to mandatory disclosure under the Financial Revitalization Law decreased ¥4,332 million, to ¥62,454 million (US\$556 million) at the end of fiscal 2016. The ratio of non-performing loans to total loans under the law dropped 0.16 percentage point, to 1.48%. Loans to bankrupt or effectively bankrupt borrowers increased ¥210 million from the previous year-end, to ¥4,419 million (US\$39 million). Doubtful assets were down ¥5,741 million,

to ¥39,847 million (US\$355 million). Credit subject to specific risk management rose ¥1,200 million, to ¥18,187 million (US\$162 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 71.93%, down 2.60 percentage point from the previous year-end.

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

	Millions of yen				
	2017		Millions of U.S. dollars	2016	
March 31,	Millions of yen	Percentage of loans		Millions of yen	Percentage of loans
Loans to bankrupt or effectively bankrupt borrowers	¥ 4,419	0.10	\$ 39	¥ 4,209	0.10
Doubtful assets	39,847	0.94	355	45,588	1.12
Credit subject to specific risk management	18,187	0.43	162	16,987	0.41
Total	62,454	1.48	556	66,786	1.64
Unclassified credit	4,142,535	98.51	36,924	3,989,980	98.35

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 ¥3,776 million, or 0.22% year on year, to ¥1,735,981 million (US\$15,473 million).

Deposits

The balance of deposits, including NCDs, increased ¥112,844 million, or 2.1%, to ¥5,437,276 million (US\$48,464 million).

■ Cash Flow Analysis

Consolidated Cash Flows

Cash flow provided by operating activities increased by ¥290,729 million over the previous term, to ¥226,523 million (US\$2,019 million), due to such factors as an increase in borrowed money and NCDs.

Net cash provided by investing activities decreased by ¥31,827 million to ¥6,797 million (US\$60 million). This was mainly attributable to sales and maturities of securities.

Net cash used in financing activities increased ¥11,705 million, to ¥7,401 million (US\$65 million) due to the cash dividends paid.

As a result, cash and cash equivalents at the end of the term rose by ¥225,916 million, to ¥783,504 million (US\$6,983 million).

Consolidated Balance Sheet

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
ASSETS			
Cash and due from banks (Note 19)	¥ 795,208	¥ 583,919	\$ 7,088,047
Call loans and bills purchased (Note 19)	90,582	105,072	807,398
Monetary claims purchased (Notes 19, 20 and 22)	11,373	9,516	101,372
Trading account securities (Notes 19 and 20)	568	468	5,062
Money held in trust (Notes 19, 21 and 22)	5,749	8,476	51,243
Securities (Notes 3, 4, 7, 12, 19, 20 and 22)	1,735,981	1,739,757	15,473,580
Loans and bills discounted (Notes 5, 6, 18 and 19)	4,021,442	3,890,085	35,844,923
Reserve for loan losses (Note 19)	(23,541)	(25,552)	(209,831)
Foreign exchange (Note 6)	8,201	5,153	73,099
Lease receivables and investment assets	29,224	29,178	260,486
Other assets (Note 7)	49,306	39,279	439,486
Tangible fixed assets (Notes 9 and 10)	73,835	77,753	658,124
Intangible fixed assets	4,734	4,302	42,196
Net defined benefit asset (Note 24)	19,490	12,842	173,723
Deferred tax assets (Note 26)	561	384	5,000
Customers' liabilities for acceptances and guarantees	26,563	29,438	236,767
Total assets	¥6,849,283	¥6,510,076	\$61,050,744
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits (Notes 7 and 19)	¥5,437,276	¥5,324,433	\$48,464,889
Call money and bills sold (Note 19)	72,346	70,988	644,852
Payables under repurchase agreements (Notes 7 and 19)	40,124	—	357,643
Payables under securities lending transactions (Notes 7 and 19)	324,715	324,796	2,894,331
Borrowed money (Notes 7, 11 and 19)	220,887	50,164	1,968,865
Foreign exchange	145	112	1,292
Borrowed money from trust account	29	29	258
Other liabilities (Note 7)	37,060	40,629	330,332
Accrued employees' bonuses	1,648	1,727	14,689
Net defined benefit liability (Note 24)	12,572	13,840	112,059
Reserve for losses on repayment of dormant bank accounts	2,979	3,065	26,553
Reserve for contingent losses	427	441	3,806
Reserve under the special laws	0	0	0
Deferred tax liabilities (Note 26)	53,498	50,337	476,851
Deferred taxes on revaluation excess (Note 9)	9,945	10,362	88,644
Acceptances and guarantees	26,563	29,438	236,767
Total liabilities	6,240,221	5,920,369	55,621,900
Net assets (Note 30)			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	186,718
Capital surplus	11,555	10,488	102,994
Retained earnings	384,386	365,732	3,426,205
Treasury stock	(5,370)	(5,398)	(47,865)
Total stockholders' equity	411,520	391,771	3,668,063
Net unrealized holding gains (losses) on securities (Note 22)	153,498	153,166	1,368,196
Net deferred gains (losses) on derivatives under hedge accounting	(795)	(326)	(7,086)
Land revaluation excess (Note 9)	19,901	20,552	177,386
Remeasurements of defined benefit plans (Note 24)	5,342	912	47,615
Total accumulated other comprehensive income	177,946	174,305	1,586,112
Stock acquisition rights (Note 25)	479	401	4,269
Noncontrolling interests	19,114	23,228	170,371
Total net assets	609,061	589,707	5,428,835
Total liabilities and net assets	¥6,849,283	¥6,510,076	\$61,050,744

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥ 49,496	¥ 51,797	\$ 441,180
Interest and dividends on securities	24,524	27,633	218,593
Other interest income	1,118	861	9,965
Fees and commissions	13,320	12,815	118,727
Other operating income	18,310	18,174	163,205
Other income	10,585	8,536	94,348
Total income	117,356	119,819	1,046,046
EXPENSES			
Interest expense:			
Interest on deposits	3,114	4,532	27,756
Interest on borrowings and rediscounts	1,144	594	10,196
Interest on payables under repurchase agreements	162	—	1,443
Interest on payables under securities lending transactions	612	407	5,455
Other interest expense	2,685	682	23,932
Fees and commissions	4,551	4,370	40,565
Other operating expenses	13,998	13,582	124,770
General and administrative expenses (Note 14)	51,641	49,616	460,299
Other expenses (Note 15)	6,315	5,743	56,288
Total expenses	84,228	79,531	750,762
Income before income taxes	33,127	40,287	295,275
Income taxes (Note 26):			
Current	9,003	11,210	80,247
Deferred	1,144	3,130	10,196
Total taxes	10,147	14,340	90,444
Profit	22,980	25,947	204,831
Profit attributable to noncontrolling interests	1,183	1,495	10,544
Profit attributable to owners of parent	¥ 21,797	¥ 24,451	\$ 194,286
Per share of common stock (yen and U.S. dollars):	Yen		U.S. dollars (Note 1)
Basic net income	¥68.93	¥77.34	\$0.61
Diluted net income	68.81	77.23	0.61
Dividends	12.00	12.00	0.10

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Profit	¥22,980	¥ 25,947	\$204,831
Other comprehensive income (Note 16)	3,663	(29,851)	32,649
Net unrealized holding gains (losses) on securities (Note 22)	(297)	(24,146)	(2,647)
Net deferred gains (losses) on derivatives under hedge accounting	(469)	(268)	(4,180)
Land revaluation excess	—	543	—
Remeasurements of defined benefit plans (Note 24)	4,430	(5,980)	39,486
Comprehensive income	¥26,643	¥ (3,904)	\$237,481
Comprehensive income attributable to:			
Owners of parent	¥26,089	¥ (6,926)	\$232,543
Noncontrolling interests	554	3,022	4,938

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2017

For the year ended March 31, 2017	Millions of yen				
	Stockholders' equity				Total stockholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the accounting period	¥20,948	¥10,488	¥365,732	¥(5,398)	¥391,771
Changes during the accounting period					
Dividends			(3,794)		(3,794)
Profit attributable to owners of parent			21,797		21,797
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		5		29	34
Reversal of land revaluation excess			651		651
Purchase of shares of consolidated subsidiaries		1,061			1,061
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	1,067	18,654	28	19,749
Balance at the end of the accounting period	¥20,948	¥11,555	¥384,386	¥(5,370)	¥411,520

For the year ended March 31, 2017	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				Total stockholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the accounting period	\$186,718	\$ 93,484	\$3,259,934	\$(48,114)	\$3,492,031
Changes during the accounting period					
Dividends			(33,817)		(33,817)
Profit attributable to owners of parent			194,286		194,286
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		44		258	303
Reversal of land revaluation excess			5,802		5,802
Purchase of shares of consolidated subsidiaries		9,457			9,457
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	9,510	166,271	249	176,031
Balance at the end of the accounting period	\$186,718	\$102,994	\$3,426,205	\$(47,865)	\$3,668,063

For the year ended March 31, 2017	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			
Balance at the beginning of the accounting period	¥153,166	¥(326)	¥20,552	¥ 912	¥174,305	¥401	¥23,228	¥589,707
Changes during the accounting period								
Dividends								(3,794)
Profit attributable to owners of parent								21,797
Purchase of treasury stock								(1)
Disposal of treasury stock								34
Reversal of land revaluation excess								651
Purchase of shares of consolidated subsidiaries							(1,061)	—
Changes in items other than stockholders' equity, net	331	(469)	(651)	4,430	3,640	77	(3,052)	666
Total changes during the accounting period	331	(469)	(651)	4,430	3,640	77	(4,113)	19,354
Balance at the end of the accounting period	¥153,498	¥(795)	¥19,901	¥5,342	¥177,946	¥479	¥19,114	¥609,061

