2016

Annual Report

Year ended March 31, 2016

八十二銀行

THE HACHIJUNI BANK, LTD.

Corporate Outline

Equity
(Consolidated)
686 billions of yen

Total Assets
(Consolidated)
8,172 billions of yen

Loans and Bills Discounted
(Consolidated)
4,635 billions of yen

Deposits
(Consolidated)
6,229 billions of yen

Number of Employees
3,161

Total Capital Ratio
19.99% (BIS standards)

Network
151 Domestic Branches (Japan)
1 Overseas Branch (Hong Kong)
4 Representative Offices
(Dalian, Shanghai, Bangkok & Singapore)

Credit Rating (Long-Term)
Rating and Investment Information, Inc.
A+

Standard & Poor's
A

as of March 31, 2016

The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are mainly based in Nagano Prefecture, which is located in the center of Japan and noted for the coexistence of beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni Bank has consistently maintained sound management policies, and is now playing a leading role as one of the largest regional banks in Japan.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama, Niigata and Gifu prefectures, as well as in Tokyo, Osaka and Nagoya metropolitan areas. We also have an overseas branch in Hong Kong, as well as, the Dalian Representative Office, the Shanghai Representative Office, the Bangkok Representative office, and the Singapore Representative Office.

CONTENTS

Yoshiyuki Yamaura
Chairman

Shoichi Yumoto
President

Message from the Management

August 2016

We would like to begin by expressing our sincere gratitude for your patronage.

Since its establishment in 1931, and in tandem with the development of the regional economy, Hachijuni Bank ("the Bank") has continued to grow and has established itself as a key financial institution within its community. This is in large part due to the long-lasting support and patronage of our shareholders, our customers, and the community, for which we are very grateful.

We have designed our "Annual Report 2016" to present, in an easy-to-understand format, our earnings results and the details of our businesses for the fiscal year ending March 31, 2016. We sincerely hope that you will use this report to increase your understanding of the Bank.

Despite some underpinning factors such as the depreciation of the yen and low crude oil prices, the Japanese economy in FY2015 saw deceleration of exports due to a slowdown of the global economy which in turn caused Japanese capital investment to remain at low levels. The recovery of personal consumption was also slow, mainly affected by the continued unstable weather. These combined to keep the nation's overall economic growth rate at low levels. The economy of Nagano Prefecture, the Bank's main business area, was basically no exception. Steady moves were partly seen, but key economic indicators such as capital investment continued to show weakness, running below the previous year's level.

Under such economic circumstances, the Bank commenced its 30th Long-Term Management Plan titled "Change to the Bank Creating Regional Vitality" targeting three years from FY 2015 to FY2017. All of us at the Bank are focused on achieving the goals set by the long-term plan which centers around three themes: "Creating Regional Vitality," "Developing Customer Convenience" and "Enhancing Corporate Strength."

We kindly ask for your continued support and patronage in the years to come; in exchange, we will commit ourselves to doing our utmost to live up to your expectations.

Sincerely yours,

Yoshiyuki Yamaura
Chairman

Shoichi Yumoto
President

Management Policies

Management Philosophy

"Stick firmly to the sound banking principles, thereby contributing to the development of the regional community"

Corporate Vision: "Shining at the center of Japan" – 8 "shines"

Strong trustworthiness from the people and the region of Nagano	Entirely sound, constant & steady earning power	Agreeable correspondence to the request of our customers	Business promotion from our customers' viewpoint
High awareness of compliance	Every staff's speedy, lively & responsible action	Trustworthy, efficient & assured operational system and condition	Advanced and confident computer system

Long-Term Management Guideline ROE : 5% or higher

The 30th Long-Term Management Plan (April 1, 2015 ~ March 31, 2018)

"Change to the bank creating regional vitality"

▼ Themes	▼ Main Measures	▼ Specific Actions
Creating regional vitality	Strengthening the competitiveness of regional industries	Support for startups [Targeted number of new business launches within Nagano Prefecture: 600 cases over three years]
		Support for attracting enterprises to Nagano [Targeted number of new plant and research institute projects in Nagano: 30 cases over three years]
		Support for nurturing next-generation and growth industries (next-generation industries; developing "the sixth industry" of agriculture; medical and welfare; environmental; tourism)
		Maintenance and development of industrial foundation taking advantage of business succession and M&A
		Problem-solving support by mobilizing outside professionals
	Contributions to community revitalization and human resources development	Effective use of the Bank's available management resources (offering community revitalization and other facilities within our offices)
		Support for regional economy revitalization via public-private collaboration
		Support for promoting immigration and personnel exchanges (by increasing the number of Shinshu (Nagano) fans)
		Supporting Nagano-based companies' efforts to develop talented human resources
Developing customer convenience	Strengthening of customer contact points	Strengthening of functions of non-face-to-face channels
		Review of our office network and business organization
	Enhancement of responsiveness to customers	Strengthening of consultation functions
		Review of clerical work procedures from the viewpoint of customer convenience
Enhancing corporate strength	Diversification of profit sources	Strengthening of asset management business, including that of Group companies
		Strengthening functions of overseas operational bases
		Diversifying into other business areas and developing new businesses (efforts include those of Group companies)
	Deepening of environmental management	Strengthening of environmental conservation activities [Objective: 10% reduction (base year: FY2010) in GHG emissions]
	Expansion of employee fields of activity	Creation of an environment that nurtures human resources with diverse capabilities, diverse values and outstanding creativity – an environment that allows every employee to play their respective roles to the fullest [Objective: 40% increase in the number of female managerial positions relative to April 1, 2015]

Management Targets for March 2018

Net income for current term (non-consolidated): **¥20 billion**	Ratio of consolidated profits to parent company's profits (net income basis): **1.2**	Ratio of return to shareholders: **40%**

Business Performance and Financial Standings

Financial Highlights (Consolidated)

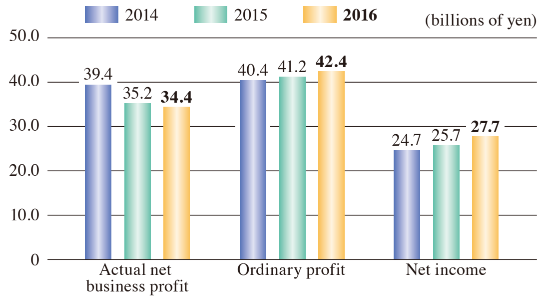
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
For the year:			
Total income	181,205	173,740	1,608,139
Total expenses	132,569	126,507	1,176,515
Income before income taxes and minority interests	48,635	47,233	431,623
Net income	30,171	27,185	267,766
Net income per share	¥ 59.85	¥ 54.09	$ 0.53
At year-end:			
Deposits	6,229,088	6,237,343	55,281,225
Loans and bills discounted	4,635,402	4,506,883	41,137,760
Securities	2,680,298	2,740,758	23,786,814
Total assets	8,172,508	8,014,284	72,528,475
Equity	686,158	692,208	6,089,440
Total capital ratio : **Basel 3 standards**	19.99%	19.79%	

Notes: 1. Yen figures have been rounded down to the nearest million yen.
2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥112.68 to US$1.00 on March 31, 2016.
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Summary of Business Performance

Consolidated Business Results

Ordinary profit increased ¥1,152 million from the previous year to ¥49,023 million and net income increased ¥2,986 million to ¥30,171 million.



Non-consolidated Business Results

Ordinary income increased ¥6,800 million from a year earlier to ¥141,655 million due to increases in "other operating income" such as gains on sales of bonds and in "interest income" such as interest and dividends on securities despite a decrease in "other income" such as gains on money held in trust.

Ordinary expenses increased ¥5,550 million from a year earlier to ¥99,193 million due to increases in "other operating expenses" such as loss on sales of bonds and in "interest expenses" such as interest on deposits despite decreases in "other expenses" such as loss on money held in trust and in "general and administrative expenses".

As a result, ordinary profit increased ¥1,250 million from the previous year to ¥42,462 million.

Extraordinary gains decreased ¥62 million a year earlier to ¥1 million and extraordinary losses increased ¥101 million to ¥387 million. As a result, net income was ¥27,765 million, up ¥2,002 million from the previous fiscal year.

Summary of Financial Standings

Results of Consolidated Main Accounts

Outstanding balance of deposits decreased ¥8.2 billion to ¥6,229.0 billion from a year earlier owing to decreases in deposits from local public entities and general corporations despite an increase in deposits from individual.

Outstanding balance of loans and bills discounted increased ¥128.5 billion to ¥4,635.4 billion due to increases in loans for local public entities and business loans both in and outside Prefecture as well as loans for individual customers.

Outstanding balance of securities decreased ¥60.4 billion to ¥2,680.2 billion, securing stable profit by paying close attention to the market conditions.

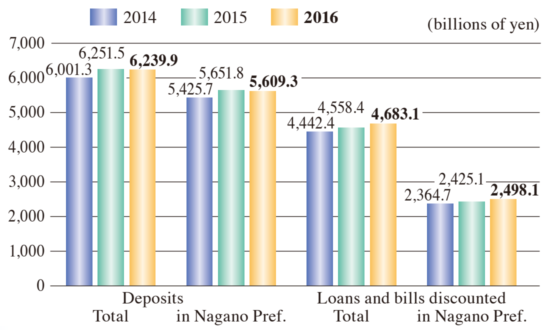
Results of Non-Consolidated Main Accounts

Outstanding balance of deposits decreased ¥11.6 billion from a year earlier to ¥6,239.9 billion.

Outstanding balance of loans and bills discounted increased ¥124.6 billion to ¥4,683.1 billion.

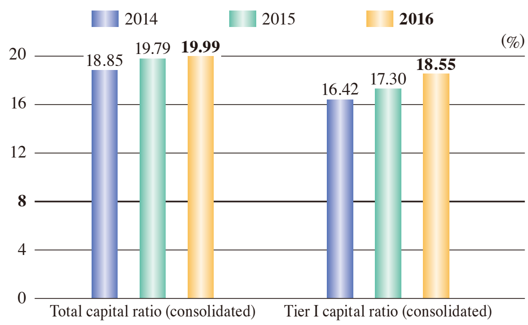
Outstanding balance of securities decreased ¥50.6 billion to ¥2,683.7 billion.

Outstanding balance of public bonds, including Japanese government bonds for retail investors deposited with the Bank declined ¥48.3 billion to ¥111.3 billion while investment trusts decreased ¥17.2 billion to ¥168.2 billion.



Total Capital Ratio (Basel 3 standards)

Total capital ratio was 19.99% on a consolidated basis and 19.27% on a non-consolidated basis.



Profit Sharing

The Bank changed the dividend policy in FY2015 as follows.

Setting the lower limit of dividend per share to ¥5.0 a year, the Bank will positively provide returns to shareholders by stable dividend and purchase of own stocks.

With respect to year-end dividends, the Bank decided to pay ¥9.0 per share. As a result, annual dividends, together with the interim dividend, were ¥15.0 in total, the same amount as the previous fiscal year.

Corporate Governance

Corporate Governance Principle

- The Bank defines the Corporate Governance Principle as the basic policy which regulates all of the Bank's business activities, keeps the group's sustainability, enhances corporate value and carries out its social responsibility to realize the Bank's philosophy.
- The Corporate Governance Principle includes basic attitudes to "customers" "shareholders" "employees" "regional community", and basic policies related to corporate governance, observation of laws, corporate ethics and disclosure of information.