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, 2017								
Balance at the beginning of the accounting period	\$1,365,237	\$(2,905)	\$183,189	\$ 8,129	\$1,553,658	\$3,574	\$207,041	\$5,256,324
Changes during the accounting period								
Dividends								(33,817)
Profit attributable to owners of parent								194,286
Purchase of treasury stock								(8)
Disposal of treasury stock								303
Reversal of land revaluation excess								5,802
Purchase of shares of consolidated subsidiaries							(9,457)	—
Changes in items other than stockholders' equity, net	2,950	(4,180)	(5,802)	39,486	32,444	686	(27,203)	5,936
Total changes during the accounting period	2,950	(4,180)	(5,802)	39,486	32,444	686	(36,661)	172,510
Balance at the end of the accounting period	\$1,368,196	\$(7,086)	\$177,386	\$47,615	\$1,586,112	\$4,269	\$170,371	\$5,428,835

	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

	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, 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

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities			
Income before income taxes	¥ 33,127	¥ 40,287	\$ 295,275
Depreciation	4,551	4,536	40,565
Impairment losses	2,246	884	20,019
Increase (decrease) in reserve for loan losses	(2,010)	(3,278)	(17,916)
Increase (decrease) in accrued employees' bonuses	(79)	(347)	(704)
Decrease (increase) in net defined benefit asset	(6,648)	5,193	(59,256)
Increase (decrease) in net defined benefit liability	(1,268)	646	(11,302)
Increase (decrease) in reserve for losses on repayment of dormant bank accounts	(86)	19	(766)
Increase (decrease) in reserve for contingent losses	(13)	21	(115)
Increase (decrease) in reserve under the special laws	0	0	0
Interest and dividend income	(75,139)	(80,292)	(669,747)
Interest expense	7,720	6,217	68,811
Securities losses (gains), net	(6,941)	(5,091)	(61,868)
Money in trust losses (gains), net	(362)	(43)	(3,226)
Foreign exchange losses (gains), net	3,365	14,325	29,993
Losses (gains) on disposal of tangible fixed assets, net	53	(101)	472
Net changes in loans and bills discounted	(131,357)	(38,849)	(1,170,844)
Net changes in deposits	112,843	59,570	1,005,820
Net changes in borrowed money (excluding subordinated borrowings)	170,722	(33,416)	1,521,722
Net changes in due from banks	14,628	(4,714)	130,385
Net changes in call loans	12,556	(30,072)	111,917
Net changes in call money	41,483	(40,117)	369,756
Net changes in payables under securities lending transactions	(80)	(7,281)	(713)
Net changes in foreign exchange assets	(3,047)	1,051	(27,159)
Net changes in foreign exchange liabilities	32	74	285
Net changes in lease receivables and investment assets	(45)	(268)	(401)
Interest income received	75,141	80,038	669,765
Interest expense paid	(8,531)	(6,456)	(76,040)
Net increase (decrease) in borrowed money from trust account	0	29	0
Other	(5,356)	(16,167)	(47,740)
Subtotal	237,505	(53,602)	2,116,989
Income taxes paid	(10,981)	(10,604)	(97,878)
Net cash provided by (used in) operating activities	226,523	(64,206)	2,019,101
Cash flows from investing activities			
Purchases of securities	(343,111)	(203,003)	(3,058,302)
Proceeds from sales of securities	162,386	96,544	1,447,419
Proceeds from maturities of securities	187,902	147,360	1,674,855
Increase in money held in trust	(626)	—	(5,579)
Decrease in money held in trust	3,653	1,288	32,560
Purchases of tangible fixed assets	(1,870)	(3,212)	(16,668)
Proceeds from sales of tangible fixed assets	271	1,217	2,415
Purchases of intangible fixed assets	(1,809)	(1,570)	(16,124)
Net cash provided by (used in) investing activities	6,797	38,624	60,584
Cash flows from financing activities			
Decrease in subordinated borrowings	—	(15,000)	—
Proceeds from share issuance to noncontrolling stockholders	92	13	820
Repayments to noncontrolling interests	(11)	—	(98)
Cash dividends paid	(3,794)	(4,109)	(33,817)
Cash dividends paid to noncontrolling stockholders	(7)	(7)	(62)
Purchases of treasury stock	(1)	(3)	(8)
Proceeds from sales of treasury stock	0	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,680)	—	(32,801)
Net cash provided by (used in) financing activities	(7,401)	(19,106)	(65,968)
Foreign currency translation adjustments	(1)	(23)	(8)
Net increase (decrease) in cash and cash equivalents	225,916	(44,712)	2,013,691
Cash and cash equivalents at the beginning of year	557,587	602,299	4,970,024
Cash and cash equivalents at the end of year (Note 17)	¥ 783,504	¥ 557,587	\$ 6,983,724

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2017

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 re-structured 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, 2017, which was ¥112.19 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.

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 was excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income would have been 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 was excluded from the scope of the equity method because its net income and retained earnings would have been immaterial to the consolidated financial statements.

The consolidated financial statements include the accounts of five consolidated subsidiaries with fiscal years that end 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 are 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 12, 2017, cash dividends amounting to ¥1,897 million (\$16,908 thousand) were approved by the Board of Directors. The appropriation was not accrued in the consolidated financial statements as of March 31, 2017. 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 treated 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, 2017 and 2016, the estimated unrecoverable amounts were ¥22,241 million (\$198,244 thousand) and ¥25,113 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 and accompanying facilities and structures acquired on or after April 1, 2016 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.

Both tangible and intangible lease assets under finance leases that are not deemed to transfer the ownership of the lease property 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 is provided in connection with inactive bank accounts the balances of which have been derecognized as liabilities. The reserve is provided for the possible future demands on claims of withdrawal from these accounts in an amount 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 amount of reserve is based on an estimate of the amount possible future losses.

(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 financial related transactions.

(13) Accounting method for retirement benefits

In calculating benefit obligation, the portion of the 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 with 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 that would be 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 accounting 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 items, such as 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 risk 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 risk of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency positions of the hedged monetary assets and liabilities and the hedging instruments.

The Bank also applies fair value hedge accounting to portfolio hedges of the foreign exchange risk 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

In connection with finance leases as the lessor, sales and cost of sales are recognized at the time of receiving lease payment.

(16) Operating leases

As lessor under 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 exclusion 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

(Change in accounting policies)

In accordance with a revision of the Corporation Tax Act, the Bank and its consolidated subsidiaries applied “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, issued on June 17, 2016) and changed the depreciation method for accompanying facilities and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method starting from the fiscal year ended March 31, 2017.

The effect of this change on the consolidated financial statements were immaterial.

(Additional information)

The Bank and its consolidated subsidiaries applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 issued on March 28, 2016) from the fiscal year ended March 31, 2017.

3. Stocks and Investments in Unconsolidated Subsidiaries and Affiliates

Securities included investments in unconsolidated subsidiaries and affiliates amounting to ¥98 million (\$873 thousand) and ¥100 million at March 31, 2017 and 2016, respectively.

4. Securities Lending Transactions

At March 31, 2017 and 2016, Japanese government bonds included ¥15,609 million (\$139,130 thousand) and ¥10,030 million, respectively, of secured loan securities for which the borrowers had the right to sell or pledge.

5. Loans and Bills Discounted

At March 31, 2017 and 2016 loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Loans to bankrupt customers	¥ 1,537	¥ 2,159	\$ 13,699
Non-accrual loans	45,126	50,013	402,228
Loans overdue three months or more	2,344	2,376	20,893
Restructured loans	15,886	14,669	141,599
Total	¥64,895	¥69,219	\$578,438

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 nonperforming loans that are not generating interest income because of nonpayment and for 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 ¥25,321 million (\$225,697 thousand) and ¥29,799 million at March 31, 2017 and 2016, respectively.

7. Assets Pledged

At March 31, 2017 and 2016 assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Securities	¥648,707	¥579,581	\$5,782,217
Lease receivables and investment assets	—	0	—

The above pledged assets secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deposits	¥ 28,539	¥33,065	\$ 254,380
Payables under repurchase agreements	40,124	—	357,643
Payables under securities lending transactions	324,715	324,796	2,894,331
Borrowed money	210,205	37,004	1,873,651
Other liabilities	—	0	—

In addition to the above, assets pledged as collateral for transactions such as exchange settlement transactions and others were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Securities	¥56,599	¥68,878	\$504,492
Other assets	11,994	—	106,907

At March 31, 2017, other assets included cash collateral paid for financial instruments of ¥6,032 million (\$53,765 thousand), guarantees of ¥75 million (\$668 thousand) and security deposits of ¥283 million (\$2,522 thousand). At March 31, 2016, other assets included cash collateral paid for financial instruments of ¥2,525 million, guarantees of ¥70 million and security deposits of ¥344 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, 2017 and 2016 amounted to ¥1,077,598 million (\$9,605,116 thousand) and ¥1,039,157 million, respectively. Of these amounts, ¥1,002,345 million (\$8,934,352 thousand) and ¥969,104 million as of March 31, 2017 and 2016, 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 the financial condition of the obligor 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, 2017 and 2016, the current market value of the revalued land was lower than the revalued amount by ¥18,952 million (\$168,927 thousand) and ¥21,987 million, respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2017 and 2016 amounted to ¥53,331 million (\$475,363 thousand) and ¥51,715 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2017 and 2016 were ¥8,479 million (\$75,577 thousand) and ¥8,479 million, respectively.

11. Borrowed Money

Borrowed money at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Borrowings from banks	¥220,887	¥50,164	\$1,968,865
Lease liabilities (due within one year)	426	425	3,797
Lease liabilities (due after one year)	747	1,168	6,658

The weighted average interest rates on the outstanding balances at March 31, 2017 and 2016 were as follows:

	2017	2016
Borrowings from banks	0.13%	0.25%
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 in which amounts equal to the interest in the total capital lease obligations are spread equally over each fiscal year of the lease period.

The following is a summary of the maturities of borrowed money at March 31, 2017.

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)
2018	¥213,680	\$1,904,626	¥ 426	\$ 3,797
2019	2,843	25,340	348	3,101
2020	2,108	18,789	216	1,925
2021	979	8,726	162	1,443
2022	455	4,055	9	80
Thereafter	818	7,291	10	89
Total	¥220,887	\$1,968,865	¥1,174	\$10,464

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 ¥38,779 million (\$345,654 thousand) and ¥22,331 million at March 31, 2017 and 2016, respectively.

13. Acceptances and Guarantees

The principal amount of money trusts to be indemnified by the Bank and its consolidated subsidiaries was ¥29 million (\$258 thousand) and ¥29 million at March 31, 2017 and 2016, respectively.

14. General and Administrative Expenses

General and administrative expenses included salaries and allowances in the amount of ¥21,545 million (\$192,040 thousand) and ¥21,391 million at March 31, 2017 and 2016, respectively.

15. Other Expenses

- (1) For the year ended March 31, 2017, other expenses included loans written off in the amount of ¥34 million (\$303 thousand) and securities written off in the amount of ¥21 million (\$187 thousand). For the year ended March 31, 2016, other expenses included loans written off in the amount of ¥260 million and securities written off in the amount of ¥5 million.
- (2) For the year ended March 31, 2017, the Bank reduced the book values of the following asset groups to the recoverable amounts and recognized impairment loss of ¥2,246 million (\$20,019 thousand) due to a continuing decrease in real estate values and operating cash flows.

Millions of yen					
2017					
Area	Purpose of use	Type	Total impairment loss	Land	Buildings
Ehime area	Branches 7 branches	Land and buildings	¥1,781	¥1,490	¥291
	Idle assets 2 items	Buildings	13	—	13
Others	Branches 2 branches	Land and buildings	406	368	38
	Idle assets 1 item	Land and buildings	44	43	1
Total			¥2,246	¥1,901	¥344

Thousands of U.S. dollars (Note 1)					
2017					
Area	Purpose of use	Type	Total impairment loss	Land	Buildings
Ehime area	Branches 7 branches	Land and buildings	\$15,874	\$13,281	\$2,593
	Idle assets 2 items	Buildings	115	—	115
Others	Branches 2 branches	Land and buildings	3,618	3,280	338
	Idle assets 1 item	Land and buildings	392	383	8
Total			\$20,019	\$16,944	\$3,066

The Bank allocates its assets to each branch or group of branches, which is the smallest unit of asset group in managerial accounting. The 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, 2016, the Bank reduced the book values of the following asset groups to the recoverable amounts and

recognized impairment loss of ¥884 million due to a continuing decrease in real estate values and operating cash flows.

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

The Bank allocates its assets to each branch or group of branches, which is the smallest unit of asset group in managerial accounting. The 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)
	2017	2016	2017
Net unrealized holding gains (losses) on securities			
Incurred during the period	¥ 4,172	¥(35,378)	\$ 37,186
Reclassification adjustments	(4,803)	(5,063)	(42,811)
Before tax effect adjustments	(631)	(40,441)	(5,624)
Tax effect	334	16,295	2,977
Net unrealized holding gains (losses) on securities	(297)	(24,146)	(2,647)
Net deferred gains (losses) on derivatives under hedge accounting			
Incurred during the period	(2,975)	(1,006)	(26,517)
Reclassification adjustments	2,300	622	20,500
Before tax effect adjustments	(675)	(383)	(6,016)
Tax effect	206	115	1,836
Net deferred gains (losses) on derivatives under hedge accounting	(469)	(268)	(4,180)
Revaluation reserve for land			
Incurred during the period	—	—	—
Reclassification adjustments	—	—	—
Before tax effect adjustments	—	—	—
Tax effect	—	543	—
Land revaluation excess	—	543	—
Remeasurements of defined benefit plans			
Incurred during the period	5,516	(7,993)	49,166
Reclassification adjustments	875	(947)	7,799
Before tax effect adjustments	6,392	(8,940)	56,974
Tax effect	(1,962)	2,960	(17,488)
Remeasurements of defined benefit plans	4,430	(5,980)	39,486
The total amount of other comprehensive income	¥ 3,663	¥(29,851)	\$ 32,649

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)
	2017	2016	2017
Cash and due from banks in the balance sheets	¥795,208	¥583,919	\$7,088,047
Due from banks, except for deposits with the Bank of Japan	(11,703)	(26,332)	(104,314)
Cash and cash equivalents in the statements of cash flows	¥783,504	¥557,587	\$6,983,724

18. Lease Transactions

(1) Finance Leases

Finance leases that do not transfer ownership of the lease assets

(a) Details of lease assets

- (i) Tangible fixed assets
 - Automatic teller machines
- (ii) Intangible fixed assets
 - Not applicable

(b) The method of depreciation for lease assets

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

(2) Operating Leases

Future lease payment receivables under noncancelable operating leases at March 31, 2017 and 2016 were as follows:

As lessor

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Due within one year	¥ 43	¥ 37	\$ 383
Due after one year	100	115	891
Total	¥144	¥152	\$1,283

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 and 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 expose the Bank 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 overconcentrated 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 the individual credit granted and examining each customers' finances, purpose for their loan and their ability to repay. The group is independent from the business promotion group and is divided into four divisions: the Credit Division - responsible for general loans, the Ship Finance Division - responsible for the loans such as shipping industry and shipbuilding industry, the Credit Management Division - responsible for the planning of loan administration and troubled credit and the Corporate Consulting Division - responsible for supporting company rehabilitation. 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 standards.

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 risk 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 developed 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-covariance 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 rate cap derivative transactions.

At March 31, 2017 and 2016, the quantity of market risk (expected loss), which included equity risk and interest rate risk, amounted to ¥197.1 billion (\$1,756 million) and ¥184.9 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

The 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, 2017 and 2016. Unlisted stocks and others for which the fair value was deemed extremely difficult to determine were excluded from the table below (see Note ii).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 795,208	¥ 795,208	¥ —	\$ 7,088,047	\$ 7,088,047	\$ —
(2) Call loans and bills purchased	90,582	90,582	—	807,398	807,398	—
(3) Monetary claims purchased	11,373	11,373	—	101,372	101,372	—
(4) Trading account securities						
Trading securities	568	568	—	5,062	5,062	—
(5) Money held in trust	5,749	5,749	—	51,243	51,243	—
(6) Securities						
Available-for-sale securities	1,721,210	1,721,210	—	15,341,919	15,341,919	—
(7) Loans and bills discounted	4,021,442	3,978,146		35,844,923	35,459,007	
Reserve for loan losses (*1)	(22,232)			(198,163)		
	3,999,210	3,978,146	(21,063)	35,646,759	35,459,007	(187,744)
Total assets	¥6,623,903	¥6,602,839	¥(21,063)	\$59,041,830	\$58,854,077	\$(187,744)
(1) Deposits	¥4,991,984	¥4,991,748	¥ (236)	\$44,495,801	\$44,493,698	\$ (2,103)
(2) Negotiable certificates of deposit	445,292	445,290	(1)	3,969,088	3,969,070	(8)
(3) Call money and bills sold	72,346	72,346	—	644,852	644,852	—
(4) Payables under repurchase agreements	40,124	40,124	—	357,643	357,643	—
(5) Payables under securities lending transactions	324,715	324,715	—	2,894,331	2,894,331	—
(6) Borrowed money	220,887	220,927	40	1,968,865	1,969,221	356
Total liabilities	¥6,095,350	¥6,095,153	¥ (197)	\$54,330,599	\$54,328,843	\$ (1,755)
Derivative Transactions (*2)						
Derivative transactions to which hedge accounting is not applied	¥ 1,470	¥ 1,470	¥ —	\$ 13,102	\$ 13,102	\$ —
Derivative transactions to which hedge accounting is applied	(5,261)	(5,261)	—	(46,893)	(46,893)	—
Total derivative transactions	¥ (3,790)	¥ (3,790)	¥ —	\$ (33,781)	\$ (33,781)	\$ —

(*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		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 583,919	¥ 583,919	¥ —
(2) Call loans and bills purchased	105,072	105,072	—
(3) Monetary claims purchased	9,516	9,516	—
(4) Trading account securities			
Trading securities	468	468	—
(5) Money held in trust	8,476	8,476	—
(6) Securities			
Available-for-sale securities	1,726,047	1,726,047	—
(7) Loans and bills discounted	3,890,085	3,870,585	
Reserve for loan losses (*1)	(24,539)		
	3,865,546	3,870,585	5,039
Total assets	¥6,299,046	¥6,304,085	¥5,039
(1) Deposits	¥5,003,801	¥5,004,362	¥ 560
(2) Negotiable certificates of deposit	320,631	320,631	—
(3) Call money and bills sold	70,988	70,988	—
(4) Payables under repurchase agreements	—	—	—
(5) Payables under securities lending transactions	324,796	324,796	—
(6) Borrowed money	50,164	50,245	81
Total liabilities	¥5,770,382	¥5,771,024	¥ 642
Derivative Transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ 2,697	¥ 2,697	¥ —
Derivative transactions to which hedge accounting is applied	(289)	(289)	—
Total derivative transactions	¥ 2,407	¥ 2,407	¥ —

(*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 equal to the book value since the fair value approximates the book value. The fair value of due from banks with maturity is calculated as the present value discounted at rates that reflect the 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 equal to the book value since the fair value approximates the book value.