Organizational Structure

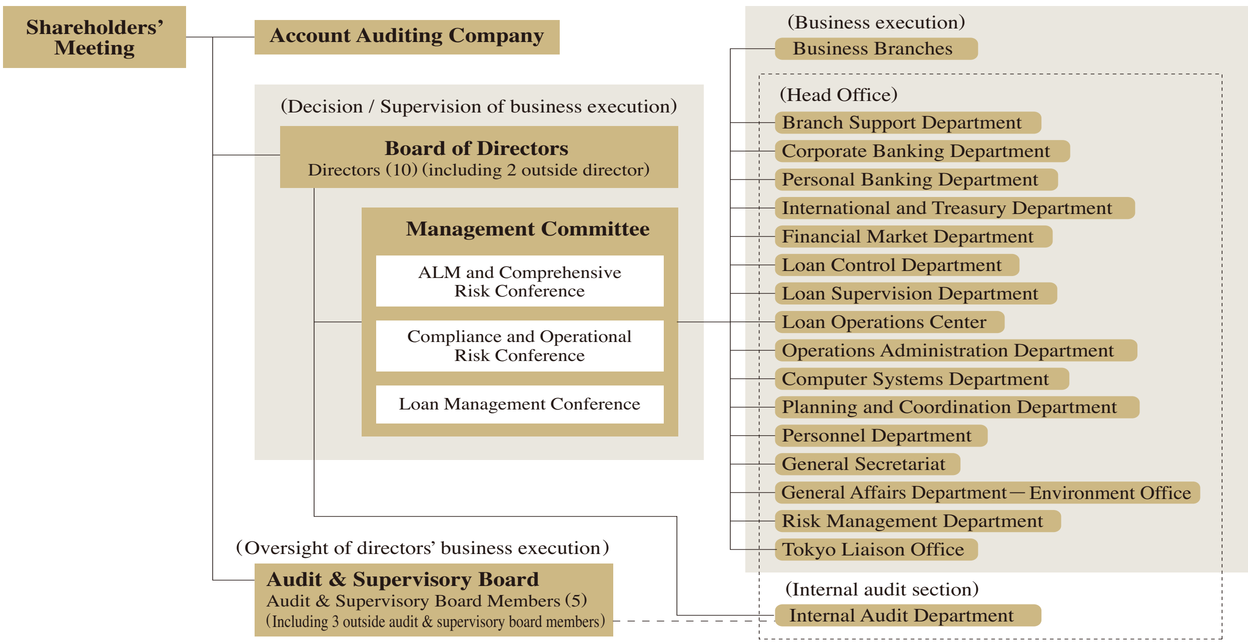
- The Bank appoints audit & supervisory board members (establish an Audit & Supervisory Board) based on the recognition that business oversight function should be separated from business execution function. While the Board of Directors decides and implements business operations, the Audit & Supervisory Board oversees business operations.
- Furthermore, the Bank appoints both outside directors and outside audit & supervisory board members for avoiding conflict of interest with shareholders.

Decision / Supervision of Business Execution

- Under the Board of Directors, Management Committee is held every week in principle. The Management Committee prepares agendas to propose to the Board of Directors, discusses general management matters and makes an adjustment of daily business operations. There are three special conferences: ALM and Comprehensive Risk Conference, Compliance and Operational Risk Conference and Loan Management Conference.
- The Board of Directors is held more than once a month in principle. In this meeting, directors develop substantial discussions and supervise the status of business operations with one another.
- The Board of Directors consists of eight (8) internal directors and two (2) outside directors and the Management Committee consists of senior executives.

Oversight of Directors' Business Execution

- The Audit & Supervisory Board is held every month in principle. It consists of five members including three (3) outside audit & supervisory board members. By attending the Board of Directors and providing appropriate advices, each member strictly oversees the execution of duties of directors. Two full-time audit & supervisory board members may attend the Management Committee and oversee the execution of business operations through inspecting each kind of matter, such as the status of internal controls and branches' audit results. They regularly discuss with Representative Directors in order to provide their views about management policy or issues, and also discuss with the Account Auditing Company.



(as of June 24, 2016)

Remuneration

- As for directors' remuneration, the Bank introduces three types of remuneration: defined cash compensation, performance-linked compensation and stock-based compensation.
- The monthly amount of defined cash compensation is limited to be under ¥25 million. Performance-linked compensation is linked to the Bank's net income. The form of stock-based compensation is stock options (share options). The total amount of stock options is limited to be under ¥100 million in a year by the shareholders meeting. The payment amount to each director is decided by a consultation of the Board of Directors.
- Audit & supervisory board members' remuneration is defined cash compensation. The monthly amount of such remuneration is limited to be under ¥8 million by the resolutions of the shareholders meeting and the payment amount to each member is decided by a consultation among audit & supervisory board members.

Risk Management

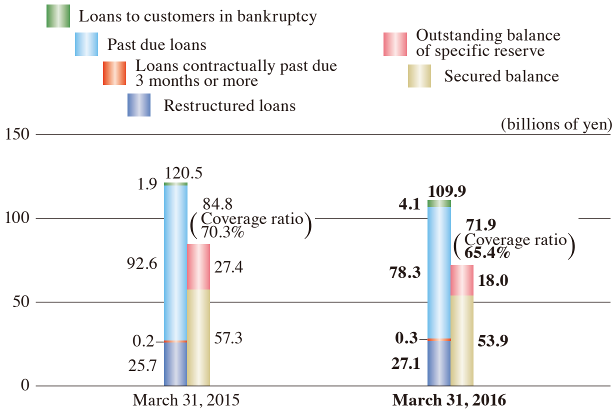
Comprehensive Risk Management

- The Bank defines the basic policy regarding comprehensive risk management to ensure soundness of management and adequacy of business operation. Targeted main risks are market risk, liquidity risk, operational risk and credit risk as described in Risk Management Organization Chart (see below). Managing these risks comprehensively and reflecting them in the decision-making process of executives, the Bank restrains risk amount to the appropriate level relative to the Bank's capacity. The Bank makes a profit plan and allocates management resources, compared to the situation of risk.
- ALM and Comprehensive Risk Conference manages market risk, credit risk and liquidity risk. Compliance and Operational Risk Conference manages operation risk, computer system risk, and other operational risk. Loan Management Conference manages more diversified credit risks.

Risk Management Organization Chart

(as of June 24, 2016)

Loans under risk management



Note : Possible amounts of recoveries through disposition of collaterals pledged to the Bank are not included in the foregoing disclosed amounts. Therefore the disclosed amounts do not necessarily represent actual future loss amounts of the Bank.

(billions of yen,%)

	March 31, 2015	March 31, 2016
Loans to Customers in Bankruptcy	1.9(0.04)	**4.1(0.08)**
Past Due Loans	92.6(2.03)	**78.3(1.67)**
Loans Contractually Past Due 3 months or more	0.2(0.00)	**0.3(0.00)**
Restructured Loans	25.7(0.56)	**27.1(0.57)**
Total	120.5(2.64)	**109.9(2.34)**
Outstanding Balance of loans and bills discounted	4,558.4	**4,683.1**

(Loans under risk management as a percentage of outstanding balance of loans and bills discounted)

Regarding Terminologies:

Loans to Customers in Bankruptcy
Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers who are alleged to commence legal corporate rearrangement procedures under Company Rehabilitation Law, Bankruptcy Law, Civil Rehabilitation Law, Commercial Code of Japan and other related laws, and/or to customers whose transactions with banks are suspended by the rules of clearing house.

Past Due Loans
Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers other than customers in bankruptcy and customers on which the Bank granted concessions such as deferral of interest payments in order to support for their management reconstruction.

Loans Contractually Past Due 3 months or more
Loans, either principal or interest payment of which is contractually past due for 3 months or more, excluding loans to customers in bankruptcy and past due loans.

Restructured Loans
Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, deferral of interest payments, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction, excluding loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more.

International Operations

Nagano Prefecture, which is the major business base for the Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. Now there are about 2,000 bases of our customers in other countries, primarily in Asia.

Since the launch of its foreign exchange business in January 1962, the Bank has expanded its international operations to meet the growing needs of customers who operate worldwide.

The Bank maintains a network of overseas bases covering five major Asian cities. In addition to the Hong Kong Branch, which functions as the Asian control center and offers full banking services, we have four representative offices – Dalian, Shanghai, Bangkok and Singapore.

Taking advantage of this network – one of the most powerful of any Japanese regional bank – our staff of international banking specialists at headquarters and overseas offices stand ready to offer customers a wide range of support services to meet their overseas transaction, overseas business expansion and business development requirements. The Bank continues to be one of Japan's leading regional banks in terms of the value of foreign exchange transactions handled. The Bank offers to parent companies in Japan the funds they need to advance overseas and the funds they need to finance their overseas subsidiaries ("parent-subsidiary loans"). And we are also promoting initiatives to expand cross-border loans whereby our domestic offices offer direct loans to customers operating overseas. We have extended cross-border loans to customers operating overseas, including China, Thailand, Indonesia, Vietnam and India (as of the end of March 2016). We also handle loans denominated in Thai baht.

Our Hong Kong Branch offers loans to customers planning to operate in Hong Kong/South China as well as cross-border loans to customers' subsidiaries in Southeast Asia and mainland China. The Hong Kong Branch also offers loans denominated in RMB(renminbi).

In addition, the Bank can meet the fund-raising needs of customers' overseas subsidiaries by making the most of our partnership with leading foreign banks.

International and Treasury Department

◆ **Nagano Main Office**
178-8, Okada, Nagano-City 380-8682, Japan
Phone: (026)227-1182 Facsimile: (026)226-2982

◆ **Tokyo Office**
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan
Phone: (03)3242-0082 Facsimile: (03)3277-0146
SWIFT Address: HABK JPJT

Financial Market Department

◆ **Tokyo Office**
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan
Phone: (03)3277-0082 Facsimile: (03)3246-4675

Hong Kong Branch

Since its opening in May 1991, the Hong Kong Branch has been expanding with offering the financial services to the customers. As a result, the Bank now handles the large foreign exchange volume due to the Hong Kong Branch. Furthermore, the Hong Kong Branch offers a wide range of services such as providing various information, supporting business expansion for its customers to extend business in China and other Asian countries. In September 2010, the Hong Kong Branch started the renminbi-denominated transactions such as deposit, transfer and loan amid a surge of our customers' needs.

1602-05, 16F The Gateway Tower 2, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Phone: 852-2845-4188 Facsimile: 852-2537-1757 SWIFT address: HABKHKHH

Singapore Representative Office / Bangkok Representative Office

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, there are almost 600 bases of our customers in ASEAN countries.

Singapore is the distribution, financial and economic center in Southeast Asia. The Bank established its Singapore Representative Office in 1997. And in 2007, it established the Bangkok Representative Office, which is the first in Thailand among all regional banks in Japan. Both offices collect and analyze information on the rapidly changing social, financial and economic conditions in the region, and offer the latest information to local customers. In cooperation with the Bank's head office and domestic branches, both offices help customers to expand their businesses in Southeast Asia.

◆ **Singapore Representative Office**
16 Raffles Quay, #15-05 Hong Leong Building, Singapore 048581
Phone: 65-6221-1182 Facsimile: 65-6221-0556

◆ **Bangkok Representative Office**
Bhiraj Tower at EmQuartier 18th floor, Unit1804 689 Sukhumvit Road, North Klongton, Vadhana, Bangkok 10110 Thailand Phone: 66-2261-8226 Facsimile: 66-2261-8227

Shanghai Representative Office / Dalian Representative Office

China is an important huge market for Japan and Nagano Prefecture. Our customers establish over 550 manufacturing and sales facilities in mainland China, and especially their making inroads to coast area are remarkable. Since its opening in May 2002, the Shanghai Representative Office supports its customers in their making inroads to China from various aspects and tries to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China. In January 2008, the Bank established the Dalian Representative Office to offer careful support to customers.