(2) Call loans and bills purchased

The fair value of call loans and bills purchased is considered equal to the book value since the contractual term is within one year and the fair value 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 correspondent financial institutions. For monetary claims purchased with short contractual terms (within one year), the fair value is considered equal to the book value since the fair value approximates the book value.

(4) Trading account securities

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

(5) Money held in trust

The fair value of money held in trust is based on the price quoted by correspondent 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 correspondent 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.

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 floating rates are considered equal to the book value since the rate reflects the market rate in a short period and the fair value 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 fixed rates 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 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 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 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 equal to the book value since the fair value approximates the book value.

(3) Call money and bills sold, (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

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

(6) Borrowed money

The fair value of borrowed money with a floating rate is considered equal to the book value since the rate reflects the market rate in a short period, the creditworthiness of the Bank and its consolidated 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 extremely difficult to determine are not included in "Available-for-sale securities" in the table above.

Category	Consolidated balance sheet amount (2017)	
	Millions of yen	Thousands of U.S. dollars (Note 1)
Unlisted stocks (*1) (*2)	¥12,703	\$113,227
Investments in partnerships (*3)	2,066	18,415
Total	¥14,769	\$131,642

(*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 impairment on unlisted stocks during the year ended March 31, 2017 was ¥21 million (\$187 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 (2016)	
	Millions of yen	
Unlisted stocks (*1) (*2)	¥12,494	
Investments in partnerships (*3)	1,215	
Total	¥13,710	

(*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 impairment on unlisted stocks during the year ended March 31, 2016 was ¥5 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					
	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 751,237	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	90,582	—	—	—	—	—
Monetary claims purchased	3,846	—	130	1,242	—	6,110
Securities	153,654	364,830	385,349	80,653	263,497	61,633
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	153,654	364,830	385,349	80,653	263,497	61,633
Japanese government bonds	60,800	181,500	257,100	—	101,000	17,000
Municipal bonds	26,962	60,747	42,386	17,066	38,342	34,147
Corporate bonds	21,962	33,060	25,712	13,705	10,277	5,361
Loans and bills discounted (*)	1,062,687	742,575	574,220	388,754	427,007	740,654
Total	¥2,062,007	¥1,107,405	¥959,701	¥470,649	¥690,504	¥808,398

	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

Thousands of U.S. dollars (Note 1)

	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	\$ 6,696,113	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	807,398	—	—	—	—	—
Monetary claims purchased	34,281	—	1,158	11,070	—	54,461
Securities	1,369,587	3,251,894	3,434,789	718,896	2,348,667	549,362
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	1,369,587	3,251,894	3,434,789	718,896	2,348,667	549,362
Japanese government bonds	541,937	1,617,791	2,291,648	—	900,258	151,528
Municipal bonds	240,324	541,465	377,805	152,116	341,759	304,367
Corporate bonds	195,757	294,678	229,182	122,158	91,603	47,785
Loans and bills discounted (*)	9,472,207	6,618,905	5,118,281	3,465,139	3,806,105	6,601,782
Total	\$18,379,597	\$9,870,799	\$8,554,247	\$4,195,106	\$6,154,773	\$7,205,615

(*) 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 ¥46,664 million (\$415,937 thousand) and ¥52,173 million, respectively, and loans and bills with no maturities amounted to ¥38,880 million (\$346,554 thousand) and ¥38,437 million at March 31, 2017 and 2016, respectively.

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

	Millions of yen					
	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,574,231	¥368,889	¥44,136	¥1,731	¥2,995	¥—
Certificates of deposit	444,002	1,290	—	—	—	—
Call money and bills sold	72,346	—	—	—	—	—
Payables under repurchase agreements	40,124	—	—	—	—	—
Payables under securities lending transactions	324,715	—	—	—	—	—
Borrowed money	213,680	4,952	1,435	445	321	52
Total	¥5,669,101	¥375,131	¥45,572	¥2,176	¥3,316	¥52

	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

	Thousands of U.S. dollars (Note 1)					
	2017					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	\$40,772,181	\$3,288,073	\$393,404	\$15,429	\$26,695	\$—
Certificates of deposit	3,957,589	11,498	—	—	—	—
Call money and bills sold	644,852	—	—	—	—	—
Payables under repurchase agreements	357,643	—	—	—	—	—
Payables under securities lending transactions	2,894,331	—	—	—	—	—
Borrowed money	1,904,626	44,139	12,790	3,966	2,861	463
Total	\$50,531,250	\$3,343,711	\$406,203	\$19,395	\$29,557	\$463

(*) 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, 2017.

(a) Trading securities:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2017	2017
Unrealized gains (losses) included in profit and loss for the fiscal year	¥(1)	\$(8)

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2017			2017		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with unrealized gains						
Equity securities	¥ 272,367	¥ 90,765	¥181,601	\$ 2,427,729	\$ 809,029	\$1,618,691
Bonds	833,865	801,720	32,144	7,432,614	7,146,091	286,513
Japanese government bonds	549,036	527,921	21,115	4,893,805	4,705,597	188,207
Municipal bonds	188,367	179,830	8,536	1,678,999	1,602,905	76,085
Corporate bonds	96,461	93,968	2,492	859,800	837,579	22,212
Other	265,518	248,505	17,012	2,366,681	2,215,036	151,635
Total	¥1,371,751	¥1,140,992	¥230,758	\$12,227,034	\$10,170,175	\$2,056,849
Securities with unrealized losses						
Equity securities	¥ 4,275	¥ 4,979	¥ (703)	\$ 38,105	\$ 44,380	\$ (6,266)
Bonds	169,012	170,048	(1,036)	1,506,480	1,515,714	(9,234)
Japanese government bonds	93,012	93,191	(179)	829,057	830,653	(1,595)
Municipal bonds	39,658	40,084	(425)	353,489	357,286	(3,788)
Corporate bonds	36,341	36,772	(431)	323,923	327,765	(3,841)
Other	183,699	187,288	(3,588)	1,637,391	1,669,382	(31,981)
Total	356,987	362,315	(5,328)	3,181,985	3,229,476	(47,490)
Total	¥1,728,738	¥1,503,308	¥225,430	\$15,409,020	\$13,399,661	\$2,009,359

(d) Available-for-sale securities sold in the year ended March 31, 2017:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2017			2017		
	Amount sold	Gains	Losses	Amount sold	Gains	Losses
Equity securities	¥ 8,671	¥5,943	¥ 0	\$ 77,288	\$52,972	\$ 0
Bonds	53,789	480	—	479,445	4,278	—
Japanese government bonds	53,689	479	—	478,554	4,269	—
Corporate bonds	99	0	—	882	0	—
Other	63,932	997	458	569,854	8,886	4,082
Total	¥126,392	¥7,420	¥458	\$1,126,588	\$66,137	\$4,082

(e) Available-for-sale securities which have readily determinable fair values are written down 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 change 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, 2016:

(a) Trading securities:

	Millions of yen
	2016
Unrealized gains (losses) included in profit and loss for the fiscal year	¥6

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen		
	2016		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Equity securities	¥ 251,406	¥ 89,950	¥161,455
Bonds	982,394	938,214	44,180
Japanese government bonds	651,888	622,349	29,538
Municipal bonds	214,957	203,087	11,870
Corporate bonds	115,548	112,777	2,771
Other	375,480	351,276	24,203
Total	¥1,609,281	¥1,379,441	¥229,839
Securities with unrealized losses			
Equity securities	¥ 6,886	¥ 8,470	¥ (1,583)
Bonds	22,888	23,130	(242)
Municipal bonds	13,466	13,589	(122)
Corporate bonds	9,421	9,541	(120)
Other	92,544	94,551	(2,007)
Total	122,318	126,152	(3,833)
Total	¥1,731,600	¥1,505,594	¥226,006

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

	Millions of yen		
	2016		
	Amount sold	Gains	Losses
Equity securities	¥ 5,563	¥3,568	¥—
Bonds	49,638	313	14
Municipal bonds	49,598	313	14
Corporate bonds	40	0	—
Other	24,557	1,108	0
Total	¥79,759	¥4,990	¥14

(e) Available-for-sale securities which have readily determinable fair values are written down 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 change during a certain period in the past, business performance and other factors.

21. Money Held in Trust

(1) The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses for money held in trust included in profit and loss for the fiscal year ended March 31, 2017.

	Thousands of U.S. dollars (Note 1)	
	Millions of yen	2017
	2017	2017
Money held in trust for investment		
Book value (fair value)	¥2,994	\$26,686
Amount of net unrealized gain (loss) included in profit and loss for the fiscal year	¥ 0	\$ 0
Other money held in trust		
Book value (fair value)	2,755	24,556
Acquisition cost	2,077	18,513
Difference	678	6,043
Unrealized gains	678	6,043
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, 2016.

	Millions of yen	
	2016	
Money held in trust for investment		
Book value (fair value)		¥5,975
Amount of net unrealized gain (loss) included in the income statement	¥	—
Other money held in trust		
Book value (fair value)		2,501
Acquisition cost		1,767
Difference		733
Unrealized gains		733
Unrealized losses		—

22. Unrealized Holding Gains on Securities

At March 31, 2017 and 2016, unrealized holding gains on securities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Valuation gains			
Available-for-sale securities	¥225,430	¥226,006	\$2,009,359
Other money held in trust	678	733	6,043
Deferred tax liabilities	(68,902)	(69,236)	(614,154)
Net unrealized holding gains on securities (before adjustment for minority interests)	157,206	157,503	1,401,247
Noncontrolling interests	(3,708)	(4,336)	(33,051)
Net unrealized holding gains on securities	¥153,498	¥153,166	\$1,368,196

23. Derivative Transactions

(1) At March 31, 2017

(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)			
	2017				2017			
	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	¥42,906	¥39,479	¥ 1,328	¥ 1,328	\$382,440	\$351,894	\$ 11,837	\$ 11,837
Receive floating rate and pay fixed rate	42,806	39,380	(1,212)	(1,212)	381,549	351,011	(10,803)	(10,803)
Total	—	—	¥ 116	¥ 116	—	—	\$ 1,033	\$ 1,033

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)			
	2017				2017			
	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	¥811,300	¥416,376	¥ 134	¥ 134	\$7,231,482	\$3,711,346	\$ 1,194	\$ 1,194
Forward exchange contracts:								
Sell	178,847	6,837	706	706	1,594,143	60,941	6,292	6,292
Buy	96,411	5,967	512	512	859,354	53,186	4,563	4,563
Currency options:								
Sell	45,549	28,440	1,613	244	405,998	253,498	14,377	2,174
Buy	45,549	28,440	1,613	75	405,998	253,498	14,377	668
Total	—	—	¥4,581	¥1,673	—	—	\$40,832	\$14,912

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 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)		
		2017			2017		
		Contract amount	Portion maturing over one year	Fair value	Contract amount	Portion maturing over one year	Fair value
Method of hedge accounting							
Currency swaps	Foreign currency monetary assets	¥142,063	¥97,178	¥(5,651)	\$1,266,271	\$866,191	\$(50,369)
Fund related swaps		75,980	—	390	677,243	—	3,476
Total		—	—	¥(5,261)	—	—	\$(46,893)

The above transactions are accounted for with 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, 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 risks of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen			
	2016			
	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
Receive floating rate and pay fixed rate	40,682	40,280	(1,833)	(1,833)
Total	—	—	¥ 129	¥ 129

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			
	2016			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Currency swaps	¥696,660	¥401,919	¥ 189	¥ 189
Forward exchange contracts:				
Sell	252,572	10,661	2,967	2,967
Buy	90,728	5,259	(589)	(589)
Currency options:				
Sell	35,507	24,764	1,746	127
Buy	35,507	24,764	1,746	184
Total	—	—	¥6,060	¥2,879

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

(i) Currency and foreign exchange contracts

		Millions of yen		
		2016		
	Hedged item	Contract amount	Portion maturing over one year	Fair value
Method of hedge accounting				
Currency swaps	Foreign currency	¥116,908	¥116,908	¥(2,697)
Fund related swaps	monetary assets	68,918	—	2,407
Total		—	—	¥ (289)

The above transactions are accounted for with 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

For the year ended March 31, 2017

(a) Outline of retirement and severance benefits plans

The retirement benefit plans 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)
	2017	2016	2017
Retirement benefit obligations at the beginning of the period	¥69,522	¥65,345	\$619,680
Service cost	2,094	1,895	18,664
Interest cost	106	443	944
Actuarial differences incurred	(1,183)	5,024	(10,544)
Retirement benefits paid	(3,245)	(3,185)	(28,924)
Prior service cost	(953)	—	(8,494)
Retirement benefit obligations at the end of the period	66,341	69,522	591,327

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2016
Pension assets at the beginning of the period	¥68,524	¥70,186	\$610,785
Expected return on pension assets	955	944	8,512
Actuarial differences incurred	3,427	(2,969)	30,546
Employer's contributions	2,517	2,490	22,435
Retirement benefits paid	(2,164)	(2,128)	(19,288)
Pension assets at the end of the period	73,259	68,524	652,990

(Note) Pension assets include assets in the 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)
	2017	2016	2017
Retirement benefit obligations of the savings plan	¥ 66,026	¥ 69,236	\$ 588,519
Pension assets	(73,259)	(68,524)	(652,990)
	(7,233)	712	(64,470)
Retirement benefit obligations of the non-savings plan	314	285	2,798
Net liabilities and assets recorded on the consolidated balance sheets	(6,918)	998	(61,663)
Net defined benefit liability	12,572	13,840	112,059
Net defined benefit asset	(19,490)	(12,842)	(173,723)
Net liabilities and assets in the consolidated balance sheets	(6,918)	998	(61,663)

(Note) Pension assets include assets in the retirement benefit trust.

(iv) Retirement benefit cost and its breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Service cost	¥1,917	¥1,724	\$17,087
Interest cost	106	443	944
Expected return on pension assets	(955)	(944)	(8,512)
Recognized actuarial differences	1,358	(463)	12,104
Amortization of prior service cost	(531)	(483)	(4,733)
	1,897	276	16,908

(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)
	2017	2016	2017
Prior service cost	¥ 422	¥ (483)	\$ 3,761
Actuarial differences	5,969	(8,457)	53,204
Total	6,392	(8,940)	56,974

(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)
	2017	2016	2017
Unrecognized prior service cost	¥(4,249)	¥(3,826)	\$(37,873)
Unrecognized actuarial differences	(3,459)	2,510	(30,831)
Total	(7,708)	(1,316)	(68,704)

(vii) Pension assets

(A) Pension asset portfolio

	2017	2016
Bonds	52.3%	56.0%
Equity securities	41.2%	37.5%
Other	6.5%	6.5%
Total	100.0%	100.0%

(Note) 29.2% of the total pension assets as of March 31, 2017 (27.0% as of March 31, 2016) represent assets in the retirement benefit trust for the corporate pension fund. 3.5% of which as of March 31, 2017 (3.2% as of March 31, 2016) corresponds to the lump-sum grant systems.

(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 stated 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 year ended March 31, 2017 and 2016 were as follows:

	2017	2016
<i>(A) Discount rates</i>		
Retirement lump-sum grant systems	0.00%	0.00%
Corporate pension fund plans	0.40%	0.20%
<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 the substantive portion of the retirement lump-sum grant systems and a cash balance plan to defined benefit corporate pension fund plans, respectively. The "Estimated salary increase rate" is not disclosed due to the insignificant impact it would have on the calculation of retirement benefit obligations.

(c) Defined contribution plan

The amount of required contribution by the Bank to the defined contribution plan was ¥322 million (\$2,870 thousand) and ¥312 million at March 31, 2017 and 2016, respectively.

25. Stock Options

(1) Stock options to be expensed

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
General and administrative expenses	¥112	¥116	\$998

(2) Outline of stock options and changes

(a) Outline of stock options

	2016 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: 15	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: 184,600	Common shares: 79,500	Common shares: 123,100	Common shares: 140,900	Common shares: 199,500	Common shares: 156,800
Grant date	July 15, 2016	July 15, 2015	July 16, 2014	July 16, 2013	July 17, 2012	July 15, 2011
Conditions for vesting	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Exercise period	July 16, 2016 to July 15, 2046	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

	2016 Stock Options shares	2015 Stock Options shares	2014 Stock Options shares	2013 Stock Options shares	2012 Stock Options shares	2011 Stock Options shares
Before vesting						
Previous fiscal year-end	—	79,500	102,200	94,100	130,600	77,600
Granted	184,600	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	—	4,900	7,700	9,000	13,300	6,300
Outstanding	184,600	74,600	94,500	85,100	117,300	71,300
After vesting						
Previous fiscal year-end	—	—	—	—	—	—
Vested	—	4,900	7,700	9,000	13,300	6,300
Exercised	—	4,900	7,700	9,000	13,300	6,300
Forfeited	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—

(ii) Price information

	2016 Stock Options Yen (U.S. dollars)	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	¥ 1 (\$0) per share
Average exercise price	—	¥ 623 (\$ 5) per share	¥623 (\$5) per share	¥623 (\$5) per share	¥623 (\$5) per share	¥623 (\$5) per share
Fair value at the grant date	¥601 (\$5) per share	¥1,473 (\$13) per share	¥989 (\$8) per share	¥918 (\$8) per share	¥550 (\$4) per share	¥704 (\$6) per share

(3) 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

	2016 Stock Options Yen (U.S. dollars)
Expected volatility (*1)	28.632%
Average expected life (*2)	5.13 years
Expected dividends (*3)	¥12 (\$0) per share
Risk free interest rate (*4)	(0.352%)

(*1) Calculated based on actual weekly stock prices from May 30, 2011 to July 15, 2016.