◆ **Shanghai Representative Office**
8/F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, People's Republic of China
Phone: 86-21-6841-1882 Facsimile: 86-21-6841-2118

◆ **Dalian Representative Office**
6F, Senmao Bldg., 147 Zhongshan Road, Xigang District, Dalian, Liaoning, 116011, People's Republic of China
Phone: 86-411-3960-8266 Facsimile: 86-411-3960-8182

Corporate Social Responsibilities (CSR)

Environmental Conservation Activities

Environmental Policy

Environmental Philosophy

Hachijuni Bank positions environmental conservation activities as elements vital to corporate social responsibility and will contribute to the creation of a sustainable regional community through positive and constant improving the environment.

Action Program

1. Hachijuni Bank will try to prevent pollution by accurately determining the impact of its activities on environment, and will set, achieve, and review its environmental objectives.
2. Hachijuni Bank will comply with all laws, regulations, and agreements concerning the environment.
3. Hachijuni Bank will make efforts to conserve resources and energy toward reducing environmental burden.
4. By providing financial products, services, and information, Hachijuni Bank will aim to support its clients that are involved with environmental preservation, and that contribute to improving the local environment.
5. Recognizing the importance of biodiversity which is a blessing of nature, Hachijuni Bank will work to preserve biodiversity.
6. All employees of Hachijuni Bank, and their families, will take the initiative in activities for environmental conservation, and will enhance their awareness of environmental issues.

Three Pillars

1 *Environmental conservation activities by the Bank's core business*

(Target of FY2016) Contribution to environmental improvements by customers' activities by providing environment-friendly financial products

2 *Reduction of internal environmental burdens*

(Target of FY2016) Achievement of the reduction in both environmental burdens and the Bank's costs through energy savings and resource conservation

3 *Contribution to the regional economy and reinforcement of environmental education*

(Target of FY2016) Contribution to the regional community through environmental volunteer activities

Topics

Our replies to CDP (formerly: Carbon Disclosure Project) rewarded with No. 1 rank in the regional banking sector

The Bank responded to the CDP2015 questionnaire and was rewarded with the first position in the regional banking sector ranking (3rd in the whole banking industry). CDP evaluated particularly highly our business management for being conscious of climate change, and its steady reduction of greenhouse gas emissions by setting medium-and long-term goals.

Environmental Management Survey Ranking

The Bank ranked first for the second year in a row (for FY2015) in the Japanese banking sector (5th rank in the overall financial sector) in the 19th "Environmental Management Survey Ranking" announced by the Nihon Keizai Shimbun.
This survey evaluates Japanese companies to see how their environmental initiatives harmonize with management efficiency, by using four bench marks: organization for environmental management promotion, measures for pollution control and biodiversity promotion, resources recycling, and measures against global warming. As such, this survey is considered to be one of the most important rankings in Japan in terms of corporate environmental management.

Our Initiatives for Addressing Global Warming

Current State of Greenhouse Gas Emissions

Beginning in FY2014, the Bank has calculated GHG emissions up to Scope 3, including emissions in its supply chains.

(Unit: t-CO_2)

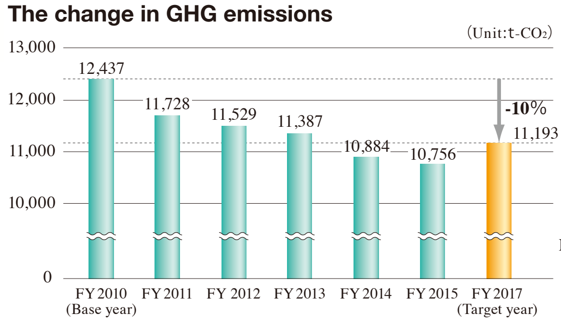
Items			FY2014	FY2015
Scope 1	Direct emissions	Heavy oil, kerosene, city gas, gasoline, propane gas	**2,554**	**2,589**
Scope 2	Energy-derived indirect emissions	Electricity	**11,343**	**10,756**
Scope 3			**13,579**	**17,693**
	1 Purchased goods & services	Stationery, copying paper, water and sewerage, etc.	3,715	3,423
	2 Capital goods	All buildings belonging to the Bank, construction-in-progress accounts and other tangible fixed assets	4,558	9,136
	3 Fuel and energy related activities not included in Scope 1 or 2	Heavy oil, kerosene, city gas, gasoline, propane gas, electricity	1,161	1,131
	4 Transportation and delivery (upstream)	Postage, transportation	2,055	1,870
	5 Waste generated in operations	Waste in general	61	37
	6 Business travel	Business trip	526	550
	7 Employee commuting	Commuting	1,503	1,546
Total			**27,476**	**31,038**

Note: Categories 8, 9, 10, 11, 12, 13 and 14 of scope 3 were zero. Category 15 of scope 3 was not calculated.

Targeted Reduction of Greenhouse Gas Emissions

The Bank has set as its target for FY2017 a 10% reduction in GHG emissions from the base year of FY2010.

The change in GHG emissions



Note: To eliminate influences of increased/decreased emission factors over GHG emissions, the electricity emission factor is fixed at 0.378.

Results of Environmental Accounting for the Fiscal Year 2015

Environmental conservation cost

(millions of yen)

Classification	FY2014	FY2015
Business area cost	43	42
Resource circulation cost	35	37
Pollution prevention cost	0	0
Global environmental conservation cost	8	5
Administrative activity cost	64	63
Personal expenses	46	45
Disclosure of environment information and advertisement	11	12
Maintenance control of environment management system	6	5
Monitoring of environment burden	1	1
Social activity cost (*1)	18	18
Total	125	123

Economic benefit associated with environmental conservation activities

(millions of yen)

Item	FY2014	FY2015
Income	958	796
Income from environment related loans	933	778
Income from EB contracts	21	9
Income from ISO14001consultation	4	9
Cost saved (*2)	▲ 24	52
Total	934	848

*1 Money of support for "Hachijuni-no-Mori", donation to Nagano Environment Conservation Associations

*2 The amount of reduction in utilities expenses, supplies expenses and expenses for disposing of wastes helped by energy and resources savings efforts (stated by simple comparison with the previous fiscal year)
A negative figure means an increase from the previous fiscal year.

Environmental conservation benefit (Reduction of carbon dioxide emission)

(t-CO_2)

Classification	FY2014	FY2015
CO_2 emission reduced by the Bank's internal efforts (by simple comparison from a year earlier)	503	243
CO_2 emission reduced by customers through contribution of the Bank's core businesses	328,632	386,350
Total	329,135	386,593

ISO14001 Certification

- The Bank received ISO14001 certification for its head office in March 1999, the first of all regional banks in Japan to do so. It expanded of this certification to all domestic branches in March 2002. Total of 179 offices (as of March 31, 2016) and nearly 5,000 employees are involved in this effort.

Contribution to the Region and Society

- As members of the "Hachijuni Volunteer Club," our employees are encouraged to participate in various social activities: community cleaning campaign, forest management programs, cooperation to community events, and others. Our offices are also working actively in their own unique ways by cooperating to major events such as the "Nagano Prefecture JudanEkiden (ekiden relay race through Nagano Prefecture)", welfare-related activities and collection volunteers, along with environmental volunteer activities. During FY2015, a total of some 6,400 of our employees worked as volunteers.
- To further support volunteers and motivate them, the Bank introduced the "Special Holiday System to Encourage Volunteer Activities."
- The Bank established the "Nagano Economic Research Institute" in March 1984 as a think tank to contribute to the advancement and development of the regional community in response to its highly sophisticated needs.
- The Bank also established the "Hachijuni Culture Foundation" in 1985 to contribute to the development of the regional community, specifically in the arts and culture. The Foundation celebrated the 30th anniversary in March 2015.

Board of Directors

Yoshiyuki Yamaura
Chairman

Shoichi Yumoto
President

Fumiaki Magaribuchi
Deputy President

Teruyuki Koike
Managing Director

Kunio Hamamura
Managing Director

Takashi Nakamura
Managing Director

Masaki Matsushita
Managing Director

Yoshinori Matsuda
Managing Director

Saburo Kusama
Director (Outside Director)

Kayo Tashita
Director (Outside Director)

Audit & Supervisory Board Members

Hiroshi Miyashita
Audit & Supervisory Board Member

Koichi Sakai
Audit & Supervisory Board Member

Takeshi Kadota
Outside Audit & Supervisory Board Member

Yasuyoshi Wada
Outside Audit & Supervisory Board Member

Kiyohito Yamasawa
Outside Audit & Supervisory Board Member

(as of June 24, 2016)

Organization

- Shareholders' Meeting
  - Audit & Supervisory Board Members, Audit & Supervisory Board
- Board of Directors Meeting
  - Management Committee
    - Chairman
    - President
    - Deputy President
    - Managing Directors
  - Branch Support Department
  - Corporate Banking Department
  - Personal Banking Department
  - International and Treasury Department
  - Financial Market Department
  - Loan Control Department
  - Loan Supervision Department
  - Loan Operations Center
  - Operations Administration Department
  - Computer Systems Department
  - Planning and Coordination Department
  - Personnel Department
  - General Secretariat
  - General Affairs Department — Environment Office
  - Risk Management Department
  - Tokyo Liaison Office
  - Internal Audit Department
    - Overseas Branch
    - Domestic Branches and Sub-Branches
    - Regional Operation Centers

(as of June 24, 2016)

Major Affiliated Companies

The Hachijuni Bank, Ltd.

Company	Date of establishment	Line of business
Hachijuni Business Service Co., Ltd.	August 1981	Collection and delivery of materials and cash, printing
Hachijuni Staff Service Co., Ltd.	September 1986	Placement of temporary working staff
Hachijuni Securities Co., Ltd.	May 1949	Securities business
Hachijuni Credit Guarantee Co., Ltd.	December 1983	Guarantee to cunsumer loan
Yamabiko Services Co., Ltd.	June 2000	Credit collection and manegement
Hachijuni Lease Co., Ltd.	June 1974	Leasing
Hachijuni DC Card Co., Ltd.	August 1982	Credit card business
Hachijuni System Development Co., Ltd.	December 1983	Development of computer systems
Hachijuni Capital Co., Ltd.	September 1984	Venture capital for high-tech companies
Hachijuni Auto Lease Co., Ltd.	October 2005	Leasing

(as of June 24, 2016)

Major Shareholders

Name	Number of shares in thousands	%	Name	Number of shares in thousands	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,364	3.98	Shin-Etsu Chemical Co., Ltd.	11,830	2.31
Meiji Yasuda Life Insurance Company	17,867	3.49	Showa Shoji Co., Ltd.	11,820	2.31
Nippon Life Insurance Company	17,000	3.32	Aioi Nissay Dowa Insurance Co., Ltd.	11,441	2.23
State Street Bank and Trust Company 505223	16,616	3.25	Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,598	1.87
Japan Trustee Services Bank, Ltd. (Trust Account)	11,994	2.34	The Master Trust Bank of Japan, Ltd. (Trust Account)	8,239	1.61

(as of March 31, 2016)

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Choei-Dai 2 Bldg.
1277-2, Minami-Ishido-cho
Nagano 380-0824
Japan

Tel:+81 (26) 227 9821
Fax:+81 (26) 227 9831
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Hachijuni Bank, Ltd. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of The Hachijuni Bank, Ltd. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2016