(*2) Estimated based on an average 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, 2016.

(*4) Japanese government bond yield corresponding to the average expected life.

(4) 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.

The taxes, in the aggregate, indicate a statutory rate in Japan of approximately 30.7% and 32.8% for the years ended March 31, 2017 and 2016, respectively.

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

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

For the fiscal year ended March 31, 2017, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate is not disclosed as the difference was less than 5% of the statutory tax rate.

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

With the enactment of certain laws, the timing of abolishment and revision of related tax rates was postponed from the consolidated fiscal year starting on or after April 1, 2017 to October 1, 2019. The effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities did not change but there is a reclassification between the national tax and the local tax. Effects of this change on consolidated financial statements were immaterial.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deferred tax assets:			
Excess reserve for loan losses	¥ 12,068	¥ 13,023	\$ 107,567
Net defined benefit liability	225	2,568	2,005
Reserve for losses on repayments of dormant bank accounts	939	961	8,369
Excess depreciation	691	625	6,159
Impairment loss on land	555	437	4,946
Accrued employees' bonuses	507	532	4,519
Write-down of securities	426	504	3,797
Other	2,355	2,380	20,991
Valuation reserve	(985)	(922)	(8,779)
Total deferred tax assets	16,782	20,110	149,585
Deferred tax liabilities:			
Unrealized holding gains on securities	¥(68,810)	¥(69,151)	\$(613,334)
Deferred gains on real property	(909)	(912)	(8,102)
Total deferred tax liabilities	(69,719)	(70,063)	(621,436)
Net deferred tax liabilities:	¥(52,937)	¥(49,953)	\$(471,851)

(Change in presentation)

"Impairment loss on land" included in "Other" of deferred tax assets in the previous fiscal year in the amount of ¥437 million is presented separately in the current fiscal year.

27. Business Combinations

Transactions under common control

Additional Acquisition of Shares of Subsidiaries

(1) Overview of the transaction

(a) Name of the combined company and its business

Iyogin Leasing Company Limited (leasing business, etc.)

(b) Date of business combination

February 6, 2017

(c) Legal form of business combination

Stock acquisition from noncontrolling shareholders

(d) Name of the company after business combination

No change

(e) Other

The purpose of the acquisition of shares from noncontrolling shareholders was to strengthen the corporate governance structure and Group management.

(2) Overview of accounting method

This transaction was accounted for as a transaction with noncontrolling shareholders under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(3) Additional acquisition of shares in a subsidiary

Acquisition cost and its components by type of consideration:

Value of the acquisition: Cash and due from banks in the amount of ¥3,680 million (\$32,801 thousand)

Acquisition cost: ¥3,680 million (\$32,801 thousand)

(4) Changes in ownership interest of the Bank related to the transaction with noncontrolling shareholders

(a) Major factors in change in capital surplus

Additional acquisition of stock in a subsidiary

(b) The amount of increased capital surplus resulting from the transaction with noncontrolling shareholders was ¥1,061 million (\$9,457 thousand)

28. Segment Information

(1) Summary of reportable segments

Reportable segments are components of the Bank and its consolidated subsidiaries 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, 2016) 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. '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, debt 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.

(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, 2017 and 2016 was as follows:

	Millions of yen						
	2017						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	¥ 100,003	¥15,111	¥ 115,115	¥2,161	¥ 117,276	¥ —	¥ 117,276
Intersegment	480	499	980	1,574	2,554	(2,554)	—
Total	¥ 100,484	¥15,611	¥ 116,095	¥3,735	¥ 119,831	¥ (2,554)	¥ 117,276
Segment profit	¥ 34,679	¥ 352	¥ 35,032	¥ 471	¥ 35,503	¥ (75)	¥ 35,428
Segment assets	¥6,833,888	¥50,981	¥6,884,870	¥8,571	¥6,893,441	¥(44,158)	¥6,849,283
Segment debt	¥6,237,214	¥34,804	¥6,272,018	¥2,607	¥6,274,626	¥(34,404)	¥6,240,221
Other items							
Depreciation	¥ 4,467	¥ 51	¥ 4,518	¥ 92	¥ 4,610	¥ (59)	¥ 4,551
Interest income received	75,177	77	75,255	3	75,258	(118)	75,139
Interest expense paid	7,688	140	7,828	0	7,828	(108)	7,720
Extraordinary income	80	—	80	—	80	—	80
Gain on disposal of noncurrent assets	80	—	80	—	80	—	80
Extraordinary losses	2,389	277	2,666	0	2,667	(287)	2,380
Losses on disposal of fixed assets	133	—	133	0	133	—	133
Impairment loss	2,256	277	2,533	—	2,533	(287)	2,246
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expenses	9,865	21	9,887	157	10,045	102	10,147
Increase in tangible fixed assets and intangible fixed assets	3,714	8	3,723	43	3,766	(81)	3,685

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 not included in the reported segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥75 million (\$668 thousand).
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥44,158 million (\$393,600 thousand).
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥34,404 million (\$306,658 thousand).
 - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥59 million (\$525 thousand), adjustment of interest income received of negative ¥118 million (\$1,051 thousand), adjustment of interest expense paid of negative ¥108 million (\$962 thousand), adjustment of extraordinary losses (impairment loss) of negative ¥287 million (\$2,558 thousand), adjustment of tax expense of ¥102 million (\$909 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥81 million (\$721 thousand).
- Segment profit is adjusted to ordinary income in the consolidated statements of income.

	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 not included in the reported segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥104 million.
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥39,764 million.
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥33,568 million.
 - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥34 million, adjustment of interest income received of negative ¥132 million, adjustment of interest expense paid of negative ¥123 million, adjustment of tax expense of negative ¥3 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥200 million.
- Segment profit is adjusted to ordinary income in the consolidated statements of income.

	Thousands of U.S. dollars (Note 1)						
	2017						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial banking	Leasing	Total				
Ordinary income							
Customers	\$ 891,371	\$134,691	\$ 1,026,071	\$19,261	\$ 1,045,333	\$ —	\$ 1,045,333
Intersegment	4,278	4,447	8,735	14,029	22,764	(22,764)	—
Total	\$ 895,659	\$139,147	\$ 1,034,807	\$33,291	\$ 1,068,107	\$ (22,764)	\$ 1,045,333
Segment profit	\$ 309,109	\$ 3,137	\$ 312,255	\$ 4,198	\$ 316,454	\$ (668)	\$ 315,785
Segment assets	\$60,913,521	\$454,416	\$61,367,947	\$76,397	\$61,444,344	\$(393,600)	\$61,050,744
Segment debt	\$55,595,097	\$310,223	\$55,905,321	\$23,237	\$55,928,567	\$(306,658)	\$55,621,900
Other items							
Depreciation	\$ 39,816	\$ 454	\$ 40,270	\$ 820	\$ 41,091	\$ (525)	\$ 40,565
Interest income received	670,086	686	670,781	26	670,808	(1,051)	669,747
Interest expense paid	68,526	1,247	69,774	0	69,774	(962)	68,811
Extraordinary income	713	—	713	—	713	—	713
Gain on disposal of noncurrent assets	713	—	713	—	713	—	713
Extraordinary losses	21,294	2,469	23,763	0	23,772	(2,558)	21,214
Losses on disposal of fixed assets	1,185	—	1,185	0	1,185	—	1,185
Impairment loss	20,108	2,469	22,577	—	22,577	(2,558)	20,019
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expenses	87,931	187	88,127	1,399	89,535	909	90,444
Increase in tangible fixed assets and intangible fixed assets	33,104	71	33,184	383	33,568	(721)	32,846

(4) Related information

For the years ended March 31, 2017 and 2016

Information by service

Millions of yen					
2017					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥51,242	¥32,878	¥15,111	¥18,043	¥117,276
Millions of yen					
2016					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥54,070	¥33,098	¥14,829	¥17,349	¥119,348
Thousands of U.S. dollars (Note 1)					
2017					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	\$456,743	\$293,056	\$134,691	\$160,825	\$1,045,333

Millions of yen						
2017						
Reportable segments					Elimination or common assets	
Commercial banking	Leasing	Total	Other businesses			Total
Impairment loss	¥2,256	¥277	¥2,533	¥—	¥(287)	¥2,246

(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

Millions of yen						
2016						
Reportable segments					Other businesses	
Commercial banking	Leasing	Total				Total
Impairment loss	¥884	¥—	¥884	¥—	¥—	¥884
Thousands of U.S. dollars (Note 1)						
2017						
Reportable segments					Elimination or common assets	
Commercial banking	Leasing	Total	Other businesses			Total
Impairment loss	\$20,108	\$2,469	\$22,577	\$—	\$(2,558)	\$20,019

29. Related Party Transactions

(1) For the year ended March 31, 2017

(a) Transactions between the Bank and its related parties

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary staffing	—	Temporary staffing	Temporary staffing	¥ 4	—	¥—
	Miyoshi Iron Works, Co., Ltd.	Ehime	38	Manufacturing	0.0%	Directly held	Banking	Loan	Loans and bills discounted	85

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	\$490	Temporary staffing	—		Temporary staffing	Temporary staffing	\$ 35	—	\$ —
	Miyoshi Iron Works, Co., Ltd.	Ehime	338	Manufacturing	0.0%	Directly held	Banking	Loan	980	Loans and bills discounted	\$757

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Loan transaction amounts were reported at the average balance for the period.
3. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.
4. Ms. Junko Miyoshi, a director (Supervisory Committee Member) and her close relative own a majority of the voting rights of Miyoshi Iron Works, Co., Ltd.

(b) Transactions between consolidated subsidiaries of the Bank and its related parties

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	¥55	Temporary staffing	15.0%	Directly holding	Temporary staffing	Temporary staffing	¥15	Other liabilities	¥0

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	\$490	Temporary staffing	15.0%	Directly holding	Temporary staffing	Temporary staffing	\$133	Other liabilities	\$0

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

(2) For the year ended March 31, 2016

(a) Transactions between the Bank and related parties

There were no relevant transactions with related parties to report.

(b) Transactions between consolidated subsidiaries of the Bank and related parties

There were no relevant transactions with related parties to report.

30. 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, 2017 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	7,625	1	41	7,585
Total	7,625	1	41	7,585

The increase in number of shares of treasury stock was from the purchase of fractional shares (1 thousand shares).

The decrease in number of shares of treasury stock was due to the exercise of stock acquisition rights (41 thousand shares).

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

	Number of shares at the beginning of the accounting period	Thousands		Number of shares at the end of the accounting period
		Increase in number of shares during the accounting period	Decrease in number of shares during 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 (56 thousand shares).

(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	Thousands of U.S. dollars (Note 1)
The Bank	Stock acquisition rights as stock options			—		479	4,269
Total				—		479	4,269

(3) Dividends

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

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 13, 2016	Common stock	¥1,896	\$16,899	¥6.00	\$0.05	March 31, 2016	June 8, 2016
Directors' meeting held on November 11, 2016	Common stock	¥1,897	\$16,908	¥6.00	\$0.05	September 30, 2016	December 9, 2016

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

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of stockholders held on June 26, 2015	Common stock	¥2,212	¥7.00	March 31, 2015	June 29, 2015
Directors' meeting held on November 6, 2015	Common stock	¥1,896	¥6.00	September 30, 2015	December 10, 2015

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

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)		Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 12, 2017	Common stock	¥1,897	\$16,908	Retained earnings	¥6.00	\$0.05	March 31, 2017	June 8, 2017

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	Retained earnings	Yen		
Directors' meeting held on May 13, 2016	Common stock	¥1,896	Retained earnings	¥6.00	March 31, 2016	June 8, 2016



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 sheet as at March 31, 2017, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year 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 audit. We conducted our audit 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, 2017, and their financial performance and cash flows for the year 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, 2017 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 31, 2017
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 Results (Unaudited)

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen			
	2017			
	First quarter (April 1 to June 30, 2016)	Second quarter (July 1 to September 30, 2016)	Third quarter (October 1 to December 31, 2016)	Fourth quarter (January 1 to March 31, 2017)
Ordinary income	¥31,845	¥57,293	¥86,595	¥117,276
Income before income taxes	12,162	17,374	26,994	33,127
Profit attributable to owners of parent	8,324	11,534	17,798	21,797

	Yen			
	2017			
	First quarter (April 1 to June 30, 2016)	Second quarter (July 1 to September 30, 2016)	Third quarter (October 1 to December 31, 2016)	Fourth quarter (January 1 to March 31, 2017)
Net income per share	¥26.33	¥10.15	¥19.81	¥12.64

	Thousands of U.S. dollars (Note 1)			
	2017			
	First quarter (April 1 to June 30, 2016)	Second quarter (July 1 to September 30, 2016)	Third quarter (October 1 to December 31, 2016)	Fourth quarter (January 1 to March 31, 2017)
Ordinary income	\$283,848	\$510,678	\$771,860	\$1,045,333
Income before income taxes	108,405	154,862	240,609	295,275
Profit attributable to owners of parent	74,195	102,807	158,641	194,286

	U.S. dollars (Note 1)			
	2017			
	First quarter (April 1 to June 30, 2016)	Second quarter (July 1 to September 30, 2016)	Third quarter (October 1 to December 31, 2016)	Fourth quarter (January 1 to March 31, 2017)
Net income per share	\$0.23	\$0.09	\$0.17	\$0.11

Nonconsolidated Balance Sheet (Unaudited)

The Iyo Bank, Ltd.
March 31, 2017

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
ASSETS			
Cash and due from banks	¥ 794,906	¥ 583,528	\$ 7,085,355
Call loans	90,582	105,072	807,398
Monetary claims purchased	11,373	9,516	101,372
Trading account securities	568	468	5,062
Money held in trust	4,539	7,690	40,458
Securities	1,737,182	1,736,137	15,484,285
Loans and bills discounted	4,043,352	3,911,187	36,040,217
Reserve for loan losses	(18,971)	(21,190)	(169,097)
Foreign exchange	8,201	5,153	73,099
Other assets	34,058	23,749	303,574
Tangible fixed assets	73,056	76,890	651,181
Intangible fixed assets	4,609	4,131	41,082
Prepaid pension cost	12,432	10,875	110,812
Customers' liabilities for acceptances and guarantees	26,563	29,438	236,767
Total assets	¥6,822,456	¥6,482,649	\$60,811,623
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits	¥5,457,066	¥5,343,182	\$48,641,287
Call money	72,346	70,988	644,852
Payables under repurchase agreements	40,124	—	357,643
Payables under securities lending transactions	324,715	324,796	2,894,331
Borrowed money	215,702	42,989	1,922,649
Foreign exchange	145	112	1,292
Borrowed money from trust account	29	29	258
Other liabilities	30,717	34,898	273,794
Accrued employees' bonuses	1,510	1,588	13,459
Employees' severance and retirement benefits	12,907	12,904	115,045
Reserve for losses on repayment of dormant bank accounts	2,979	3,065	26,553
Reserve for contingent losses	427	441	3,806
Deferred tax liabilities	50,177	48,579	447,250
Deferred taxes on revaluation excess	9,945	10,362	88,644
Acceptances and guarantees	26,563	29,438	236,767
Total liabilities	6,245,358	5,923,377	55,667,688
Net assets			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	186,718
Capital surplus	10,480	10,480	93,412
Legal reserve	20,948	20,948	186,718
Other retained earnings	359,490	341,221	3,204,296
Treasury stock	(6,989)	(7,026)	(62,296)
Net unrealized holding gains (losses) on securities	152,634	152,070	1,360,495
Net deferred gains (losses) on hedging instruments	(795)	(326)	(7,086)
Land revaluation excess	19,901	20,552	177,386
Stock acquisition rights	479	401	4,269
Total net assets	577,097	559,271	5,143,925
Total liabilities and net assets	¥6,822,456	¥6,482,649	\$60,811,623

Nonconsolidated Statement of Income (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥49,565	¥ 51,873	\$441,795
Interest and dividends on securities	24,363	27,502	217,158
Other interest income	1,111	855	9,902
Fees and commissions	11,935	11,367	106,382
Other operating income	1,736	2,161	15,473
Other income	10,657	8,597	94,990
Total income	99,371	102,357	885,738
EXPENSES			
Interest expense:			
Interest on deposits	3,116	4,537	27,774
Interest on borrowings and rediscounts	1,112	550	9,911
Interest on payables under repurchase agreements	162	—	1,443
Interest on payables under securities lending transactions	612	407	5,455
Other interest expense	2,683	679	23,914
Fees and commissions	6,283	6,100	56,003
Other operating expenses	114	14	1,016
General and administrative expenses	49,217	47,349	438,693
Other expenses	5,319	5,323	47,410
Total expenses	68,622	64,963	611,658
Income before income taxes	30,748	37,393	274,070
Income taxes:			
Current	8,064	10,158	71,878
Deferred	1,269	3,142	11,311
Net income	¥21,414	¥ 24,092	\$190,872
	Yen		U.S. dollars
Basic net income per share	¥67.72	¥76.20	\$0.60
Diluted net income per share	67.60	76.09	0.60

Nonconsolidated Statement of Changes in Net Assets (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2017

	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, 2017					
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 for general reserve					
Net income					
Purchase of treasury stock					
Disposal of treasury stock			(3)	(3)	
Transfer of loss on disposal of treasury stock			3	3	
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, 2017					
Balance at the beginning of the accounting period	\$186,718	\$93,412	\$ —	\$93,412	\$186,718
Changes during the accounting period					
Dividends					
Reversal of deferred gains on real property					
Provision for general reserve					
Net income					
Purchase of treasury stock					
Disposal of treasury stock			(26)	(26)	
Transfer of loss on disposal of treasury stock			26	26	
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	\$186,718	\$93,412	\$ —	\$93,412	\$186,718

	Millions of yen					
	Stockholders' equity					
	Retained earnings				Treasury stock	Total stockholders' equity
	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings		
For the year ended March 31, 2017						
Balance at the beginning of the accounting period	¥2,079	¥313,594	¥ 25,548	¥362,170	¥(7,026)	¥386,573
Changes during the accounting period						
Dividends			(3,794)	(3,794)		(3,794)
Reversal of deferred gains on real property	(6)		6	—		
Provision for general reserve		21,000	(21,000)	—		
Net income			21,414	21,414		21,414
Purchase of treasury stock					(1)	(1)
Disposal of treasury stock					37	34
Transfer of loss on disposal of treasury stock			(3)	(3)		—
Reversal of land revaluation excess			651	651		651
Changes in items other than stockholders' equity, net						
Total changes during the accounting period	(6)	21,000	(2,725)	18,268	36	18,305
Balance at the end of the accounting period	¥2,073	¥334,594	¥ 22,823	¥380,438	¥(6,989)	¥404,878