Member of
Deloitte Touche Tohmatsu Limited

Financial Section

Consolidated Balance Sheet

March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS:			
Cash and due from banks (Notes 3 and 26)	¥ 439,755	¥ 339,266	$ 3,902,696
Call loans and bills bought	24,855	58,740	220,585
Monetary claims bought	57,744	59,032	512,465
Trading assets (Notes 4 and 27)	11,912	17,696	105,721
Money held in trust (Note 5)	61,768	64,821	548,172
Securities (Notes 6, 11 and 26)	2,680,298	2,740,758	23,786,814
Loans and bills discounted (Notes 7, 26 and 28)	4,635,402	4,506,883	41,137,760
Foreign exchanges (Note 8)	22,529	21,657	199,939
Lease receivables and investments in leases (Note 24)	63,995	61,780	567,936
Other assets (Note 11)	129,193	96,012	1,146,550
Property, plant, and equipment—net (Note 9)	38,706	38,223	343,510
Intangible assets—net (Note 9)	5,767	5,630	51,188
Asset for employees' retirement benefits (Note 14)	15,775	24,250	140,004
Deferred tax assets (Note 22)	2,182	2,458	19,368
Customers' liabilities for acceptances and guarantees (Note 10)	33,709	35,549	299,163
Allowance for credit losses	(51,089)	(58,478)	(453,399)
Allowance for investment losses			(2)
TOTAL	¥ 8,172,508	¥ 8,014,284	$ 72,528,475
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11, 12 and 26)	¥ 6,229,088	¥ 6,237,343	$ 55,281,225
Negotiable certificates of deposit (Note 26)	536,769	453,618	4,763,666
Call money and bills sold	125,103	8,588	1,110,254
Payables under securities lending transactions (Notes 11 and 26)	228,597	248,563	2,028,733
Trading liabilities (Notes 4 and 27)	4,406	6,282	39,103
Borrowed money (Notes 13 and 26)	87,066	88,024	772,692
Foreign exchanges (Note 8)	2,131	1,375	18,912
Other liabilities	166,483	154,871	1,477,490
Liability for employees' retirement benefits (Note 14)	12,476	11,854	110,726
Provision for reimbursement of deposits	919	825	8,161
Provision for contingent losses	1,331	1,308	11,817
Reserve under special laws	11	11	101
Deferred tax liabilities (Note 22)	58,254	73,860	516,986
Acceptances and guarantees (Note 10)	33,709	35,549	299,163
Total liabilities	7,486,350	7,322,076	66,439,035
EQUITY (Notes 15 and 31):			
Common stock—authorized, 2,000,000 thousand shares; issued, 511,103 thousand shares in 2016 and 2015	52,243	52,243	463,641
Capital surplus	34,516	29,674	306,319
Stock acquisition rights (Note 16)	274	271	2,433
Retained earnings	408,739	386,589	3,627,434
Treasury stock—at cost, 4,415 thousand shares in 2016 and 9,753 thousand shares in 2015	(3,153)	(5,015)	(27,987)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	217,206	223,235	1,927,642
Deferred loss on hedges	(43,745)	(27,175)	(388,231)
Defined retirement benefit plans	(4,153)	2,420	(36,864)
Total	661,926	662,244	5,874,389
Noncontrolling interests	24,231	29,964	215,050
Total equity	686,158	692,208	6,089,440
TOTAL	¥ 8,172,508	¥ 8,014,284	$ 72,528,475

See notes to consolidated financial statements.

Consolidated Statement of Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 52,160	¥ 54,583	$ 462,905
Interest and dividends on securities	33,131	30,948	294,028
Other interest income	2,095	1,150	18,599
Fees and commissions	21,699	22,202	192,577
Trading income	1,832	1,624	16,264
Other operating income (Note 17)	52,539	41,297	466,269
Other income (Note 18)	17,746	21,932	157,494
Total income	181,205	173,740	1,608,139
EXPENSES:			
Interest expenses:			
Interest on deposits	4,043	3,336	35,880
Interest on borrowings and rediscounts	1,075	673	9,544
Other interest expenses	7,059	6,049	62,653
Fees and commission payments	6,704	6,422	59,504
Other operating expenses (Note 19)	42,745	30,330	379,356
General and administrative expenses (Note 20)	60,869	63,711	540,194
Other expenses (Note 21)	10,071	15,982	89,380
Total expenses	132,569	126,507	1,176,515
INCOME BEFORE INCOME TAXES	48,635	47,233	431,623
INCOME TAXES (Note 22):			
Current	12,636	16,595	112,141
Deferred	4,019	1,049	35,675
Total income taxes	16,656	17,645	147,817
NET INCOME	31,979	29,587	283,806
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,807	2,402	16,039
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 30,171	¥ 27,185	$ 267,766
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 30):			
Basic net income	¥ 59.85	¥ 54.09	$ 0.53
Diluted net income	59.79	54.03	0.53
Cash dividends applicable to the year	15.00	15.00	0.13

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 31,979	¥ 29,587	$ 283,806
OTHER COMPREHENSIVE (LOSS) INCOME (Note 29):			
Unrealized (loss) gain on available-for-sale securities	(6,439)	86,517	(57,152)
Deferred loss on derivatives under hedge accounting	(16,570)	(16,831)	(147,058)
Foreign currency translation adjustments		413	
Defined retirement benefit plans	(6,873)	4,267	(60,998)
Total other comprehensive (loss) income	(29,883)	74,366	(265,208)
COMPREHENSIVE INCOME	¥ 2,095	¥ 103,954	$ 18,597
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 997	¥ 100,576	$ 8,856
Noncontrolling interests	1,097	3,378	9,741

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Year Ended March 31, 2016

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Loss on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, MARCH 31, 2014 (as previously reported)	521,103	¥ 52,243	¥ 29,674	¥ 233	¥ 367,343	¥ (7,179)	¥ 137,540	¥ (10,343)	¥ (413)	¥ (1,693)	¥ 567,405	¥ 26,646	¥ 594,052
Cumulative effect of accounting change					3,034						3,034	(38)	2,995
BALANCE, APRIL 1, 2014 (as restated)		52,243	29,674	233	370,378	(7,179)	137,540	(10,343)	(413)	(1,693)	570,440	26,607	597,048
Net income attributable to owners of the parent					27,185						27,185		27,185
Cash dividends, ¥11.00 per share					(5,544)						(5,544)		(5,544)
Purchases of treasury stock						(3,022)					(3,022)		(3,022)
Disposals of treasury stock					(4)	49					44		44
Retirement of treasury shares	(10,000)				(5,136)	5,136							
Change of scope of consolidation					(288)						(288)		(288)
Change of scope of consolidation – foreign currency translation adjustment									413		413		413
Net change during the period				37			85,695	(16,831)		4,113	73,015	3,356	76,371
BALANCE, MARCH 31, 2015	511,103	52,243	29,674	271	386,589	(5,015)	223,235	(27,175)		2,420	662,244	29,964	692,208
Net income attributable to owners of the parent					30,171						30,171		30,171
Cash dividends, ¥16.00 per share					(8,022)						(8,022)		(8,022)
Increase due to stock exchange			4,150			2,255					6,405		6,405
Purchases of treasury stock						(2,972)					(2,972)		(2,972)
Disposals of treasury stock			691			2,579					3,271		3,271
Net change during the period				2			(6,029)	(16,570)		(6,574)	(29,171)	(5,732)	(34,903)
BALANCE, MARCH 31, 2016	511,103	¥ 52,243	¥ 34,516	¥ 274	¥ 408,739	¥ (3,153)	¥ 217,206	¥ (43,745)		¥ (4,153)	¥ 661,926	¥ 24,231	¥ 686,158

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Loss on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, MARCH 31, 2015	$ 463,641	$ 263,348	$ 2,411	$3,430,863	$ (44,511)	$1,981,149	$ (241,173)		$ 21,481	$5,877,211	$ 265,922	$ 6,143,133
Net income attributable to owners of the parent				267,766						267,766		267,766
Cash dividends, $0.14 per share				(71,195)						(71,195)		(71,195)
Increase due to stock exchange		36,834			20,013					56,847		56,847
Purchases of treasury stock					(26,382)					(26,382)		(26,382)
Disposals of treasury stock		6,136			22,893					29,029		29,029
Net change during the period			21			(53,506)	(147,058)		(58,345)	(258,888)	(50,871)	(309,759)
BALANCE, MARCH 31, 2016	$ 463,641	$ 306,319	$ 2,433	$3,627,434	$ (27,987)	$1,927,642	$ (388,231)		$ (36,864)	$5,874,389	$ 215,050	$ 6,089,440

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 48,635	¥ 47,233	$ 431,623
Adjustments for:			
Income taxes—paid	(16,539)	(15,333)	(146,785)
Depreciation and amortization	5,558	5,653	49,334
Impairment losses	225	62	1,999
Loss on disposition of foreign currency translation adjustments		413	
Decrease in allowance for credit losses	(7,389)	(8,457)	(65,575)
Interest income	(87,387)	(86,682)	(775,533)
Interest expense	12,178	10,060	108,079
Interest received	90,364	88,823	801,953
Interest paid	(12,174)	(10,131)	(108,041)
Net increase in loans and bills discounted	(128,519)	(113,624)	(1,140,568)
Net decrease in borrowed money	(957)	(33,601)	(8,496)
Net (decrease) increase in deposits	(8,254)	248,259	(73,260)
Net decrease (increase) in call loans and bills bought	35,172	(41,191)	312,149
Net increase (decrease) in call money and bills sold	116,514	(10,627)	1,034,031
Net decrease in due from banks, excluding due from the Bank of Japan	689	3,741	6,116
Other—net	38,801	(2,018)	344,353
Total adjustments	38,283	35,345	339,754
Net cash provided by operating activities	86,918	82,578	771,378
INVESTING ACTIVITIES:			
Purchases of investment securities	(774,852)	(720,252)	(6,876,578)
Proceeds from sales of investment securities	541,631	329,279	4,806,808
Proceeds from maturities of investment securities	257,860	188,591	2,288,433
Payments for increase in money held in trust	(56,508)	(72,740)	(501,496)
Proceeds from decrease in money held in trust	59,723	72,076	530,027
Purchases of fixed assets	(7,599)	(7,845)	(67,440)
Proceeds from sales of fixed assets	1,251	1,518	11,108
Net cash provided by (used in) investing activities	21,506	(209,372)	190,861
FINANCING ACTIVITIES:			
Payments to acquire treasury stock	(2,972)	(3,022)	(26,382)
Proceeds from sales of treasury stock	3,783		33,581
Dividends paid	(8,022)	(5,544)	(71,195)
Dividends paid to noncontrolling interests	(21)	(21)	(191)
Net cash used in financing activities	(7,232)	(8,588)	(64,188)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(14)	28	(126)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,178	(135,353)	897,925
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	323,161	458,514	2,867,954
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 3)	¥ 424,339	¥ 323,161	$ 3,765,879

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to $1, the rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Consolidation – The consolidated financial statements as of March 31, 2016, include the accounts of the Bank and its 10 significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over their operations are fully consolidated.

Investments in 10 (9 in 2015) unconsolidated subsidiaries and in one associated company are stated at cost, and are included in securities in the consolidated financial statements. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

b Business Combinations – In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No.21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No.10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No.22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively. With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

As a result, income before income taxes for the year ended March 31, 2016, decreased by ¥1,159 million ($10,291 thousand) and capital surplus at March 31, 2016, increased by ¥1,159 million ($10,291 thousand).

c Cash Equivalents – For the purpose of reporting of cash flows, “Cash and cash equivalents” consists of “Cash” and “Due from the Bank of Japan.”

d Trading Assets and Liabilities – Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets) are included in “Trading assets” and “Trading liabilities” on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the consolidated balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the consolidated balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the consolidated balance sheet dates.

e Securities – Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group’s intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and / or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income; (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using straight-line method; and (c) securities not classified as held-to-maturity debt securities, other than trading securities, are classified as available-for-sale securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities for which a fair value is not reliably determined are stated at cost computed using the moving-average method.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

f Securities in Money Held in Trust – Securities included in “Money held in trust” are stated at fair value.

g Property, Plant, and Equipment – Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 2 to 50 years for buildings and from 3 to 20 years for equipment.

h Software – Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally 5 years).

i Long-Lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j Allowance for Credit Losses – An allowance for credit losses is determined based on a credit assessment made by management at each consolidated balance sheet date. A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments, and current trends. In determining the appropriate level of the allowance, the Group evaluates the probable loss by category of loan based on its type and characteristics.