Thousands of U.S. dollars						
Stockholders' equity						
Retained earnings						
Other retained earnings						
For the year ended March 31, 2017	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	\$18,531	\$2,795,204	\$ 227,720	\$3,228,184	\$(62,625)	\$3,445,699
Changes during the accounting period						
Dividends			(33,817)	(33,817)		(33,817)
Reversal of deferred gains on real property	(53)		53	—		
Provision of general reserve		187,182	(187,182)	—		
Net income			190,872	190,872		190,872
Purchase of treasury stock					(8)	(8)
Disposal of treasury stock					329	303
Transfer of loss on disposal of treasury stock			(26)	(26)		—
Reversal of land revaluation excess			5,802	5,802		5,802
Changes in items other than stockholders' equity, net						
Total changes during the accounting period	(53)	187,182	(24,289)	162,830	320	163,160
Balance at the end of the accounting period	\$18,477	\$2,982,387	\$ 203,431	\$3,391,015	\$(62,296)	\$3,608,859

Millions of yen						
Valuation and translation adjustments						
For the year ended March 31, 2017	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	¥152,070	¥(326)	¥20,552	¥172,296	¥401	¥559,271
Changes during the accounting period						
Dividends						(3,794)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						21,414
Purchase of treasury stock						(1)
Disposal of treasury stock						34
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						651
Changes in items other than stockholders' equity, net	564	(469)	(651)	(556)	77	(478)
Total changes during the accounting period	564	(469)	(651)	(556)	77	17,826
Balance at the end of the accounting period	¥152,634	¥(795)	¥19,901	¥171,740	¥479	¥577,097

Thousands of U.S. dollars						
Valuation and translation adjustments						
For the year ended March 31, 2017	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	\$1,355,468	\$(2,905)	\$183,189	\$1,535,751	\$3,574	\$4,985,034
Changes during the accounting period						
Dividends						(33,817)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						190,872
Purchase of treasury stock						(8)
Disposal of treasury stock						303
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						5,802
Changes in items other than stockholders' equity, net	5,027	(4,180)	(5,802)	(4,955)	686	(4,260)
Total changes during the accounting period	5,027	(4,180)	(5,802)	(4,955)	686	158,891
Balance at the end of the accounting period	\$1,360,495	\$(7,086)	\$177,386	\$1,530,795	\$4,269	\$5,143,925

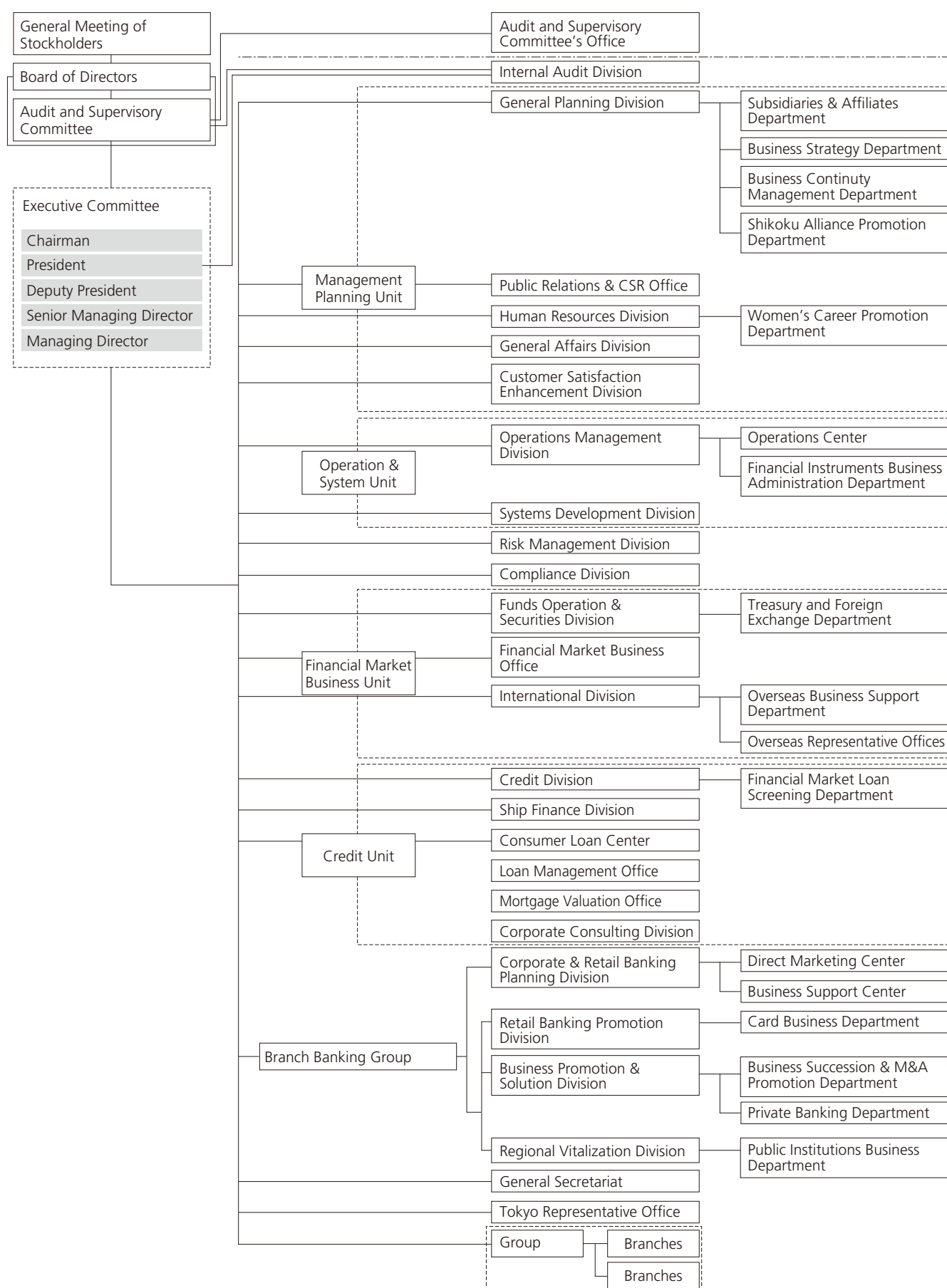
	Millions of yen				
	Stockholders' equity				
	Common stock	Capital reserve	Capital surplus	Total capital surplus	Retained earnings
			Other capital surplus		Legal reserve
For the year ended March 31, 2016					
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥—	¥10,480	¥20,948
Changes 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

	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

	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, 2016						
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

Organization Chart

(As of April 1, 2017)



Consolidated Subsidiaries

(As of March 31, 2017)

Company Name	Address	Activities	Equity (¥ in million)	Share (Percent)	Date Established
Iyogin Leasing Company Limited	12-1, Sanban-cho 4-chome, Matsuyama	Leasing	80	45.00	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	346	—	Apr. 2013
Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership	1, Minami-Horibata-cho, Matsuyama	Agriculture Support Fund	89	—	Sept. 2014
Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership	1, Minami-Horibata-cho, Matsuyama	Business Succession Support Fund	90	—	Oct. 2014

Corporate Data

(As of March 31, 2017)

Year of Foundation

1878

Common Stock

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

Number of Stockholders

20,082

Major Stockholders

Name	Shares (thousands)	%
Japan Trustee Services Bank, Ltd.	45,149	14.27
Nippon Life Insurance Company	8,878	2.80
Meiji Yasuda Life Insurance Company	8,867	2.80
The Master Trust Bank of Japan, Ltd.	7,482	2.36
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,647	2.10
Sumitomo Forestry Co., Ltd.	5,911	1.86
Sumitomo Life Insurance Company	5,415	1.71
Sompo Japan Nipponkoa Insurance Inc.	5,293	1.67
Employee stock ownership of Iyo Bank	4,265	1.34
Nichia Corporation	3,730	1.17

Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)
3,082

Number of Branches

(As of March 31, 2017)
152 (Domestic 150, Foreign 2)

Board of Directors and Corporate Auditors

(As of June 29, 2017)

President Iwao Otsuka

Deputy President Ippei Nagai

Managing Directors
Kenji Takata
Muneaki Todo
Tetsuo Takeuchi
Haruhiro Kono
Kenji Miyoshi
Yuichi Matsuura

**Directors
(Audit and Supervisory
Committee Members)**
Takaya Iio
Shiro Hirano
Kaname Saeki
Takeshi Ichikawa
Yasunobu Yanagisawa
Soichiro Takahama
Junko Miyoshi

Managing Executive Officers
Takaya Beppu
Eiji Shigematsu
Kenji Morioka
Hideyo Nishimoto
Shinya Fujita
Kensei Yamamoto

Executive Officers
Kazutomi Hirai
Tetsuya Yagi
Junji Inagaki
Yasuji Fujita
Masamichi Ito
Hiroshi Nagata

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: IYOBKHHH

Singapore Branch

8 Marina View #15-02 Asia Square Tower 1, Singapore
018960, Singapore
Tel: (65) 6394-9830 Fax: (65) 6394-9832

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



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