The Bank performs a credit assessment of its loan asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and the credit inspection division in accordance with the Bank's policies and discipline.

Under the policies and discipline, all loans are classified into five categories, which are: "normal"; "caution, including substandard"; "possible bankrupt"; "virtual bankrupt"; and "legal bankrupt."

The allowance for credit losses is calculated based on the past loss ratio for normal and caution categories, and on the fair value of the collateral and other factors of solvency, including value of future cash flows for possible bankrupt, virtual bankrupt, and legal bankrupt categories.

The Bank applied the "discounted cash flow method" (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possible bankrupt or substandard under the self-assessment guidelines, when total loan amounts exceed a certain amount. Under the DCF method, the loan loss allowance is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim.

The consolidated subsidiaries provide an "Allowance for credit losses" at the amount deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio.

k Allowance for Investment Losses – An allowance for investment losses is provided at an amount deemed necessary based on the estimate of possible future losses.

l Asset and Liability for Employees' Retirement Benefits – The Bank and its consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans, together covering substantially all of their employees.

The Bank accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the consolidated balance sheet date.

Effective April 1, 2000, the Bank adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 29).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period that approximates the expected average remaining service period to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings.

m Provision for Reimbursement of Deposits – A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

n Provision for Contingent Losses – A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of estimated future contributions based on subrogate performance, etc.

o Reserve under Special Laws – A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

p Stock Options – In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance that require companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

q Leases – In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

r Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

s Foreign Currency Transactions – Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the consolidated balance sheet date.

t Derivatives and Hedging Activities – Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No.24 issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under portfolio hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is accessed by each group.

Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Audit Committee Report No.25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging instruments in accordance with the strict hedging criteria for external mirror transactions stipulated in the Industry Audit Committee Reports No.24 and No.25. Therefore, the Bank accounts for the gains and losses on these swap transactions in its earnings or defers until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

u Per Share Information – Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

v New Accounting Pronouncements
Tax Effect Accounting – On December 28, 2015, the ASBJ issued ASBJ Guidance No.26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Bank expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and due from banks	¥ 439,755	¥ 339,266	$ 3,902,696
Due from banks, excluding amounts due from the Bank of Japan	(15,416)	(16,105)	(136,816)
Cash and cash equivalents	¥ 424,339	¥ 323,161	$ 3,765,879

4. TRADING ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Trading assets:			
Trading securities	¥ 2,037	¥ 1,861	$ 18,084
Financial derivatives	4,875	6,836	43,268
Other trading assets	4,999	8,997	44,368
Total	¥ 11,912	¥ 17,696	$ 105,721
Trading liabilities —Financial derivatives	¥ 4,406	¥ 6,282	$ 39,103

5. MONEY HELD IN TRUST

The aggregate fair value of money held in trust that is listed on stock exchanges or over-the-counter markets as of March 31, 2016 and 2015, is as follows:

	Fair Value		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Money held in trust—Trading	¥ 61,768	¥ 64,821	$ 548,172

6. SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Securities:			
National government bonds	¥ 1,354,338	¥ 1,422,444	$ 12,019,332
Local government bonds	135,376	82,207	1,201,420
Corporate bonds	285,580	253,816	2,534,435
Equity securities	276,952	337,030	2,457,864
Other securities	628,051	645,259	5,573,761
Total	¥ 2,680,298	¥ 2,740,758	$ 23,786,814

In the following description, in addition to "Securities" in the consolidated balance sheet, also presented are beneficial interests in trust investments within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2016 and 2015, are as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 99,912	¥ 168,309	¥ 696	¥ 267,525
Debt securities	1,647,743	124,588	238	1,772,094
Other securities	595,745	22,741	2,248	616,239
Held-to-maturity	3,200	10		3,210

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 101,252	¥ 226,532	¥ 204	¥ 327,579
Debt securities	1,675,615	77,619	219	1,753,015
Other securities	606,986	25,759	613	632,132
Held-to-maturity	5,452	9		5,461

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 886,690	$ 1,493,693	$ 6,179	$ 2,374,203
Debt securities	14,623,214	1,105,681	2,112	15,726,784
Other securities	5,287,057	201,827	19,953	5,468,931
Held-to-maturity	28,402	91		28,493

Proceeds from sales of available-for-sale securities for the years ended March 31, 2016 and 2015, were ¥561,687 million ($4,984,800 thousand) and ¥336,349 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥21,121 million ($187,442 thousand) and ¥2,472 million ($21,946 thousand), respectively, for the year ended March 31, 2016, and ¥8,400 million and ¥1,240 million, respectively, for the year ended March 31, 2015.

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Bills discounted	¥ 17,462	¥ 17,885	$ 154,976
Loans on bills	191,752	204,681	1,701,745
Loans on deeds	3,780,431	3,636,320	33,550,155
Overdrafts	645,755	647,995	5,730,883
Total	¥ 4,635,402	¥ 4,506,883	$ 41,137,760

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥4,192 million ($37,208 thousand) and ¥2,006 million as of March 31, 2016 and 2015, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥78,657 million ($698,057 thousand) and ¥93,047 million as of March 31, 2016 and 2015, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥343 million ($3,052 thousand) and ¥211 million as of March 31, 2016 and 2015, respectively.

Of total loans, restructured loans amounted to ¥27,228 million ($241,648 thousand) and ¥25,884 million as of March 31, 2016 and 2015, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

8. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets:			
Due from foreign banks	¥ 19,548	¥ 18,181	$ 173,487
Foreign exchange bills bought	2,645	3,045	23,477
Foreign exchange bills receivable	335	430	2,975
Total	¥ 22,529	¥ 21,657	$ 199,939
Liabilities:			
Overdrafts from foreign banks	¥ 162	¥ 69	$ 1,445
Foreign exchange bills sold	754	968	6,693
Foreign exchange bills payable	1,213	336	10,773
Total	¥ 2,131	¥ 1,375	$ 18,912

9. PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment as of March 31, 2016 and 2015, net of accumulated depreciation of ¥70,355 million ($624,381 thousand) and ¥68,995 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥ 14,612	¥ 14,879	$ 129,677
Buildings	12,578	10,880	111,627
Lease assets	91	125	814
Construction in progress	292	1,823	2,595
Other tangible fixed assets	11,132	10,513	98,795
Software	5,141	4,998	45,632
Other intangible fixed assets	625	631	5,555
Total	¥ 44,474	¥ 43,854	$ 394,698

As of March 31, 2016 and 2015, deferred gains for tax purposes of ¥8,257 million ($73,284 thousand) and ¥8,384 million, respectively, on property, plant, and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant, and equipment.

10. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills, and issuances of guarantees. The contra account included in the assets side of the consolidated balance sheet represents the Bank's potential claim against applicants.

11. ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets pledged:			
Cash (other assets)	¥ 400	¥ 400	$ 3,552
Securities	416,297	459,061	3,694,508
Total	¥ 416,697	¥ 459,461	$ 3,698,061
Related liabilities:			
Deposits	¥ 50,882	¥ 49,495	$ 451,563
Payables under securities lending transactions	228,597	248,563	2,028,733
Total	¥ 279,479	¥ 298,059	$ 2,480,296

In addition to the above, assets pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Securities	¥ 76,131	¥ 75,418	$ 675,645
Cash (other assets)	25	25	221
Cash collateral received for financial instrument liabilities (other assets)	43,634	34,688	387,239

Further, lease receivables to be received as collateral for borrowed money were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Lease receivables	¥ 3,124	¥ 3,435	$ 27,727

Additionally, initial margins of future markets and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Initial margins of futures markets	¥ 151	¥ 8	$ 1,346
Guarantee deposits on office space	808	818	7,179

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current deposits	¥ 245,638	¥ 231,747	$ 2,179,968
Ordinary deposits	3,224,847	3,193,562	28,619,516
Savings deposits	58,291	59,867	517,317
Deposits at notice	13,079	21,113	116,075
Time deposits	2,480,141	2,554,672	22,010,489
Other deposits	207,089	176,379	1,837,857
Total	¥ 6,229,088	¥ 6,237,343	$ 55,281,225

13. BORROWED MONEY

As of March 31, 2016 and 2015, the weighted-average annual interest rates applicable to borrowed money were 0.45% and 0.27%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 86,422	$ 766,970
2018	259	2,303
2019	138	1,225
2020	112	1,001
2021	112	1,001
2022 and thereafter	21	190
Total	¥ 87,066	$ 772,692

14. RETIREMENT AND PENSION PLANS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans.

In the contributory funded pension plan, the Group adopted a cash balance plan that each employee has a "hypothetical account balance," which accumulates pay credits based on each salary level, interest credits based on the trend of market interest rate, and pay retirement lump-sum grants or pension, based on their salary and length of service. Some funded pension plan contributed to employee pension trust.

In the noncontributory unfunded plan, the Group pays retirement lump-sum grants based on salary and length of service.

Employees whose service with the Bank or its domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

In addition, some consolidated subsidiaries adopt the simplified method to calculate their liability for employees' retirement benefit and retirement benefit costs.

(1) The changes in defined benefit obligation, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 49,139	¥ 51,917	$ 436,100
Cumulative effects of accounting changes		(4,633)	
Restated balance at beginning of year	49,139	47,284	436,100
Current service cost	2,025	1,935	17,976
Interest cost	337	467	2,999
Actuarial losses	3,913	1,840	34,733
Benefits paid	(2,909)	(2,519)	(25,817)
Others	130	130	1,158
Balance at end of year	¥ 52,638	¥ 49,139	$ 467,151

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 61,916	¥ 54,672	$ 549,487
Expected return on plan assets	1,009	902	8,955
Actuarial (gains) losses	(5,832)	7,739	(51,765)
Contributions from the employer	101	99	900
Benefits paid	(1,667)	(1,628)	(14,801)
Others	130	130	1,158
Balance at end of year	¥ 55,656	¥ 61,916	$ 493,935

(3) The changes in liability for employees' retirement benefits calculated by the simplified method for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 379	¥ 952	$ 3,368
Net periodic benefit cost	(611)	(519)	(5,429)
Benefits paid	(48)	(53)	(431)
Balance at end of year	¥ (280)	¥ 379	$ (2,493)

(4) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including that calculated by the simplified method (3) above

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 47,101	¥ 43,633	$ 418,006
Plan assets	(62,513)	(67,884)	(554,791)
Total	(15,412)	(24,250)	(136,784)
Unfunded defined benefit obligation	12,113	11,854	107,507
Net asset arising from defined benefit obligation	¥ (3,299)	¥ (12,396)	$ (29,277)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for employees' retirement benefits	¥ 12,476	¥ 11,854	$ 110,726
Asset for employees' retirement benefits	(15,775)	(24,250)	(140,004)
Net asset arising from defined benefit obligation	¥ (3,299)	¥ (12,396)	$ (29,277)

(5) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 2,025	¥ 1,935	$ 17,976
Interest cost	337	467	2,999
Expected return on plan assets	(1,009)	(902)	(8,955)
Recognized actuarial (gains) losses	(205)	509	(1,820)
Net periodic benefit costs calculated by the simplified method	(611)	(519)	(5,429)
Others	187	126	1,666
Net periodic benefit costs	¥ 725	¥ 1,617	$ 6,436

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial (gains) losses	¥ (9,951)	¥ 6,407	$ (88,318)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans, before adjusting for tax effects, as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial losses (gains)	¥ 5,873	¥ (4,078)	$ 52,124

(8) Plan assets

a. Components of plan assets

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

	2016	2015
Debt investments	25.10 %	22.84 %
Equity investments	39.89	52.96
General account assets of life insurance companies	25.11	20.78
Cash and cash equivalents	1.94	
Others	7.96	3.42
Total	100.00 %	100.00 %

Employee pension trusts for the years ended March 31, 2016 and 2015, are 27.85% and 33.76%, respectively, and are included in the total above.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which that are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rates	(0.1)%–0.2%	0.3%–0.8%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	10.0%	10.0%

15. EQUITY

The significant provisions in the Banking Law and the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

a Dividends

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

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

b Increases / Decreases and Transfer of Common Stock, Reserve, and Surplus

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

c Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends upon resolution by the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock upon resolution by the Board of Directors.

16. STOCK ACQUISITION RIGHTS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective periods. Stock-based compensation expenses were ¥75 million ($673 thousand) and ¥82 million for the years ended March 31, 2016 and 2015, respectively.

The stock options outstanding as of March 31, 2016, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	9 directors	105,700 shares	July 28, 2008	¥ 1 ($0.01)	From July 29, 2008, to July 28, 2033
2009 Stock Option	8 directors	135,900 shares	July 27, 2009	¥ 1 ($0.01)	From July 28, 2009, to July 27, 2034
2010 Stock Option	8 directors	150,000 shares	August 2, 2010	¥ 1 ($0.01)	From August 3, 2010, to August 2, 2035
2011 Stock Option	8 directors	150,000 shares	August 8, 2011	¥ 1 ($0.01)	From August 9, 2011, to August 8, 2036
2012 Stock Option	8 directors	150,000 shares	August 6, 2012	¥ 1 ($0.01)	From August 7, 2012, to August 6, 2037
2013 Stock Option	7 directors	129,300 shares	August 5, 2013	¥ 1 ($0.01)	From August 6, 2013, to August 5, 2038
2014 Stock Option	8 directors	133,800 shares	July 22, 2014	¥ 1 ($0.01)	From July 23, 2014, to July 22, 2039
2015 Stock Option	8 directors	78,900 shares	July 27, 2015	¥ 1 ($0.01)	From July 28, 2015, to July 27, 2040

The stock option activity is as follows:

	Stock Option							
	2008	2009	2010	2011	2012	2013	2014	2015
	(Shares)							
Year Ended March 31, 2015								
Nonvested								
March 31, 2014—Outstanding	31,500	61,700	67,800	119,600	119,600	129,300		
Granted							133,800	
Canceled								
Vested	10,300	20,200	22,200	22,700	22,700			
March 31, 2015—Outstanding	21,200	41,500	45,600	96,900	96,900	129,300	133,800	
Vested								
March 31, 2014—Outstanding								
Vested	10,300	20,200	22,200	22,700	22,700			
Exercised	10,300	20,200	22,200	22,700	22,700			
Canceled								
March 31, 2015—Outstanding								

	Stock Option							
	2008	2009	2010	2011	2012	2013	2014	2015
	(Shares)							
Year Ended March 31, 2016								
Nonvested								
March 31, 2015—Outstanding	21,200	41,500	45,600	96,900	96,900	129,300	133,800	
Granted								78,900
Canceled								
Vested				30,400	30,400	41,700	39,000	
March 31, 2016—Outstanding	21,200	41,500	45,600	66,500	66,500	87,600	94,800	78,900
Vested								
March 31, 2015—Outstanding								
Vested				30,400	30,400	41,700	39,000	
Exercised				30,400	30,400	41,700	39,000	
Canceled								
March 31, 2016—Outstanding								
Exercise price	¥1 ($0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)
Average stock price at exercise				¥975 ($ 8.65)	¥975 ($ 8.65)	¥975 ($8.65)	¥975 ($8.65)	
Fair value price at grant date	¥617 ($5.47)	¥512 ($ 4.54)	¥452 ($ 4.01)	¥374 ($ 3.31)	¥410 ($ 3.63)	¥602 ($ 5.34)	¥628 ($ 5.57)	¥927 ($ 8.22)

The Assumptions Used to Measure the Fair Value of the 2016 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	24.25%
Estimated remaining outstanding period:	8 months
Estimated dividend:	¥15 per share
Risk-free interest rate:	0.003%

17. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gains on foreign exchange transactions	¥ 753	¥ 827	$ 6,684
Gains on sales of bonds	17,516	6,574	155,457
Income on lease transaction and installment receivables	33,444	32,835	296,806
Other	824	1,059	7,320
Total	¥ 52,539	¥ 41,297	$ 466,269

18. OTHER INCOME

Other income for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gains on sales of equity securities	¥ 3,604	¥ 1,826	$ 31,984
Gains on money held in trust	6,261	13,563	55,566
Reversal of allowance for credit losses	5,162	3,769	45,819
Other	2,718	2,773	24,123
Total	¥ 17,746	¥ 21,932	$ 157,494

19. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loss on sales of bonds	¥ 11,249	¥ 1,229	$ 99,838
Loss on write-down of bonds		49	
Cost of lease transaction and installment receivables	29,785	29,049	264,338
Other	1,710	1	15,179
Total	¥ 42,745	¥ 30,330	$ 379,356

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Salaries and related expenses	¥ 25,660	¥ 25,834	$ 227,732
Other	35,208	37,877	312,462
Total	¥ 60,869	¥ 63,711	$ 540,194

21. OTHER EXPENSES

Other expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Write-off of loans	¥ 2	¥ 15	$ 23
Losses on sales of equity securities	1,593	213	14,138
Valuation losses on equity securities	37	39	328
Losses on money held in trust	6,100	13,315	54,135
Losses on sales of real estate	163	224	1,454
Impairment losses	225	62	1,999
Other	1,949	2,110	17,299
Total	¥ 10,071	¥ 15,982	$ 89,380

22. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of 31.94% and 35.26% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for credit losses	¥ 13,072	¥ 15,429	$ 116,015
Liability for employees' retirement benefits	3,772	1,443	33,476
Valuation difference on available-for-sale securities	941	329	8,359
Deferred losses on hedges	19,444	12,759	172,563
Valuation losses on equity securities	1,535	1,663	13,622
Depreciation	2,688	3,369	23,858
Accrued enterprise tax	519	684	4,608
Other	2,989	3,270	26,533
Less—valuation allowance	(2,856)	(3,010)	(25,350)
Total deferred tax assets	42,107	35,940	373,687
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	94,882	104,247	842,050
Gain on contribution of securities to employee retirement benefit trust	1,665	1,782	14,776
Deferred losses on hedges	391		3,471
Other	1,240	1,312	11,005
Total deferred tax liabilities	98,178	107,342	871,303
Net deferred tax liabilities	¥ (56,071)	¥ (71,402)	$ (497,616)

A reconciliation between the normal effective statutory tax rates and the actual effective rates is not presented for the year ended March 31, 2016, because the difference was immaterial (less than 5% of the normal statutory tax rate). The reconciliation for the year ended March 31, 2015, is as follows:

	2015
Normal effective statutory tax rate	35.26 %
Effect of changes in statutory tax rate	3.99
Permanent differences including dividends received deduction	(1.93)
Changes in valuation allowance	(0.67)
Permanent differences including entertainment expenses	0.32
Inhabitant taxes	0.16
Other—net	0.21
Actual effective tax rate	37.35 %

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate from the existing 31.94% for the fiscal years beginning on April 1, 2016 and 2017, to 30.57% and for the fiscal year beginning on or after April 1, 2018, to 30.34%. As a result of these changes, deferred tax assets have decreased by ¥51 million ($458 thousand), deferred tax liabilities have decreased by ¥3,150 million ($27,963 thousand), valuation difference on available-for-sale securities have increased by ¥4,932 million ($43,773 thousand), and income taxes—deferred have increased by ¥754 million ($6,691 thousand).

23. BUSINESS COMBINATION

Year Ended March 31, 2016

On October 27, 2015, which was the effective date, a stock exchange was conducted between The Hachijuni Bank, Ltd. and Hachijuni Credit Guarantee Co., Ltd ("Hachijuni Credit Guarantee"). As a result of the stock exchange, Hachijuni Credit Guarantee became a wholly owned subsidiary and The Hachijuni Bank, Ltd. became the wholly owning parent company.

(Transaction under Common Control)

a. *Outline of the business combination*

(1) Name of acquired company and its business outline
Name of the acquired company: Hachijuni Credit Guarantee.
Business outline: Credit guarantee industry

(2) Major reason for the business combination
The objective of the combination was to enhance the effectiveness and efficiency of management. Through the stock exchange, Hachijuni Credit Guarantee became a wholly owned subsidiary of the Hachijuni Bank, Ltd.

(3) Date of business combination
October 27, 2015

(4) Legal form of business combination
Stock exchange in which Hachijuni Credit Guarantee became a wholly owned subsidiary and The Hachijuni Bank, Ltd. became the wholly owning parent company

(5) Name of the company after the combination
No change

b. *Outline of the accounting method*
The operations for Hachijuni Credit Guarantee are included in the consolidated statement of income for the year ended March 31, 2016, as the transaction under common control.

c. *Acquisition cost of the acquired company and related details of each class of consideration*

(1) Acquisition cost

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition —Treasury stock	¥ 7,751	$ 68,793
Acquisition-related costs	5	50
Acquisition cost	¥ 7,757	$ 68,844

(2) Exchange ratio by type of stock
The Hachijuni Bank, Ltd. — 16,200
Hachijuni Credit Guarantee — 1

(3) Calculation basis of stock exchange ratio
The Hachijuni Bank, Ltd. selected KPMG FAS, Ltd. as its independent calculation agents for calculating the stock exchange ratio. As a result of the transaction parties engaging in prudent negotiation and deliberation, based on the report, the stock exchange ratio stated in (2) above was judged to be appropriate, and the parties agreed to and decided on this ratio.

(4) Number of issued shares
9,234 thousand shares

d. *Changes in equity interest by the transaction with noncontrolling interests*

(1) Reason for change in capital surplus
Additional acquisition of subsidiary shares

(2) Amount of capital surplus increased by the transaction with noncontrolling interests
¥1,153 million ($10,240 thousand)

24. LEASES

Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥ 59,799	¥ 58,407	$ 530,699
Estimated residual values	5,162	4,655	45,811
Estimated maintenance cost	(1,423)	(1,429)	(12,635)
Unearned interest income	(4,209)	(4,313)	(37,358)
Investments in leases	¥ 59,327	¥ 57,319	$ 526,516

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2016	2015	2016
Due in 1 year or less	¥ 1,547	¥ 1,266	$ 13,734
Due from 1 to 2 years	1,266	1,104	11,239
Due from 2 to 3 years	835	842	7,417
Due from 3 to 4 years	445	537	3,954
Due from 4 to 5 years	226	276	2,012
Due after 5 years	387	480	3,438
Total	¥ 4,709	¥ 4,507	$ 41,797

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2016	2015	2016
Due in 1 year or less	¥ 18,475	¥ 18,231	$ 163,961
Due from 1 to 2 years	14,758	14,683	130,972
Due from 2 to 3 years	11,387	10,954	101,056
Due from 3 to 4 years	7,736	7,615	68,658
Due from 4 to 5 years	4,484	4,043	39,794
Due after 5 years	2,958	2,878	26,256
Total	¥ 59,799	¥ 58,407	$ 530,699

The minimum rental commitments under noncancelable operating leases as of March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within 1 year	¥ 2,841	¥ 2,638	$ 25,220
Due after 1 year	3,475	3,101	30,841
Total	¥ 6,317	¥ 5,740	$ 56,061

25. RELATED-PARTY TRANSACTIONS

Related-party transactions for the fiscal years ended March 31, 2016 and 2015, are as follows:

2016

Related Party	Category	Description of the Transaction	Amounts of Transactions		Balance at End of the Year	
			Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts) ¥ 17	$ 153	¥ 16	$ 147

2015

Related Party	Category	Description of the Transaction	Amounts of Transactions	Balance at End of the Year
			Millions of Yen	Millions of Yen
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts) ¥ 18	¥ 18

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short term and the long term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management ("ALM") to avoid negative effects of interest movements. In managing interest rate movements, the Bank utilizes derivatives.

The Bank and certain consolidated subsidiaries also hold securities for sale to customers.

(2) Nature and Extent of Risks Arising from Financial Instruments

(a) Loans

The Bank provides loans mainly to domestic customers, but does not focus on specific groups of companies. These loans are exposed to credit risk in the case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Bank's main business area, is approximately 50%. As such, the Bank's credit risk is likely to deteriorate if there are negative changes in the economy in Nagano Prefecture.

(b) Securities

Securities are mainly bonds, stocks, investment trusts, and corporate investment funds. These securities are classified into categories, such as (1) securities held to maturity, (2) securities available for sale, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk, and liquidity risk.

(c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk, and liquidity risk.

(d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments to hedge the Bank's portfolio under ALM and to enhance the Bank's profit. Derivatives include interest rate swaps, interest cap transactions, and currency exchange swaps. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

(3) Risk Management for Financial Instruments

(a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating, and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the head office. These two sections monitor and check each other. Every loan from the business branches is examined in many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

(b) Market risk management (interest rate risk, foreign exchange risk, and market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering the market and the Bank's conditions, the Bank updates its Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the management committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding, and limit of valuation losses, as necessary. It also defines the threshold that should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits, as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk ("VaR") for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivative transactions under ALM.

Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management Policy.

Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Certain consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion, including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values, and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments. For calculating VaR, the historical simulation method (confidence interval of 99.9%; observation period of 1,250 days; and holding period of 10 days for Bank's trading business, 240 days for Bank's banking business, and 120 days for others) has been adopted.

The VaRs in the Bank's trading business are ¥167 million ($1,483 thousand) and ¥64 million and the VaRs in the Bank's banking business are ¥195,852 million ($1,738,127 thousand) and ¥223,808 million as of March 31, 2016 and 2015, respectively.

The Bank conducts backtesting to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model that the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risk cannot be captured in situations when market conditions change dramatically beyond what has been experienced historically.

(c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long term and short term under ALM.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 27 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥ 439,755	¥ 439,755	
Securities:			
Held to maturity	3,200	3,210	¥ 10
Available for sale	2,654,858	2,654,858	
Loans and bills discounted	4,635,402		
Allowance for credit losses	(43,218)		
Subtotal	4,592,184	4,662,295	70,110
Total	¥7,689,999	¥7,760,119	¥ 70,120
Deposits	¥6,229,088	¥6,229,537	¥ (449)
Negotiable certificates of deposits	536,769	536,779	(9)
Call money and bills sold	125,103	125,103	
Payables under securities lending transactions	228,597	228,597	
Borrowed money	87,066	87,073	(6)
Total	¥7,206,626	¥7,207,091	¥ (464)
Derivative transactions:			
Hedge accounting not applied	¥ 540	¥ 540	
Hedge accounting applied	(63,969)	(63,969)	
Total	¥ (63,428)	¥ (63,428)	
March 31, 2015			
Cash and due from banks	¥ 339,266	¥ 339,266	
Securities:			
Held to maturity	5,452	5,461	¥ 9
Available for sale	2,711,727	2,711,727	
Loans and bills discounted	4,506,883		
Allowance for credit losses	(49,748)		
Subtotal	4,457,135	4,505,680	48,545
Total	¥7,513,582	¥7,562,137	¥ 48,554
Deposits	¥6,237,343	¥6,237,654	¥ (311)
Negotiable certificates of deposits	453,618	453,618	
Payables under securities lending transactions	248,563	248,563	
Borrowed money	88,024	88,030	(6)
Total	¥7,027,550	¥7,027,867	¥ (317)
Derivative transactions:			
Hedge accounting not applied	¥ 546	¥ 546	
Hedge accounting applied	(40,933)	(40,933)	
Total	¥ (40,386)	¥ (40,386)	

	Thousands of U.S.Dollars		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	$ 3,902,696	$ 3,902,696	
Securities:			
Held to maturity	28,402	28,493	$ 91
Available for sale	23,561,041	23,561,041	
Loans and bills discounted	41,137,760		
Allowance for credit losses	(383,546)		
Subtotal	40,754,214	41,376,420	622,206
Total	$68,246,354	$68,868,652	$ 622,297
Deposits	$55,281,225	$55,285,210	$ (3,985)
Negotiable certificates of deposits	4,763,666	4,763,750	(84)
Call money and bills sold	1,110,254	1,110,254	
Payables under securities lending transactions	2,028,733	2,028,733	
Borrowed money	772,692	772,749	(56)
Total	$63,956,572	$63,960,698	$ (4,126)
Derivative transactions:			
Hedge accounting not applied	$ 4,798	$ 4,798	
Hedge accounting applied	(567,705)	(567,705)	
Total	$ (562,906)	$ (562,906)	

Cash and Due from Banks

Fair values of cash and due from banks that have no maturity dates are approximately equivalent to book values.

Regarding due from banks with maturity dates, the fair values of products with short maturities (less than one year) are equivalent to the book values.

Securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed in public.

Fair values of private placement bonds with guarantees are measured at the total amounts of the principal and interest discounted at market rates, plus spreads. The spreads are defined in internal guidelines.

Information relating to securities for holding purpose is included in Note 6.

Loans

Because floating-rate loans are immediately affected by the movement of interest rates, the fair values of these loans are equivalent to book values in cases where the credit risk of debtors has not totally changed from the execution of the loans.

For fixed-rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines.

For fixed-rate loans other than business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The fair values of fixed-rate loans other than business funds with short maturity (less than one year) are equivalent to the book values.

For loans to debtors who are legally bankrupt, virtually bankrupt, and possibly bankrupt, a reserve for possible loan losses calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the book values at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The fair values of such loans are assumed to be equivalent to the book values because of the loans' period and conditions.

Deposits and Negotiable Certificates of Deposits

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the consolidated balance sheet date (book values). For time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

Payables under Securities Lending Transactions

Fair value of payables under securities lending transactions whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

Borrowed Money

Because floating-rate borrowed money is immediately affected by the movement of interest rates, the fair value of this borrowed money is equivalent to book value in cases where the credit risk of consolidated subsidiaries has not totally changed from when the money was borrowed.

The fair value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowings. The fair value of borrowed money whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

Derivatives

Information on the fair value of derivatives is included in Note 27.

(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
March 31	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥ 21,103	¥ 20,280	$ 187,285

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2016	Millions of Yen Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	¥ 353,882	¥ 500				
Securities	157,967	358,755	¥ 446,820	¥ 144,368	¥ 254,360	¥ 651,526
Held to maturity	3,000	100			100	
National government bonds	3,000	100			100	
Available for sale	154,967	358,655	446,820	144,368	254,260	651,526
National government bonds	66,000	227,300	226,400	53,100	95,400	537,000
Local government bonds	2,901	26,294	18,633	13,318	69,580	
Corporate bonds	16,615	32,881	101,899	33,780	16,416	73,913
Loans and bills discounted	832,807	964,944	755,199	416,835	403,656	616,203
Total	¥ 1,344,657	¥ 1,324,199	¥ 1,202,020	¥ 561,204	¥ 658,016	¥ 1,267,730
March 31, 2015						
Due from banks	¥ 247,428					
Securities	226,355	¥ 296,266	¥ 443,825	¥ 375,641	¥ 204,503	¥ 555,451
Held to maturity	2,250	3,000	100		100	
National government bonds	2,250	3,000	100		100	
Available for sale	224,105	293,266	443,725	375,641	204,403	555,451
National government bonds	113,000	170,500	232,500	205,100	94,000	501,500
Local government bonds	4,951	14,083	23,290	15,806	20,957	
Corporate bonds	19,234	22,922	43,320	98,949	22,164	39,624
Loans and bills discounted	810,347	968,072	716,743	400,094	382,775	580,854
Total	¥ 1,284,131	¥ 1,264,338	¥ 1,160,568	¥ 777,735	¥ 587,279	¥ 1,136,305

March 31, 2016	Thousands of U.S. Dollars Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	$ 3,140,596	$ 4,437				
Securities	1,401,914	3,183,846	$ 3,965,393	$ 1,281,225	$ 2,257,370	$ 5,782,095
Held to maturity	26,624	887			887	
National government bonds	26,624	887			887	
Available for sale	1,375,290	3,182,959	3,965,393	1,281,225	2,256,483	5,782,095
National government bonds	585,729	2,017,216	2,009,229	471,246	846,645	4,765,708
Local government bonds	25,748	233,358	165,362	118,193	617,500	
Corporate bonds	147,460	291,810	904,326	299,792	145,686	655,959
Loans and bills discounted	7,390,906	8,563,578	6,702,163	3,699,286	3,582,323	5,468,618
Total	$ 11,933,418	$ 11,751,862	$ 10,667,557	$ 4,980,511	$ 5,839,694	$ 11,250,714

(6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2016	Millions of Yen Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 5,403,071	¥ 779,932	¥ 32,754	¥ 5,746	¥ 7,583	
Negotiable certificates of deposits	536,207	562				
Call money and bills sold	125,103					
Payables under securities lending transactions	228,597					
Borrowed money	86,422	397	225	13	7	
Total	¥ 6,379,402	¥ 780,892	¥ 32,980	¥ 5,760	¥ 7,591	
March 31, 2015						
Deposits	¥ 5,419,570	¥ 769,939	¥ 34,741	¥ 5,824	¥ 7,266	
Negotiable certificates of deposits	451,418	2,200				
Payables under securities lending transactions	248,563					
Borrowed money	86,528	1,232	241	13	8	
Total	¥ 6,206,080	¥ 773,372	¥ 34,983	¥ 5,838	¥ 7,275	

March 31, 2016	Thousands of U.S.Dollars Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	$ 47,950,579	$ 6,921,658	$ 290,686	$ 51,000	$ 67,300	
Negotiable certificates of deposits	4,758,674	4,991				
Call money and bills sold	1,110,254					
Payables under securities lending transactions	2,028,733					
Borrowed money	766,970	3,528	2,002	123	67	
Total	$ 56,615,212	$ 6,930,179	$ 292,688	$ 51,123	$ 67,367	

27. DERIVATIVES

Derivatives that the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate futures, forward rate agreements, interest rate swaps, and interest rate options
Currency-related transactions:	Currency swaps, currency futures, currency options, and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures, bond future options, and over-the-counter bond options
Others:	Credit derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers to maximize the profit of their own trading account and to manage the potential risks in their own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates, or prices of bonds.

Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values, and market risks are reported periodically to the responsible executive officers and the ALM Committee, where evaluations and analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2016

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions								
Listed—Interest-rate futures:								
Selling	¥ 2,500				$ 22,187		$ 1	$ 1
Buying								
Over the counter—interest rate swaps:								
Receipt fixed—payments floating	85,394	¥ 71,176	¥ 1,943	¥ 1,943	757,850	$ 631,672	17,245	17,245
Receipt floating—payments fixed	84,041	69,874	(1,476)	(1,476)	745,839	620,116	(13,101)	(13,101)
Receipt floating—payments floating	2,800	2,800	2	2	24,849	24,849	20	20
Over the counter—interest rate options:								
Selling	88	84		8	789	752		78
Buying	88	84		(6)	789	752		(59)
Currency-Related Transactions								
Over the counter—currency swaps	60	60	1	1	532	532	9	9
Over the counter—currency futures:								
Selling	22,237	298	761	761	197,348	2,650	6,760	6,760
Buying	25,565		(754)	(754)	226,887		(6,699)	(6,699)
Over the counter—currency options:								
Selling	16,494	10,436	(878)	536	146,384	92,623	(7,794)	4,758
Buying	16,494	10,436	878	(81)	164,384	92,623	7,796	(723)
Foreign exchange swaps	563				5,000			
Stock-Related Transactions								
Listed—Stock index options:								
Selling	357			2	3,172			21
Buying	155			(2)	1,375		1	(22)
Bond-Related Transactions								
Listed—bond futures:								
Selling	28,950		(30)	22	256,922		(268)	200
Buying	22,705		93	25	201,499		828	224

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2016

		Millions of Yen			Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions							
Interest rate swaps:	Loans and bills discounted,						
Receipt fixed—payments floating	available-for-sale securities,	¥ 285,000	¥ 285,000	¥ 2,785	$ 2,529,286	$2,529,286	$ 24,719
Receipt floating—payments fixed	and other financial assets	696,211	696,211	(67,988)	6,178,664	6,178,664	(603,375)
Currency-Related Transactions							
Currency swaps	Foreign currency loans	28,782	9,626	695	255,433	85,433	6,173
Foreign exchange swaps	and deposits	108,729		538	964,944		4,777

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt floating—payments fixed	Loans and borrowed money	¥ 24,438	¥ 19,251	

		Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt floating—payments fixed	Loans and borrowed money	$ 216,884	$ 170,848	

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2015

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions				
Over the counter-interest rate swaps:				
Receipt fixed—payments floating	¥ 110,139	¥ 87,989	¥ 1,489	¥ 1,489
Receipt floating—payments fixed	107,096	85,308	(935)	(935)
Receipt floating—payments floating	1,800	1,800		
Over the counter-interest rate options:				
Selling	127	127		12
Buying	127	127		(9)
Currency-Related Transactions				
Over the counter—currency swaps	95	95	(1)	(1)
Over the counter—currency futures:				
Selling	28,240	1,536	(511)	(511)
Buying	31,447	1,141	513	513
Over the counter—currency options:				
Selling	22,987	12,238	(1,234)	708
Buying	22,987	12,238	1,234	(93)
Foreign exchange swaps	1,682			
Bond-Related Transactions				
Listed—bond futures:				
Selling	2,521		(9)	(9)
Buying	1,011			

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2015

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥ 265,000	¥ 265,000	¥ 938
Receipt floating—payments fixed		433,069	432,527	(40,719)
Currency-Related Transactions				
Currency swaps	Foreign currency loans and deposits	¥ 14,420	¥ 14,420	¥ (943)
Foreign exchange swaps		29,115		(208)

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt floating—payments fixed	Loans and borrowed money	¥ 29,745	¥ 23,544	

28. LOAN COMMITMENTS

The Bank and its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,430,416 million ($12,694,505 thousand) and ¥1,414,898 million as of March 31, 2016 and 2015, respectively.

As a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

29. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ 1,540	¥ 123,445	$ 13,667
Reclassification adjustments to profit or loss	(17,957)	(6,768)	(159,364)
Amount before income tax effect	(16,417)	116,676	(145,697)
Income tax effect	9,977	(30,159)	88,544
Subtotal	(6,439)	86,517	(57,152)
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	(37,858)	(29,080)	(335,985)
Reclassification adjustments to profit or loss	14,994	5,123	133,068
Amount before income tax effect	(22,864)	(23,957)	(202,917)
Income tax effect	6,294	7,125	55,859
Subtotal	(16,570)	(16,831)	(147,058)
Foreign currency translation adjustments:			
Adjustments arising during the year			
Reclassification adjustments to profit or loss		413	
Amount before income tax effect		413	
Subtotal		413	
Defined retirement benefit plans:			
Adjustments arising during the year	(9,746)	5,898	(86,498)
Reclassification adjustments to profit or loss	(205)	509	(1,820)
Amount before income tax effect	(9,951)	6,407	(88,318)
Income tax effect	3,078	(2,139)	27,320
Subtotal	(6,873)	4,267	(60,998)
Total other comprehensive (loss) income	¥ (29,883)	¥ 74,366	$(265,208)

30. PER SHARE DATA

(1)Basic net EPS for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net Income	Weighted-Average Shares	EPS	
Basic EPS—net income available to common shareholders	¥ 30,171	504,065	¥ 59.85	$ 0.53
Effect of dilutive—stock acquisition rights		509		
Diluted EPS—net income for computation	¥ 30,171	504,575	¥ 59.79	$ 0.53
Year Ended March 31, 2015				
Basic EPS—net income available to common shareholders	¥ 27,185	502,515	¥ 54.09	
Effect of dilutive—stock acquisition rights		557		
Diluted EPS—net income for computation	¥ 27,185	503,072	¥ 54.03	

(2)Net assets per share for the years ended March 31, 2016 and 2015, were as follows:

	Yen		U.S. Dollars
	2016	2015	2016
Net assets per share	¥ 1,305.83	¥ 1,320.38	$ 11.58

The net assets per share figure is calculated on the basis of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net assets	¥ 686,158	¥ 692,208	$ 6,089,440
Less subscription rights to shares	274	271	2,433
Noncontrolling interests	24,231	29,964	215,050
Net assets attributable to common stockholders	¥ 661,651	¥ 661,972	$ 5,871,955

	Thousands of Number of Shares	
	2016	2015
Number of common stock at fiscal year-end used for calculation of net assets per share	506,687	501,349

31. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2016, will be approved at the Bank's shareholders' meeting to be held on June 24, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.00 ($0.07) per share	¥ 4,560	$ 40,470

32. SEGMENT INFORMATION

Under ASBJ Statement No.17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the banking and leasing segments. Banking consists of banking and credit card business. Leasing consists of leasing business.

(2) Methods of Measurement for Sales, Profit (Loss), Assets, Liabilities, and Other Items

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Ordinary Income, Profit, Assets, Liabilities, and Other Items

	Millions of Yen						
	2016						
	Reportable Segment					Recon-	Consoli-
	Banking	Leasing	Total	Other	Total	ciliations	dated
Ordinary income:							
Outside customers	¥ 143,806	¥ 33,947	¥ 177,753	¥ 3,449	¥ 181,203		¥ 181,203
Intersegment	1,196	862	2,058	69	2,127	¥ (2,127)	
Total	¥ 145,002	¥ 34,809	¥ 179,812	¥ 3,519	¥ 183,331	¥ (2,127)	¥ 181,203
Segment profit	¥ 45,075	¥ 3,299	¥ 48,375	¥ 671	¥ 49,047	¥ (23)	¥ 49,023
Segment assets	8,121,171	92,391	8,213,562	15,493	8,229,056	(56,547)	8,172,508
Segment liabilities	7,468,512	63,541	7,532,053	7,765	7,539,819	(53,468)	7,486,350
Other:							
Depreciation	3,932	1,595	5,527	31	5,558		5,558
Interest income	87,406	91	87,497	127	87,624	(237)	87,387
Interest expense	12,073	309	12,382	33	12,415	(237)	12,178
Income taxes	15,507	963	16,471	190	16,662	(6)	16,656
Increase in property, plant, and equipment and intangible assets	4,347	3,219	7,567	31	7,599		7,599

	Millions of Yen						
	2015						
	Reportable Segment					Recon-	Consoli-
	Banking	Leasing	Total	Other	Total	ciliations	dated
Ordinary income:							
Outside customers	¥ 137,062	¥ 33,155	¥ 170,218	¥ 3,457	¥ 173,675		¥ 173,675
Intersegment	1,065	828	1,893	27	1,920	¥ (1,920)	
Total	¥ 138,127	¥ 33,983	¥ 172,111	¥ 3,484	¥ 175,596	¥ (1,920)	¥ 173,675
Segment profit	¥ 43,732	¥ 3,274	¥ 47,007	¥ 863	¥ 47,870		¥ 47,870
Segment assets	7,964,296	93,024	8,057,321	18,730	8,076,052	¥(61,767)	8,014,284
Segment liabilities	7,302,401	67,283	7,369,685	11,092	7,380,778	(58,702)	7,322,076
Other:							
Depreciation	4,069	1,550	5,619	34	5,653		5,653
Interest income	86,702	73	86,776	164	86,940	(257)	86,682
Interest expense	9,953	328	10,281	36	10,318	(257)	10,060
Income taxes	16,474	1,073	17,548	100	17,648	(3)	17,645
Increase in property, plant, and equipment and intangible assets	4,832	2,996	7,829	32	7,861		7,861

	Thousands of U.S. Dollars						
	2016						
	Reportable Segment					Recon-	Consoli-
	Banking	Leasing	Total	Other	Total	ciliations	dated
Ordinary income:							
Outside customers	$1,276,237	$ 301,273	$1,577,510	$ 30,615	$1,608,126		$ 1,608,126
Intersegment	10,618	7,650	18,268	615	18,884	$ (18,884)	
Total	$1,286,855	$ 308,923	$1,595,779	$ 31,230	$1,627,010	$ (18,884)	$ 1,608,126
Segment profit	$ 400,034	$ 29,283	$ 429,317	$ 5,959	$ 435,276	$ (212)	$ 435,064
Segment assets	72,072,871	819,948	72,892,820	137,496	73,030,316	(501,841)	72,528,475
Segment liabilities	66,280,725	563,912	66,844,638	68,914	66,913,553	(474,518)	66,439,035
Other:							
Depreciation	34,898	14,156	49,054	279	49,334		49,334
Interest income	775,701	812	776,513	1,127	777,641	(2,107)	775,533
Interest expense	107,148	2,744	109,892	294	110,187	(2,107)	108,079
Income taxes	137,628	8,553	146,181	1,693	147,874	(57)	147,817
Increase in property, plant, and equipment and intangible assets	38,585	28,575	67,161	279	67,440		67,440

(4) Information about Services

	Millions of Yen				
	2016				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 52,160	¥ 65,714	¥ 33,947	¥ 29,381	¥ 181,203

	Millions of Yen				
	2015				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 54,583	¥ 59,054	¥ 33,155	¥ 26,881	¥ 173,675

	Thousands of U.S. Dollars				
	2016				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	$ 462,905	$583,192	$301,273	$260,755	$1,608,126

(5) Information about Geographical Areas

a. Ordinary income

This information is not disclosed as the domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income.

b. Tangible fixed assets

This information is not disclosed as the domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet.

(6) Information about Major Customers

This information is not disclosed as ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statement of income.

THE HACHIJUNI BANK, LTD.
178-8, Okada, Nagano-city 380-8682, Japan
Phone:(026)227-1182
http://www.82bank.co.jp/

VEGETABLE OIL INK
This brochure been produced using vegetable oil ink.
FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C008865